

September 2020 Audit Committee Meeting

Schedule	Wednesday, August 26, 2020 9:00 AM — 11:00 AM CDT
Venue	Zoom Video Conference
Organizer	Sparkle Burns

Agenda

1. Call to Order and Opening Remarks Presented by Susan Springfield	1
2. Roll Call and Declaration of Quorum Presented by Susan Springfield and Melanie Murry	2
3. Approval of Meetings Minutes for March 4, 2020 For Approval - Presented by Susan Springfield	3
 March 2020 Audit Minutes Final.docx	4
4. Summary of Audit Reports Issued Presentation - Presented by Vicki Deaton	11
 1 Agenda Item-Summary of Audit Reports Issued.docx	12
 Summary of Audit Reports Issued.pptx	13
 2 Audit Report Summary.xlsx	23
 3 UOM-IAR-Student AR Review 8.24.20.pdf	24
5. Summary of Fraud, Waste, Abuse Reports Received Presentation - Presented by Vicki Deaton	36
 1 Agenda Item-Summary of FWA Reports Recieved.docx	37
 Summary of FWA Reports Received.pptx	38
 2 Summary of FWA Reports Received.xlsx	42

6. FY2020 Internal Audit Year End Report	43
Presentation - Presented by Vicki Deaton	
 1 Agenda Item-Internal Audit Year End Report FY2020.docx	44
 Internal Audit Year End Report.pptx	45
 2 Internal Audit Year End Report FY2020.pdf	51
<hr/>	
7. Annual Review of Audit Committee Charter	58
Presentation - Presented by Vicki Deaton	
 1 Agenda Item-Audit Committee Charter.docx	59
 Annual Review of Audit Committee Charter.pptx	60
 2 audit_committee_charter.6.5.19.pdf	63
<hr/>	
8. Update on Business Continuity Planning	66
Presentation - Presented by Raajkumar Kurapati	
 Agenda Item - Business Continuity - Informational.docx	67
 Business Continuity Planning Update - Sept 2020 BOT Update.pptx	68
<hr/>	
9. Information Security Program Update	72
Presentation - Presented by Robert Jackson	
 Agenda Item - Information Security Program Update.docx	73
 Information Security Program Update.pptx	74
<hr/>	
10. Complaint Triage Team	81
For Discussion - Presented by Tiffany Cox	
 Agenda Item - Complaint Triage Team - Discussion.docx	82
 Hotline Report & Complaint Triage Team.docx	83
<hr/>	
11. Additional Business	84
Presented by Susan Springfield	
<hr/>	
12. Adjournment	85
Presented by Susan Springfield	
<hr/>	

1. Call to Order and Opening Remarks

Presented by Susan Springfield

2. Roll Call and Declaration of Quorum

Presented by Susan Springfield and Melanie
Murry

3. Approval of Meetings Minutes for March 4, 2020

For Approval

Presented by Susan Springfield

THE UNIVERSITY OF MEMPHIS
BOARD OF TRUSTEES

MINUTES OF THE AUDIT COMMITTEE
March 4, 2020
Memphis, TN

The Audit Committee of the University of Memphis Board of Trustees met at 11:00 a.m. CST, on Wednesday, March 4, 2020, on the University of Memphis campus in Memphis, TN.

I. CALL TO ORDER

Trustee Susan Springfield called the meeting to order.

II. ROLL CALL AND DECLARATION OF QUORUM

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

Trustee Edwards*
Trustee Graf*
Trustee Johnson*
Trustee Roberts*
Trustee Springfield*
Trustee Agnew

Trustee Kemme was also present.

*Voting members

Secretary Murry announced the presence of a quorum.

III. AUDIT COMMITTEE LEADERSHIP

Trustee Springfield recognized Trustee Roberts to address Audit Committee Leadership. Trustee Roberts expressed her gratitude in serving as chair of the Audit Committee for the last three years. Trustee Roberts recommended that Trustee Springfield become the new Chair of the Audit Committee with Trustee Edwards as the Vice-Chair. The motion was made by Trustee Roberts and properly seconded. A voice vote was taken and unanimously approved.

IV. APPROVAL OF MINUTES FROM DECEMBER 4, 2019

Trustee Springfield called for a motion to approve the December 4, 2019 Audit Committee meeting minutes that were included in the meeting materials. The motion was made by Trustee Graf and properly seconded. A voice vote was taken and was unanimously approved.

V. FY20 RISK ASSESSMENT

Trustee Springfield recognized Chief Financial Officer (CFO) Raajkumar Kurapati to discuss the Annual Risk Assessment. Mr. Kurapati informed the committee that the Risk Assessment is a living and breathing document even though a footprint has been adopted. The Risk Assessment provides the framework for the University to identify potential threats. The University conducts this assessment to identify what risk there are and make sure there is a good structure in place. The University follows the Crawford model like many other State Higher Education Institutions. The three levels of risk are identified as red being high, yellow being medium, and green being low. The risk may move up and down depending on how that particular risk becomes prominent or less prominent. Faculty were engaged more this year and the engagement received was remarkable and welcomed. The Coronavirus is not addressed; however, a Crisis Management Plan has been drafted that has an area that addresses pandemic issues. Mr. Kurapati mentioned that Dr. Rudd has appointed a high-level committee that is going to manage the drawing of expertise on campus, including the School of Public Health that will engage faculty that have experience with dealing with pandemics.

Trustee Roberts inquired about natural disasters and acts of God. Mr. Kurapati confirmed that is a part of the Crisis Management Plan. Mr. Kurapati also stated that the Business Continuity plan will be discussed and thinks that merging the Business Continuity Plan and the Crisis Management Plan should be considered because these plans intersect with one another. By merging the two plans there can be one document and one effort that guides the University.

Dr. Rudd commented that efforts were made to present the plan broadly to the campus community which proved helpful as there was an improved understanding of how the University operates that ultimately leads to better productivity as a University for there is a better understanding of risks.

Dr. Nemon commented that widespread collaboration was vital one can't know everything that is happening and having front line faculty participate is a good exercise and allows them to understand how the University works through the challenges.

Mr. Kurapati offered to answer questions from the Board. Trustee Springfield expressed appreciation for the process and referred to the point Dr. Nemon made, which is that it is everyone's responsibility to think about risk and to point out any potential risk they see. Trustee Springfield reiterated that it is important that people are engaged and know how to surface issues.

Trustee Springfield asked if there was any further discussion, and none was provided. Trustee Springfield called for a motion. The motion was made by Trustee Johnson, and properly seconded. A voice vote was taken and was unanimously approved.

VI. 2019 ANNUAL FINANCIAL REPORT AND INTERNAL CONTRL AUDIT STATUS

Trustee Springfield recognized Chief Financial Officer (CFO) Raajkumar Kurapati to discuss the Annual Financial Report and Internal Control Audit Status. The audit conducted was the A-133 Audit, which covers review of finance statements, compliance, and review of compliance with federal financial assistance. The University is working with the State Audit to respond to any questions at it pertains to the audit.

The University's total assets is \$75 million. The University was able to work closely with the State Auditor's office, Attorney General's office, and other entities to bring on to the University's books an additional 26 million dollars. There is \$45 million in the immediate cash needs to fund payroll and other obligations. Trustee Edwards asked for clarification in the sales and services category. Mr. Kurapati explained that it included the dining revenues and athletics ticket sales. Dr. Rudd also commented that he assumed that this was a part of the advanced payment received from the new contract for dining. The operating expenses were consistent with last year's operating expenses.

Mr. Kurapati offered to answer any questions. Trustee Springfield called for discussion; none was provided. This item required no action.

VII. SUMMARY OF AUDIT REPORTS ISSUED

Trustee Springfield recognized Chief Audit Executive, Vicki Deaton. Ms. Deaton presented the Summary of Audit Reports Issued. A Business Continuity Plan Program Assessment report was issued in January. The report opinion was insufficient and requires improvement. The Business Continuity Plan is the University's proactive risk management approach. The plan requires the business units have a plan and for it to be a part of every unit's basic health and safety responsibility. The goal of the assessment was to assess where the University stood in the program and provide best practices and information to management. The issues found were due to turn over and disbanding of the Business Continuity Planning committee.

A recommendation was made that University management should establish a new committee and work with risk management to identify and promote the University's official strategy to determine the business units that need to have those plans. A follow-up has not been conducted yet because the management action plan dates are in the future. Dr. Rudd requested that Mr. Kurapati give a status update since the follow-up had not been conducted. Ms. Deaton referred to Mr. Kurapati to present the status of the Business Continuity Planning Program.

VIII. BUSINESS CONTINUTY PLANNING

Mr. Kurapati presented the status of the Business Continuity Planning Program. Business Continuity plays a major role in our risk assessment. Dr Rudd has appointed a new Business

Continuity Committee that has been reconstituted and will include key leadership across campus. The University has new business continuity software and Sam Cox has been working closely with this project and three people will be sent for training. Funding is available for a Compliance Coordinator position, which has been elevated to a Director position that will report to Mr. Kurapati. The person in the Director of Compliance position will coordinate business continuity planning, Clery Act responses, and crisis management. The position is currently in the recruitment stage.

The planning committee will look at business analyses, recovery strategies, plan development, and conduct annual testing. Mr. Kurapati provided that the Business Continuity Plan should be regularly reviewed and updated. Mr. Kurapati explained that The Business Continuity Planning timeline is February through June for some actions, and June 2020 through June 2021 for a more formalized document to be completed.

Trustee Roberts commented that the actions taken seem elevated and handled appropriately. Trustee Springfield asked for clarification on the Compliance position. Mr. Kurapati explained that the position was originally a Coordinator position but has been elevated to Director level.

Trustee Springfield called for discussion; none was provided.

IX. SUMMARY OF FRAUD, WASTE, OR ABUSE REPORTS

Trustee Springfield recognized Ms. Vicki Deaton. Ms. Deaton presented the Summary of Fraud, Waste, or Abuse Reports. This report is received every quarter. The current report showed what was received since the last meeting, a referral and two open investigations. When Internal Audit submitted the materials there were two investigations open. As of the day of the meeting, there are now five open investigations.

X. AUDIT ISSUE FOLLOW-UP

Ms. Deaton presented the Audit Issue Follow-up. During this quarter, the completion of action plans were for audits.

The Admissions Operations Audit had five issues and those action plans have been completed. The Lambuth Campus Financial and Compliance Audit had several issues. Four issues have been completed and two issues are still open. The Internal Audit is working with management to find out the status of each issue. The two open audit issues are being labeled as partially complete. The Internal Audit will check on the progress of these issues to make sure everything gets completed.

The Animal Care Program was a financial audit of the University's animal program. The animals in the program are mainly used during research. There were four issues and those have been completed.

XI. CLERY ACT AUDIT STATUS UPDATE

The Clery Act requires a safety and security report to be issued every year. There are certain policies the University is required to have to be in compliance with Clery. The Department of Education is responsible for monitoring compliance. People that are campus security authorities need a certain type of training and Internal Audit works with other police departments. Ms. Deaton acknowledged Mr. Derek Myers, who is the Assistant Chief of Police at the University of Memphis. She stated that Assistant Chief Myers has been instrumental in making sure the campus is complying with the Clery Act and he submits the report to the Department of Education. Every year the Annual Campus Security and Fire Safety Report is issued on October 1st. For the Clery Act Compliance Audit Internal Audit compared the report that was issued in October 2018 to a handbook the Department of Education publishes. Internal Audit went step-by-step through the handbook and did a review of the report and the University's program. The concern was the organization and management of the program was decentralized. There are different groups across campus that are responsible for certain parts of the compliance information and Internal Audit felt that the lack of centralized Clery Act compliance management could have an influence on the compliance in other areas.

Trustee Roberts made a comment that the Clery Act audit is at a different level of maturity and compliance and is a critical responsibility of the University. Trustee Roberts applauded Internal Audit for researching those issues. Ms. Deaton informed the committee that all the management action plans have been marked completed.

Internal Audit was informed that President Rudd created a Clery Act committee, funding for a new position had been approved, and the Business and Finance department was working on creating an online Campus Security Authority training. Internal Audit suggests reviewing job descriptions to identify who are the Campus Security Authorities and what they do, training opportunities for the entire campus, and looking at ways to improve the Annual Security Report. Recommendations were made for the Fire Safety Disclosures. The recommendations were completed before the latest report was issued on October 1, 2019.

Ms. Deaton welcomed questions from the committee. Trustee Springfield asked Ms. Deaton if there was any student representation on the Clery Steering committee. Ms. Deaton stated currently there is not any student representation on the Clery Steering committee. Ms. Deaton stated the Working Group has included the Dean of Students and some staff from Residence Life. Board Secretary, Melanie Murry gave clarification that in the past there was not student representation on the Clery Committee but there were appropriate stake holders who had responsibility for insuring compliance with the Clery Act. Ms. Deaton stated that from the information provided to her from Mr. Kurapati that the committee will act as a Steering Group and there will be a larger working group that will probably interact with student groups.

XII. EXTERNAL AUDIT REPORT: NCAA PROCEDURES

An external audit report was received this quarter called the Independent Accountants Report on the Application of Agreed Upon Procedures to the University of Memphis' Intercollegiate Athletics Program Statement of Revenues and Expenses. This is a project completed by Division of State

Auditors and is performed annually. It is an agreed upon procedures engagement that evaluates compliance with NCAA bylaws. This external audit was performed as of June 30, 2019. No opinion was expressed on compliance because the audit is an agreed upon procedures. The final report did note some exceptions and there were some corrections made to the statements that were included on the report.

Mr. Kurapati made a statement on the findings on the report. He stated the findings noted some variations in what the general ledger reflected and what was reflected in the athletic finances. This was because of a transition of leadership when Mr. Eric Sabin, the Chief Financial Officer (Associate Athletic Director for Finance) departed from the University. Going forward the University will coordinate with the new Chief Financial Officer for Athletics when he arrives to make sure he is familiar with the processes, and to make sure a reconciliation is done. There was not an error in the numbers but there was a timing issue with the reconciliations being completed. There is a plan going forward to make sure the reconciliations are completed between Athletics and the Comptroller's office and making sure the reports are reconciled before they are presented and provided to the auditors for further review.

Ms. Deaton asked if there were any more questions and no questions were presented.

XIII. EXTERNAL INSPECTION REPORT: TENNESSEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION (TDEC)

Ms. Deaton presented the Tennessee Department of Environment and Conservation (TDEC) Division of Solid Waste Management Hazardous Waste Inspection Report. TDEC has come to campus frequently this past year and gone to different facilities to perform hazardous waste inspections. TDEC recently visited the campus and they issued a report on January 16, 2020. The Tennessee Department of Environment and Conservation went to the Community Health building and reported there were no violations. The Department of Environmental Health and Safety has been working with management to make sure they understand all the different components of compliance that need to be in place, just in case TDEC does a surprise inspection.

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

XIV. INFORMATION SECURITY PROGRAM

Trustee Springfield recognized Chief Information Officer Robert Jackson. Mr. Jackson presented an update on the Information Security Program. Mr. Jackson discussed the Summary of the Q2 FY2020 IT Security Engagement. The summary is a follow-up on items that were reported to the Information Services department to conduct investigations. The Information Technology Services department found the items minor or below, and most were inappropriate usage. The items reported were phishing or spam attacks which did not require action. The Information Technology Services department would follow-up with those users and/or provide training.

The Information Technology Services department is looking into a process where a tool could be used to identify risky or suspicious behavior. The Information Technology Services department has disabled 70 accounts and the number will probably increase. This quarter the department disabled 104 accounts that they perceived to be suspicious activity. If anything was confirmed to be suspicious on the accounts, it will be noted on the report as an escalated issue. The account gets disabled and the user will call the department and that begins the process to see if an investigation is warranted or further action is needed.

Mr. Jackson provided some updates on the timelines that were previously provided to the committee. The Malicious Website Protections are to begin on Spring Break. The Information Technology Services is monitoring certain buildings for any malicious connection attempts to various sites. The department is also launching the URL Re-Writing, which is an attempt to block malicious activity that occurs in email. The President's Council has been piloting the program and is set to begin the week of Spring Break. The Core Network Upgrade has undergone some supply chain issues due to the Coronavirus and has been delayed. The equipment is starting to arrive, and the Information Technology Services department is still planning to implement certain changes later in the month of March. In the Summer 2020, the Information Technology Services department will implement the single sign-on and decommission a few older Microsoft protocols that Microsoft plans to also decommission.

Trustee Springfield had a question about the IT Security Engagement Summary as it related to the escalation process. Mr. Jackson explained that those are the numbers that Information Technology Services is asked to investigate. Local Tech Support Providers (LSPs) may go around offices to handle removal of viruses on desktop computers; however, those would only escalate if sensitive information were on the desktop or it was a widespread virus attack. The escalation material presented is what the Information Services department follows from the state's template for cyber security incident response. Mr. Jackson explained the Information Technology Services department investigates the emails sent to the abuse emails, if they are deemed malicious then the department contacts the user and if they are deemed not bad the department instructs them to delete the email. Those are not reported in the table because it would be capturing thousands of malicious items.

Trustee Springfield asked if the committee has any question, none was provided.

XV. ADDITIONAL BUSINESS

No additional business was mentioned.

XVI. ADJOURNMENT

Trustee Springfield adjourned the meeting.

4. Summary of Audit Reports Issued

Presentation

Presented by Vicki Deaton

The University of Memphis Board of Trustees

Presentation
For Information

Date: August 26, 2020
Committee: Audit Committee
Presentation Title: Summary of Audit Reports Issued
Presented by: Vicki D. Deaton, Chief Audit Executive

Synopsis:

Four audit reports were issued since the last meeting. Summarized information for the three public audit reports is included in the attached table. The Student Accounts Receivables Review audit report's opinion is insufficient and requires improvement, so that report is attached for your information.

Summary of Audit Reports Issued

Audit Committee

Vicki D. Deaton
Chief Audit Executive



SEPTEMBER 2020

Summary of Audit Reports Issued

Four audit reports were issued since the last meeting. Summarized information for the three public audit reports is included in the attached table. The Student Accounts Receivable Review audit report's opinion is insufficient and requires improvement, so that report was provided for your information.

Summary of Audit Reports Issued

Name of Audit	Date of Audit Report	Audit Engagement Report Opinion	Observation	Minor Issues - Addressed Verbally	Minor Issues	Moderate Issues	Major Issues	Issues Outstanding from Prior Audit
Cash Balances Audit	8/5/2019	Effective, No Issues	0	0	0	0	0	NA
Inventory Observation Audit	8/5/2019	Effective, No Issues	0	0	0	0	0	NA
Student Accounts Receivables Review	8/18/2020	Insufficient and Requires Improvement	0	0	4	2	0	1 *

* Prior Audit Issue - Division of State Audit's FY2019 Financial and Compliance Audit finding of significant deficiency

Student Accounts Receivable Review Audit Report

Student accounts receivable refers to amounts due to the UofM from students for a combination of tuition, mandatory fees, housing fees, food service fees, other elective fees and special charges that have been billed to students.

Student Accounts Receivable Review Audit Report

Effective AR management includes

- the establishment of policies and procedures for billing and collecting past due accounts,
- complying with applicable governing regulations and accounting principles, and
- establishing internal controls that assist in ensuring the accounts receivable and allowance for doubtful accounts are accurate, timely, and fairly presented.

Student Accounts Receivable Review Audit Report

At the UofM, the Business and Finance division of University and Student Business Services (USBS) is responsible developing collection procedures in compliance with applicable laws and regulations and ensuring that there is an adequate system of internal control over management and collection of accounts receivable.

Student Accounts Receivable Review Audit Report

The primary objective of the audit is to follow up on management's actions in response to the Division of State Audit's FY2019 Financial and Compliance Audit finding of significant deficiency that the UofM did not have adequate policies for the collection of accounts receivable.

Our follow up procedures determined that University management has completed their Corrective Action Plan for the finding of significant deficiency.

Student Accounts Receivable Review Audit Report

Other objectives include reviewing established internal controls over the management, collection, and reporting of student accounts receivable.

We found that internal controls are insufficient and require improvement.

Student Accounts Receivable Review Audit Report

Business and Finance management has developed action plans for the following issues.

1. Common Collection Practices not in Compliance with Documented Procedures
2. Inadequate or Ineffective Procedures for the Timely Processing of Amounts in Receivable "Clearing Accounts"
3. Lack of Documentation of Collection Actions and Deviations
4. No Formal Procedures for Management Review of Accounts Receivable Aging Reports
5. Business & Finance Management Should Review and Formalize Allowance for Doubtful Accounts Transaction Approval Authority Levels
6. Inadequate Monitoring of Allowance for Doubtful Accounts with Timely Write-Offs of

Questions?

Audit Reports Issued (6/3/2020 Audit Committee Materials)

Name of Audit	Date of Audit Report	Audit Engagement Report Opinion	Observation	Minor Issues - Addressed Verbally	Minor Issues	Moderate Issues	Major Issues	Issues Outstanding from Prior Audit
Cash Balances Audit	8/5/2019	Effective, No Issues	0	0	0	0	0	NA
Inventory Observation Audit	8/5/2019	Effective, No Issues	0	0	0	0	0	NA
Student Accounts Receivables Review	8/18/2020	Insufficient and Requires Improvement	0	0	4	2	0	1 *

* Prior Audit Issue - Division of State Audit's FY2019 Financial and Compliance Audit finding of significant deficiency



Office of Internal Audit and Consulting

Student Accounts Receivables Review FY2020

August 24, 2020

This report is intended solely for the internal use of the University of Memphis.
It should not be used for any other purpose. Any requests for this report to external parties will be handled in accordance with institutional policies and applicable state statutes.
Contact Internal Audit if an external party makes a request for this report.

University of Memphis
Student Accounts Receivable Review

August 24, 2020

Audit Report Opinion: Insufficient and Requires Improvement

Title of Key Staff: Greg Atkins, Executive Director of University and Student Business Services, and George Ninan, Controller and Assistant Vice President for Financial Reporting

Auditor: Emily Bridges, Senior Internal Auditor
Chelon Wilson, Senior Internal Auditor, and Jesse Pierce, Senior Technology and Network Security Auditor

Background and Scope:

Internal Audit has completed an audit of student accounts receivable policies and procedures. In accordance with the Tennessee Financial Integrity Act, University management is responsible for establishing adequate internal controls (Tenn. Code Ann. §§ 9-18-101, 9-18-102, 9-18-103) within the organization.

Accounts receivable refers to amounts due to the University of Memphis (UofM) from federal, state or local governmental agencies, from businesses, individuals or others which have been billed as a result of regular University business transactions. Student accounts receivable generally consist of a combination of tuition, mandatory fees, housing fees, food service fees, other elective fees and special charges that have been billed to students. Administration of accounts receivable includes providing accurate and timely billing and performing collection efforts on past due accounts. Effective accounts receivable management involves the establishment of policies and procedures that comply with applicable governing regulations and generally accepted accounting principles (GAAP) in addition to the establishment of internal controls that assist in ensuring the accounts receivable and allowance for doubtful accounts are accurate, timely, and fairly presented.

At the UofM, the Business and Finance division of University and Student Business Services (USBS) is responsible for Policy BF4033 Collection of All University Accounts Receivable. USBS is responsible for developing collection procedures in compliance with applicable laws and regulations and ensuring that there is an adequate system of internal control over management and collection of accounts receivable.

This audit was performed in accordance with the International Standards for the Professional Practice of Internal Auditing and therefore included all tests considered necessary to accomplish the audit objectives. This FY2020 audit includes student accounts receivable for FY2020.

Objectives:

The primary objective of the audit is to follow up on management's actions in response to the Division of State Audit's FY2019 Financial and Compliance Audit finding of significant deficiency that the UofM did not have adequate policies for the collection of accounts receivable. Other objectives include reviewing established internal controls over the management, collection, and reporting of student accounts receivable.

Conclusion and Results:

The audit objectives were achieved. Our follow up procedures determined that University management has completed their Corrective Action Plan for the Division of State Audit's FY2019 finding of significant deficiency. However, based on the results of all audit work performed, we determined that internal controls over the management, collection, and reporting of student accounts receivable are insufficient and require improvement. Business and Finance management has developed action plans to address the following issues.

1. Common Collection Practices not in Compliance with Documented Procedures
2. Inadequate or Ineffective Procedures for the Timely Processing of Amounts in Receivable "Clearing Accounts"
3. Lack of Documentation of Collection Actions and Deviations
4. No Formal Procedures for Management Review of Accounts Receivable Aging Reports
5. Business & Finance Management Should Review and Formalize Allowance for Doubtful Accounts Transaction Approval Authority Levels
6. Inadequate Monitoring of Allowance for Doubtful Accounts with Timely Write-Offs of Uncollectible Debt

University of Memphis
Student Accounts Receivable Review
August 24, 2020

Audit Report Opinion
Insufficient and Requires Improvement

Introduction

Internal Audit has completed an audit of student accounts receivable policies and procedures. In accordance with the Tennessee Financial Integrity Act, University management is responsible for establishing adequate internal controls (Tenn. Code Ann. §§ 9-18-101, 9-18-102, 9-18-103) within the organization.

Background

Accounts receivable refers to amounts due to the University of Memphis (UofM) from federal, state or local governmental agencies, from businesses, individuals or others which have been billed as a result of regular University business transactions. Student accounts receivable generally consist of a combination of tuition, mandatory fees, housing fees, food service fees, other elective fees and special charges that have been billed to students. An allowance for uncollectible accounts receivable is established based on the type of outstanding accounts receivable and expectations of repayment. Bad debt expense is recorded when the allowance is estimated, but the accounts receivable remains. The allowance is an offset to the accounts receivable balance. Accounts receivable balances ultimately determined to be uncollectible are written off based on defined criteria and no longer included in the accounts receivable or allowance balances.

Administration of accounts receivable includes providing accurate and timely billing and performing collection efforts on past due accounts. Effective accounts receivable management involves the establishment of policies and procedures that comply with applicable governing regulations and generally accepted accounting principles (GAAP) in addition to the establishment of internal controls that assist in ensuring the accounts receivable and allowance for doubtful accounts are accurate, timely, and fairly presented.

At the UofM, the Business and Finance division of University and Student Business Services (USBS) is responsible for Policy BF4033 Collection of All University Accounts Receivable. USBS is responsible for developing collection procedures that are in compliance with applicable laws and regulations and ensuring that there is an adequate system of internal control over management and collection of accounts receivable.

Objectives

The primary objective of the audit is to follow up on management's actions in response to the Division of State Audit's FY2019 Financial and Compliance Audit finding of significant deficiency that the UofM did not have adequate policies for the collection of accounts receivable. Other objectives include reviewing established internal controls over the management, collection, and reporting of student accounts receivable.

Scope

This audit was performed in accordance with the International Standards for the Professional Practice of Internal Auditing and therefore included all tests considered necessary to accomplish the audit objectives. This FY2020 audit includes student accounts receivable for FY2020.

Prior Audit

The Division of State Audit annually reviews accounts receivable as part of the Financial and Compliance Audit. The UofM Office of Internal Audit and Consulting has performed no prior audits of accounts receivable within the last 5 years.

Summary Financial Data - UofM Accounts Receivable Trends

UofM annual audited financial statements were reviewed for the last 5 fiscal years. Fiscal year end balances for Operating Revenue, Gross Accounts Receivable, Allowance for Doubtful Accounts, and Net Accounts Receivable were obtained and compared over time. Operating Revenue includes tuition and fees, gifts, sales of auxiliary services, grant revenue, and interest revenue. Gross Accounts Receivable is mainly comprised of Student Receivable, Grants Receivable, Notes

Receivable, Auxiliary Receivable, Athletics Receivable, and Other Receivable. Net Accounts Receivable figures are net of the Allowance for Doubtful Accounts.

Accounts Receivable (A/R) Compared to Operating Revenue			
Fiscal Year	Gross A/R Balance	Total Operating Revenue	Gross A/R as Percentage of Operating Revenue
2019	\$19,996,194	\$ 225,944,657	8.9%
2018	21,710,635	224,994,869	9.6%
2017	21,158,363	224,476,292	9.4%
2016	20,585,510	211,457,019	9.7%
2015	23,174,872	204,725,619	11.3%

The table above indicates that the Accounts Receivable balance is decreasing in comparison to Operating Revenue. This could indicate improved collection of revenue, the write-off of old debt, or a combination of both. (An analysis of debt write-off is considered later in this summary.)

The table below shows that the Allowance for Doubtful Accounts is high in comparison to the Accounts Receivable balance. This indicates that the University is carrying a large balance of Accounts Receivable that we do not expect to collect.

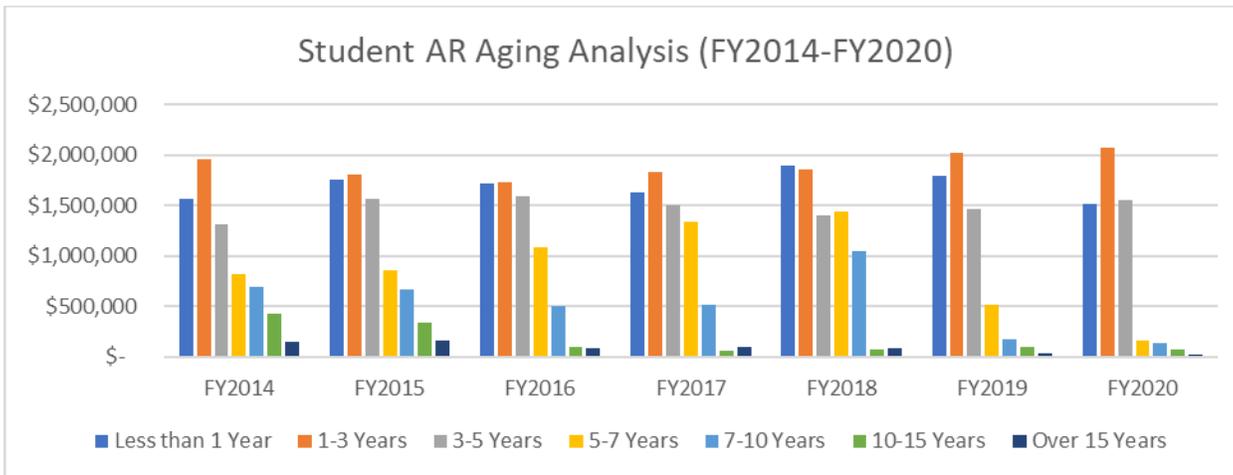
Allowance For Doubtful Accounts Compared to Accounts Receivable (A/R)				
Fiscal Year	Gross A/R Balance	Less Allowance for Doubtful Accounts	Net A/R Balance	Allowance for Doubtful Accounts as Percentage of Gross A/R
2019	\$19,996,194	(\$5,451,223)	\$14,544,971	27%
2018	21,710,635	(8,194,283)	13,516,351	38%
2017	21,158,363	(7,443,159)	13,715,204	35%
2016	20,585,510	(7,177,838)	13,407,672	35%
2015	23,174,872	(7,671,567)	15,503,306	33%

Financial statements for all Tennessee Locally Governed Institutions (LGIs) were reviewed. Numbers for Accounts Receivable and the related Allowances for Doubtful Accounts were obtained and compared. (All numbers were taken from the notes to the audited financial statements except TSU. TSU numbers were taken from their unaudited financial statements. FY2019 numbers were not available for TTU.) A summary of the comparison with the LGIs is provided below:

TN Locally Governed Institution Allowance for Doubtful Accounts Compared to Gross Accounts Receivable (A/R)						
TN Locally Governed Institution						
Fiscal Year	APSU	ETSU	MTSU	TSU	TTU	UofM
2019	17%	11%	22%	28%	Numbers Unavailable	27%
2018	19%	10%	19%	34%	6%	38%

UofM's FY2018 Allowance for Doubtful Accounts was 38% of its Gross Accounts Receivable, substantially higher than most other LGIs. For FY2019, the figure decreased to 27% and appears to be approaching a percentage more comparable to peer LGIs. According to USBS management, the current estimates applied to aged debt in the calculation of the Allowance for Doubtful Accounts were established in 2014. USBS management indicated the estimates have been reviewed periodically since 2014 and determined to be adequate. In the future, USBS management plans to review the allowance at each fiscal year end and proposes using a standardized valuation model.

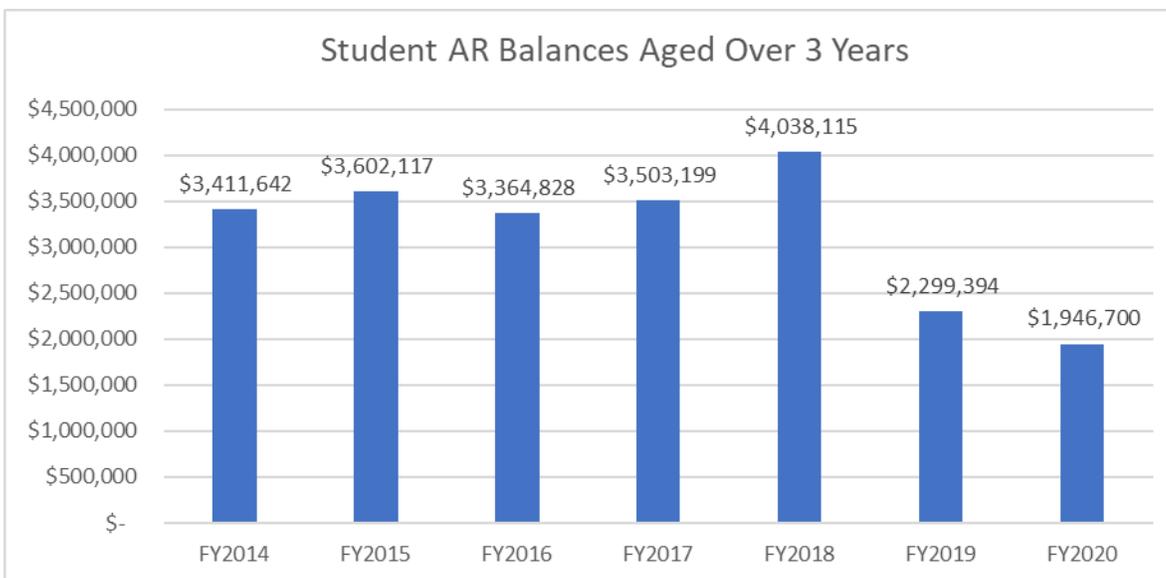
Student Accounts Receivable generally consist of a combination of tuition, mandatory fees, housing fees, food service fees, other elective fees and special charges. USBS management provided fiscal year end aging reports for FY2014-FY2020 were analyzed to provide the following Student Aged Accounts Receivable chart.



As can be seen in the chart above, older balances have been a large portion of total Student Accounts Receivable.

Internal Audit personnel attempted to research benchmarks for the reasonableness of these percentages but were unable to obtain credible benchmark figures. Therefore, it is unknown whether these percentages are consistent with the public higher education industry. However, significant amounts of older, outstanding receivables may indicate weak collection practices.

Except for an increase in FY2018, receivables aged over 7 years have been decreasing. The chart below provides more detail on Student Accounts Receivable balances aged 3 years and more and shows that Student Accounts Receivable balances of this age were on an increasing trend until the last 2 fiscal years. An analysis of FY2014 through FY2020 student accounts receivable aging reports shows that Student Accounts Receivable balances aged over three years decreased from approximately 50% of total Student Accounts Receivable in the 5 fiscal years prior to FY2019, to about 37% in FY2019 and 35% in FY2020. This could indicate improved collection of revenue, the write-off of old debt, or a combination of both.



Management provided historical information of student tuition and fee bad debt write-offs. This was compared to Gross Tuition and Fee Revenue obtained from the University’s audited financial statements for fiscal years 2015 through 2019 and from an unaudited management report for fiscal year 2020.

Bad Debt Write-Offs Compared to Gross Tuition & Fee Revenue			
Fiscal Year	Total Tuition & Fee Bad Debt Write-Offs	Gross Tuition & Fee Revenue	Total Tuition & Fee Write-Offs as Percentage of Gross Tuition & Fee Revenue
2020	962,061	\$ 226,811,453	0.42%
2019	438,851	204,539,340	0.21%
2018	293,625	202,604,938	0.14%
2017	265,285	198,777,301	0.13%
2016	523,059	189,129,777	0.28%
2015	271,647	185,724,708	0.15%

Historically, uncollectible accounts receivable was not timely written off. The data shows that bad debt write-offs for FY2019 increased by 49% from the prior year, then dramatically increased in FY2020 by 119% from FY2019.

Trends showing a decrease in accounts receivable, especially older student accounts receivable balances, are probably explained by the recent write-off plan of USBS management. USBS management indicated they have analyzed the allowance and proposed the write-off submissions needed to decrease the allowance for doubtful accounts to be more consistent with peer institutions and better reflect the financial position of the University.

Conclusion and Results

The audit objectives were achieved. Our follow up procedures determined that University management has completed their Corrective Action Plan for the Division of State Audit’s FY2019 finding of significant deficiency. However, based on the results of all audit work performed, we determined that internal controls over the management, collection, and reporting of student accounts receivable are insufficient and require improvement.

Follow Up on FY2019 TN Comptroller Division of State Audit Finding

The University of Memphis did not have adequate policies for the collection of accounts receivable.

The University should have written, approved policies and procedures for collecting receivables that are current, adequate, and available to both debtors and employees who perform collection duties. The process and procedures should be based on sound and responsible management practices that result in cost effective procedures or provide better or more convenient service to debtors of the institution without compromise to collection. The process and procedures should include the following: a schedule defining delinquent periods, the timing of collection letters, when an account should be considered in default, and when an account should be sent to a collection agency.

When the Division of State Audit conducted the FY2019 Financial and Compliance Audit, they found that the UofM’s accounts receivable collection procedures were neither documented nor in compliance with Tennessee Board of Regents (TBR) Guideline B-010 Collection of Accounts Receivable. They believed that University management was not proactive in ensuring that approved policies were current, adequate and available to those employees required to follow them. When they tested accounts receivable with management’s undocumented collection procedures, they identified multiple exceptions.

This was identified as an audit finding of significant deficiency. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Management's Corrective Action Plan for the Finding (submitted to the Division of State Audit on 5/13/2020)

The University concurs with this finding. The University has been actively working to improve the overall management structure of all receivables, including our collections processes. We are actively working to document procedures that govern collection activities of accounts receivable. The governing policy and related procedures are currently being reviewed through internal protocols.

Expected Date of Completion: June 30, 2020

Person Responsible: Greg Atkins, Executive Director of University and Student Business Services

UofM Internal Audit Review of Finding Status

Prior to July 1, 2017, the UofM operated under the policy and guidelines of TBR. Transition from TBR led to the development of policies that would be applicable to the UofM as part of the FOCUS Act. During this transition period as policies were developed, University management drafted a policy for the collection of University accounts receivable. The policy was neither approved nor denied, so the University continued to operate under TBR's Guideline B-010 Collection of Accounts Receivable.

During FY2019, USBS management revised the University's draft collection policy with advice from the Office of Legal Counsel. In February 2019, the draft policy was submitted to PolicyTech, the University's information system used to create and manage system-wide policies and procedures. The Policy Review Board (PRB) vetted the policy in the spring of 2019, but the policy was not approved and published. The PRB did not meet regularly during the fall of 2019 and there was no progress on approval of the policy. After the state auditors presented a draft audit finding of significant deficiency at the exit conference on 2/20/2020, USBS management submitted a revised draft collection policy in PolicyTech at the beginning of March 2020. After PRB comments and a draft Internal Audit issue related to this follow up, the draft policy was again revised and submitted in PolicyTech on 6/25/2020. UofM policy BF4033 Collection of All University Accounts Receivable was approved and published on 7/1/2020. The approved policy includes a link to the accompanying procedures.

Status: Complete

Written, approved policies and procedures for collecting receivable were published on 7/1/2020. The approved policy includes a link to the procedures - Process for Recovery of Accounts Receivable. The procedures include a schedule defining delinquent periods, the timing of collection letters, when an account should be considered in default, and when an account should be sent to a collection agency.

UofM Internal Audit's Review of Internal Controls

The following issues are based on UofM Internal Audit's review of established internal controls over the management, collection, and reporting of student accounts receivable.

Issue Rating = Moderate, Insufficient and Requires Improvement

1. Common Collection Practices not in Compliance with Documented Procedures

The University should follow written policies and procedures for the collection of accounts receivable. Internal controls must be implemented to ensure prompt payment, reduction of collection effort and reduction of bad debt expense whenever possible. Prompt collection of accounts receivable ensures reduced liabilities, minimizes the utilization of University resources without proper compensation, and increases cash flow to the University. Procedures associated with UofM Policy BF4033 Collection of All University Accounts Receivable state that the schedule of aging debt must be followed by the predetermined dates and actions noted in the procedures for accounts with a past due balance exceeding \$25. The procedures allow for deviations but note that the schedule of aging debt with predetermined dates and actions is the "standard process for proper due diligence in the recovery of the outstanding balance due to the University of Memphis."

A population of all student past due receivables at 6/1/2020 was provided by USBS. Nine of the 14 student accounts receivable randomly selected from the population for testing did not comply with the collection procedure's predetermined timelines and actions for collecting past due debt. The standard process for the recovery of accounts receivable was not followed for a majority of the randomly selected accounts tested.

Per BF4033 policy's accompanying procedures for the collections of receivables "Deviations from the recommended business processes may occur based on the individual circumstances and are at the discretion and professional judgement

of the Bursar, Executive Director of University and Student Business Services or Executive Vice President/CFO of the University of Memphis." According to USBS management, the procedure's predetermined dates and actions are applied differently based on the current enrollment or future intended enrollment of the student. Also, a "pre-collection" process is utilized for these students. USBS management identified these processes as common practice and best practice to support the UofM's mission and strategic plan. However, these processes and procedures are not documented and included in the policy and procedures for collection of accounts receivable.

Recommendation

Flexibility and innovation in collection procedures is beneficial, but there should be parameters to guide in managing and controlling collections. BF4033 policy's accompanying procedure's timetable schedule for aging debt is identified as the standard process for recovering outstanding balances and should be followed as the standard process to collect and ensure prompt payment of student accounts receivable and to provide consistent treatment for all debtors. Common practices and best practices that are broadly applied to groups of debtors (like currently enrolled and expected future enrolled students) should be appropriately approved by University management and documented so they are not abused or applied arbitrarily. BF4033 and the accompanying procedures should reflect management's approved plan for collections, including common practices that are followed.

Management Action Plan

Estimated Completion Date – September 30, 2020

Responsible Party – Greg Atkins, Executive Director of University and Student Business Services

Management concurs with the finding. The Process for Recovery of Accounts Receivable, will be amended to require documentation that describes the reason for deviations from the recommended process and written approval of the appropriate officer. The reasons can include, but not limited to, current or future intended enrollment of the student, pre-collection process and other individual circumstances at the discretion and professional judgement, subject to materiality, of the Bursar /Executive Director of University and Student Business Services. The Bursar/Executive Director of University and Student Business Services is authorized to approve such exceptions on accounts where the individual balance does not exceed \$2,000. Second approval for exceptions on individual accounts in excess of \$2,000 and up to \$5,000 is required from AVP for Financial Reporting. Individual accounts in excess of \$5,000 require approval from EVP/CFO.

Issue Rating = Moderate, Insufficient and Requires Improvement

2. Inadequate or Ineffective Procedures for the Timely Processing of Amounts in Receivable "Clearing Accounts"

Timely processing of amounts in the receivables clearing accounts supports effective bank reconciliations, controls over cash assets, and the production of fairly and accurately presented financial statements. Clearing accounts are used to temporarily aggregate financial transactions in external systems so that accountants have the opportunity to process transactions efficiently in batches scheduled at appropriate intervals determined by the organization or individual workflows. Entries are made that "clear" amounts temporarily held in the clearing account and permanently post those transactions to the appropriate general ledger account.

An analysis of transactions for certain University financial system receivable clearing accounts for fiscal years 2017-2020 showed that during FY2020 these accounts consistently carried significantly higher balances than in fiscal years 2017-2019. Also, FY2020 journal entries to clear these accounts were consistently less frequent than in fiscal years 2017-2019.

Additional analysis showed that in fiscal years 2017-2018 the highest volatility account ended 18 of the 24 months with a balance of approximately \$0.00. For 5 of the remaining 6 months, ending balances were below \$4,000.00. This pattern could suggest effective coordination with monthly closing procedures in a manner that would support timely bank reconciliations and the production of fairly and accurately presented monthly financial statements. For FY2019 there were 2 months with ending balances of approximately \$0.00, 9 months with balances between \$300,000 and \$2.9 million, and 1 month ending with a credit balance for the normal debit balance account. For FY2020 there were 7 months with ending balances between \$1.6 and \$30.3 million, 3 months between \$11,000 and \$463,000, and 2 months with ending credit balances. The average monthly ending balance for FY2020 was \$8 million.

Recommendation

Processing of receivables clearing account transactions should be consistently performed in a manner that is effectively coordinated with monthly closing procedures, in order to support timely bank account reconciliations and the fair and accurate presentation of cash and receivables.

Management Action Plan

Estimated Completion Date – September 30, 2020

Responsible Party – Greg Atkins, Executive Director of University and Student Business Services

Management concurs with the finding. A written procedure for Transactions in Clearing Accounts will be created whereby these transactions are processed at regular intervals, such that barring exceptional items, transactions within a month will be processed before the month end close. This will ensure that balances in the Clearing Accounts will be kept to a minimum.

Issue Rating = Minor, Effective with Opportunity for Improvement

3. Lack of Documentation of Collection Actions and Deviations

Procedures accompanying UofM Policy BF4033 Collection of All University Accounts Receivable state that the schedule of aging debt must be followed by the predetermined dates and actions noted in the procedures for accounts with a past due balance exceeding \$25. The procedures allow that "Deviations from the recommended business processes may occur based on the individual circumstances and are at the discretion and professional judgement of the Bursar, Executive Director of University and Student Business Services or Executive Vice President/CFO of the University of Memphis." The procedures also state that "a record of each action, including the name or initials of the person taking the action and the date the action was taken should be kept."

A population of all student past due receivables at 6/1/2020 was provided by USBS. Nine of the 14 student accounts receivable randomly selected from the population for testing did not comply with the procedure's predetermined timelines and actions for collecting past due debt. The receivable records of the 9 items were reviewed. None had notes explaining actions taken on the account or why the account was not processed in accordance with the procedure's schedule of predetermined dates and actions. According to USBS management, the procedure's predetermined dates and actions are applied differently based on the current enrollment or future intended enrollment of the student. These practices are not stated in policies or procedures and were not noted in the student accounts receivable records tested. Lack of records or audit trail could allow arbitrary and unapproved deviations from management's approved standard collection procedures.

Recommendation

As stated in BF4033's accompanying procedures, there should be a record of each collection action, like an audit trail, with the date and name of the employee initiating the action. This should include following a consistent procedure for approval and documentation of deviations from the established collection procedures, including documentation in Banner Finance, the University's financial information system.

Management Action Plan

Estimated Completion Date – September 30, 2020

Responsible Party – Greg Atkins, Executive Director of University and Student Business Services

Management concurs with this finding. A record will be maintained of each collection action, date and name of employee initiating the action to serve as an audit trail. The Process for Recovery of Accounts Receivable, will be amended to require documentation that describes the reason for deviations from the recommended process and written approval of the appropriate officer. The reasons can include, but not limited to, current or future intended enrollment of the student, pre-collection process and other individual circumstances at the discretion and professional judgement, subject to materiality, of the Bursar /Executive Director of University and Student Business Services. The Bursar/Executive Director of University and Student Business Services is authorized to approve such exceptions on accounts where the individual balance does not exceed \$2,000. Second approval for exceptions on individual accounts in excess of \$2,000 and up to \$5,000 is required from AVP for Financial Reporting. Individual accounts in excess of \$5,000 require approval from EVP/CFO.

Issue Rating = Minor, Effective with Opportunity for Improvement

4. No Formal Procedures for Management Review of Accounts Receivable Aging Reports

A key internal control over accounts receivable is management’s regular analysis and review of accounts receivable aging reports. Procedures for the analysis should be formalized and documented, including the objectives of each review and the specific timing of each review. Procedures should also include multiple levels of management review for variances and collections placements, in addition to a higher-level strategic trend analysis.

According to USBS management, accounts receivable aging reports are reviewed monthly for anomalies by a USBS Collections Coordinator. USBS management also indicated that the Assistant Bursar - Revenue Distribution/Receivables & Collections/External Billing periodically reviews aging reports for variances for potential collection agency review and placements, monthly write-offs to be presented for approvals, and calculation of the adjustment for the allowance for doubtful accounts. USBS management said that on an annual basis, the Bursar and the Executive Director of USBS analyze the current balances to determine the adequate allowance to be proposed for the upcoming fiscal year. There were no formalized procedures for USBS management's review of aging reports and no documented records of past management review.

Recommendation

There should be a formalized process for management’s review and analysis of accounts receivable aging reports. The process should be documented and include the review procedures, the objectives for the different levels of management’s review, and specifically when the reviews by management are performed. Records of the review should be maintained.

Management Action Plan

Estimated Completion Date – September 30, 2020

Responsible Parties – Greg Atkins, Executive Director of University and Student Business Services, and George Ninan, AVP for Financial Reporting

Management concurs with this finding. A Process for the Review of Accounts Receivable Aging document will be created to include the current processes, objectives and timing followed by USBS management for the review of Accounts Receivable aging reports. This will also include periodic (quarterly, semi-annual or annual) review processes and related objectives by AVP for Financial Reporting and/or EVP/CFO.

Issue Rating = Minor, Effective with Opportunity for Improvement

5. Business & Finance Management Should Review and Formalize Allowance for Doubtful Accounts Transaction Approval Authority Levels

A key internal control over accounts receivable is the appropriate level of management review and approval of entries recorded in the allowance for doubtful accounts.

Journal entries to the University’s Allowance for Doubtful Accounts were reviewed for proper management approval. One significant increase in the allowance was noted as a journal entry posted on 3/16/2020 in the amount of \$973,068. The journal entry was approved by the Executive Director of USBS, which was the level of approval required by Banner Finance, the University’s financial information system. Large transactions like the March journal entry could affect the financial statements and the financial position of the University without appropriate Business and Finance management awareness. Business and Finance management indicated that they expected notification of transactions that could have an impact on the financial statements. There does not appear to be a formalized process that requires upper level Business and Finance approvals for material increases or decreases to the Allowance for Doubtful Accounts.

Recommendation

Entries recording allowances for doubtful receivables should be reviewed and approved by the appropriate level of management. Business and Finance management should determine the level of approval desired for material increases or decreases to the Allowance for Doubtful Accounts and a formalized process, such as Banner Finance authorities, should be established to ensure that the desired approvals are completed.

Management Action Plan

Estimated Completion Date – September 30, 2020
Responsible Party – George Ninan, AVP for Financial Reporting

Management concurs with this finding. Business and Finance Management will establish tiers for adjustments to the Allowance for Doubtful Accounts and the related level of approval required, shared between Bursar/Executive Director of University and Student Business Services, AVP for Financial Reporting or EVP/CFO.

Issue Rating = Minor, Effective with Opportunity for Improvement

6. Inadequate Monitoring of Allowance for Doubtful Accounts with Timely Write-Offs of Uncollectible Debt

A key internal control over accounts receivable is management's regular analysis and review of the allowance for doubtful accounts for adequacy, reasonableness, and the fair and accurate presentation of the financial statements. This includes the application of a relevant valuation model for estimating debt that is expected to be uncollectible and timely write-offs of debt ultimately determined to be uncollectible.

As shown in the Summary Financial Data section of this report, the University's Allowance for Doubtful Accounts has historically been high in comparison to the Accounts Receivable balance. Also, UofM's FY2018 Allowance for Doubtful Accounts to Accounts Receivable comparison was substantially higher than most other Tennessee LGIs. This decreased in FY2019 and appears to be approaching a percentage more comparable to peer LGIs. The Summary Financial Data section of the report also includes student accounts receivable aging reports that show large balances aged over three years, and bad debt write-off data that indicates that uncollectible accounts receivable have not been timely written off for several years.

According to USBS management, the current estimates applied to aged debt in the calculation of the allowance for doubtful accounts were established in 2014. USBS management indicated the estimates have been reviewed periodically since 2014 and determined to be adequate. The review and adequacy of the estimates were not verified by Internal Audit. Internal Audit personnel attempted to research higher education industry benchmarks but were unable to obtain credible benchmark figures.

USBS management plans to review the allowance at each fiscal year end and proposes using a standardized valuation model in the future. USBS management indicated they have analyzed the allowance and proposed future write-off submissions needed to decrease the Allowance for Doubtful Accounts to be more consistent with peer institutions and better reflect the financial position of the University.

Recommendation

Business and Finance management should continue to review and manage the UofM's Allowance for Doubtful Accounts. This may be accomplished through an analysis of the FY2021 procedures used to establish the estimates applied to aged debt, a review of the allowance's valuation, the timely collection of aged receivables according to established University policies and procedures, and the timely write-off of uncollectible debt.

Management Action Plan

Estimated Completion Date – December 31, 2020
Responsible Party – George Ninan, AVP for Financial Reporting

Management concurs with this finding. The estimates applied to aged debt in the calculation of the allowance for doubtful accounts were established in 2014. A comprehensive evaluation of these estimates has not been done since then to determine if it adequately represents the collectability of current Accounts Receivable balances. The AVP for Financial Reporting will work with USBS management to complete an analysis of the estimates applied to aged debt in the calculation of Allowance for Doubtful Accounts in FY 2021. Such analysis will form the basis for review of the allowance's valuation and will be completed at least once in a financial year. Further, the estimates will be applied to aged debt quarterly and related adjustments to the allowance completed.

Internal Audit personnel would like to extend our appreciation to the management and staff of the Division of Business and Finance for their assistance with this audit. Internal Audit plans to follow up as necessary to ensure management has completed the action plans, and the status of the completion will be reported to the Audit Committee.



Vicki D. Deaton
Chief Audit Executive

Distribution:

Susan Springfield, Chair of the Audit Committee

Dr. M. David Rudd, President

Tiffany Baker Cox, Director, Office for Institutional Equity and Chief Compliance Officer

Melanie Murry, University Counsel

Raajkumar Kurapati, Executive Vice President and Chief Financial Officer

George Ninan, Controller and Assistant Vice President of Financial Accounting and Reporting

Greg Atkins, Executive Director of University and Student Business Services

5. Summary of Fraud, Waste, Abuse Reports Received

Presentation

Presented by Vicki Deaton

The University of Memphis Board of Trustees

Presentation
For Information

Date: August 26, 2020

Committee: Audit Committee

Presentation Title: Summary of Fraud, Waste, or Abuse Reports Received

Presented by: Vicki D. Deaton, Chief Audit Executive

Synopsis:

One new report of fraud, waste, or abuse, noncompliance with law, or conflict of interest was received by the Office of Internal Audit and Consulting since the last quarterly meeting. Three reports received earlier were resolved in addition to the new report. Two Internal Audit investigation memos were issued this quarter and two reports were referred to others.

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

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

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

Summary of Fraud, Waste, and Abuse Reports Received

Audit Committee

Vicki D. Deaton
Chief Audit Executive



SEPTEMBER 2020

Summary of Fraud, Waste, and Abuse Reports

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

Summary of Fraud, Waste, and Abuse Reports

UofM Fraud, Waste, or Abuse Report Summary (September 2020 Audit Committee Materials)								
Case Number	Date Received	Allegation Received by	Description of Allegation	Status	Investigation Outcome	\$ Loss	Date of Final Action by Internal Audit	Additional Explanation
20-010 (ANTS 20-1925)	2/19/2020	TN Comptroller of the Treasury Division of Investigations	Personal Use of Parking Facilities	Memo Issued-Case Closed	Unauthorized Parking Exceptions Granted	unknown	7/2/2020	
20-013 (ANTS 20-2654)	3/26/2020	TN Comptroller of the Treasury Division of Investigations	Various FWA Allegations	Memo Issued-Case Closed	No Evidence of Fraud, Waste, or Abuse of University Resources or Noncompliance with Alcohol & Drug Policy	NA	6/4/2020	Allegations Related to Leave Reporting, Compensatory Time, Use of University Resources, Noncompliance with Alcohol & Drug Policy, Unequal Treatment of Clients
20-013 (ANTS 20-2654)	3/26/2020	TN Comptroller of the Treasury Division of Investigations	Unethical Disclosure of Confidential Patient Information	Referred to Office of Legal Counsel	Per Office of Legal Counsel: Allegation Could Not be Substantiated	NA	8/11/2020	
20-016 September 2020 Audit Committee Meeting	6/15/2020	Internal Audit FWA Report	Email Security & Confidential Information	Referred to ITS	Incident Summary Report Issued 7/24/2020, 2 Recommendations Made	NA	7/24/2020	Cyber Incident Response Process Initiated on 6/24/2020

Questions?

CONFIDENTIAL AUDIT INFORMATION

UofM Fraud, Waste, or Abuse Report Summary (September 2020 Audit Committee Materials)								
Case Number	Date Received	Allegation Received by	Description of Allegation	Status	Investigation Outcome	\$ Loss	Date of Final Action by Internal Audit	Additional Explanation
20-010 (ANTS 20-1925)	2/19/2020	TN Comptroller of the Treasury Division of Investigations	Personal Use of Parking Facilities	Memo Issued-Case Closed	Unauthorized Parking Exceptions Granted	unknown	7/2/2020	
20-013 (ANTS 20-2654)	3/26/2020	TN Comptroller of the Treasury Division of Investigations	Various FWA Allegations	Memo Issued-Case Closed	No Evidence of Fraud, Waste, or Abuse of University Resources or Noncompliance with Alcohol & Drug Policy	NA	6/4/2020	Allegations Related to Leave Reporting, Compensatory Time, Use of University Resources, Noncompliance with Alcohol & Drug Policy, Unequal Treatment of Clients
20-013 (ANTS 20-2654)	3/26/2020	TN Comptroller of the Treasury Division of Investigations	Unethical Disclosure of Confidential Patient Information	Referred to Office of Legal Counsel	Per Office of Legal Counsel: Allegation Could Not be Substantiated	NA	8/11/2020	
20-016	6/15/2020	Internal Audit FWA Report	Email Security & Confidential Information	Referred to ITS	Incident Summary Report Issued 7/24/2020, 2 Recommendations Made	NA	7/24/2020	Cyber Incident Response Process Initiated on 6/24/2020

6. FY2020 Internal Audit Year End Report

Presentation

Presented by Vicki Deaton

The University of Memphis Board of Trustees

Presentation

For Information

Date: August 26, 2020

Committee: Audit Committee

Presentation Title: FY2020 Office of Internal Audit and Consulting Year End Report

Presented by: Vicki D. Deaton, Chief Audit Executive

Synopsis:

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

The Office of Internal Audit and Consulting FY2020 Year End Report 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, 2020.

Internal Audit and Consulting FY2020 Year End Report

Audit Committee

Vicki D. Deaton
Chief Audit Executive



SEPTEMBER 2020

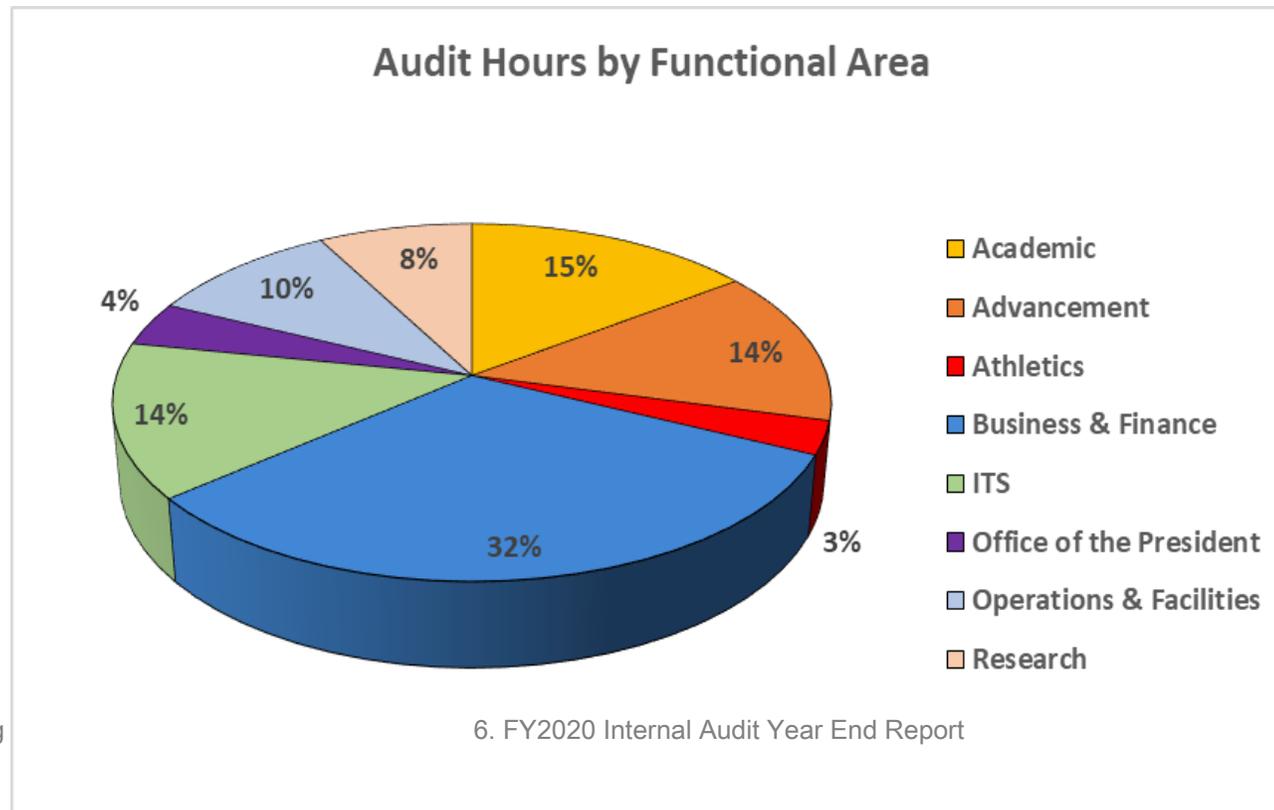
Internal Audit & Consulting FY2020 Year End Report

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

The Office of Internal Audit and Consulting FY2020 Year End Report 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.

Internal Audit & Consulting FY2020 Year End Report



Internal Audit & Consulting FY2020 Year End Report

Audit Recommendation Summary for FY2020



Internal Audit & Consulting FY2020 Year End Report

Investigation Summary for FY2020



Questions?

UNIVERSITY OF MEMPHIS OFFICE OF INTERNAL AUDIT AND CONSULTING

Year End Report
For the Fiscal Year
Ended June 30, 2020



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.

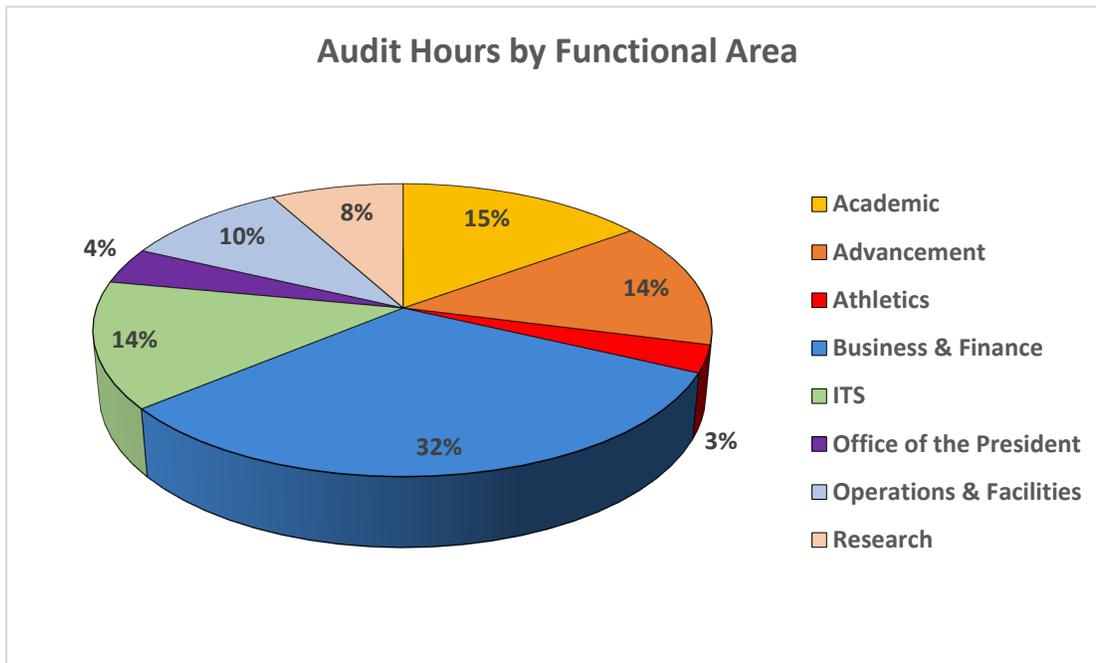
Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. When performing consulting services, the Internal Auditor should maintain objectivity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

By Charter, the Audit Committee has the authority to conduct or authorize investigations into any matter within its scope of responsibility. The Audit Committee employs the Chief Audit Executive to report directly to the committee and to ensure there is a process for receiving and investigating reports of fraud, waste, abuse, or illegal activity. Internal Audit performs confidential investigations of reports received or refers the report to the appropriate organization. If Internal Audit performs an investigation, a confidential report is provided to the 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:

FY2020 Audit Hours by Functional Area





AUDIT ISSUES TRACKED BY INTERNAL AUDIT

Audits 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.

Audit Recommendation Summary for FY2020



INVESTIGATION SUMMARY

The University of Memphis Office of Internal Audit and Consulting has an established process for receiving reports of fraud, waste, abuse, or illegal activity. Internal Audit performs confidential investigations of reports received or refers the report to the appropriate organization. If Internal Audit performs an investigation, a confidential report will be provided to the Audit Committee, the Tennessee Comptroller of the Treasury, and University of Memphis upper management.

Certain reports received by the Office of Internal Audit and Consulting may be referred to other organizations because 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. Any reports received that involve potential or actual criminal acts will be referred to University Legal Counsel and the appropriate law enforcement agency for investigation. Personnel issues will be referred to Human Resources. Reports of discrimination or sexual assault issues will be referred to University Legal Counsel and the Office of Institutional Equity (OIE) for investigation. Matters relating to tenure of faculty will be referred to the Office of the Provost. Internal Audit may assist and provide information to University Legal Counsel, law enforcement, Human Resources, the Provost Office, or OIE if requested.

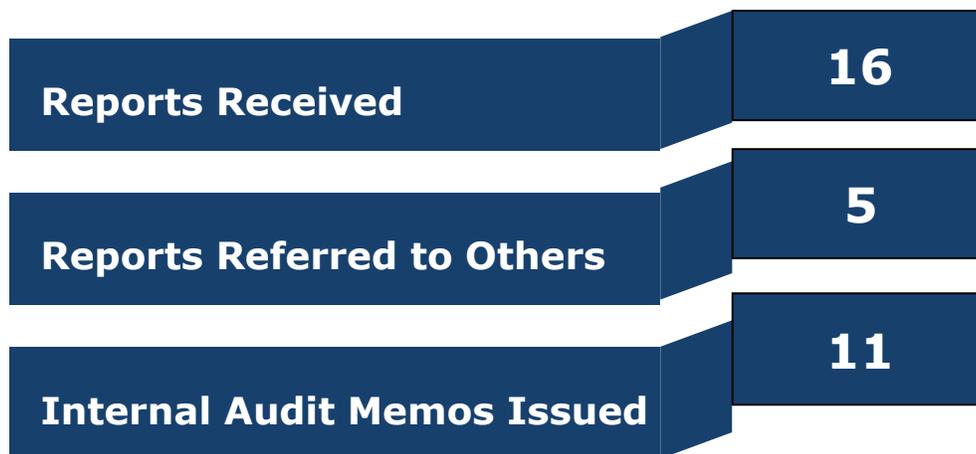


Fraud awareness is promoted across the University Campus community in various ways. To set the appropriate tone at the top, the President periodically sends a faculty and staff email stressing the responsibility of all University employees to ensure our resources are properly managed and safeguarded 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 last email was sent on August 19, 2019, and the information is available on the Office of the President's website. The wording of the email is being reviewed prior to this year's distribution.

Internal Audit 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 and to audit clients during the audit process. The brochure is 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. Internal Audit provided a brief fraud awareness section for inclusion in Human Resources new employee orientation. Also, Tennessee Comptroller of the Treasury fraud, waste, or abuse hotline posters are displayed in multiple locations across Campus.

Below is a summary of the investigative activity for fiscal year 2020:

Investigation Summary for FY2020



OTHER SIGNIFICANT ACCOMPLISHMENTS

The formation and oversight of the University of Memphis Audit Committee of the Board of Trustees has led to further accomplishments which are listed below.

- ☑ Increased Communications with All Stakeholders
- ☑ Identification of Opportunities for Management to Improve Operations
- ☑ Valuable Audit Committee Communications
- ☑ Promoting Fraud Awareness and Investigating Reports of Fraud, Waste, or Abuse
- ☑ Increasing Compliance Role by Managing External Audit Reports and Issue Follow Up
- ☑ Assisting with Coordination of the TN Comptroller's Sunset Audit
- ☑ Maintaining Compliance with The Institute of Internal Auditor's (IIA) Mandatory Guidance, which includes the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*

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

- ✓ Compliance Council
- ✓ Conflict of Interest Committee
- ✓ Information Security Advisory Committee
- ✓ Policy Review Board
- ✓ Risk Assessment Advisor
- ✓ Safety Committee

OTHER CHALLENGES

Internal Audit has worked to maintain flexibility and relevance during the current pandemic. We are working remotely and developing procedures to continue to be productive and add value to the University. Below are challenges we are currently addressing:

- Identifying new risks associated with the pandemic
- Identifying current priorities while being relevant and flexible
- Providing effective and efficient audit services in a remote environment
- Completing the approved audit plan in the current environment
- Supporting the University's cost containment measures by keeping the hiring moratorium on the approved entry level Internal Audit position

7. Annual Review of Audit Committee Charter

Presentation

Presented by Vicki Deaton

The University of Memphis Board of Trustees

Presentation

For Discussion

Date: August 26, 2020

Committee: Audit Committee

Presentation Title: Review and Assessment of Audit Committee Charter

Presented by: Vicki D. Deaton, Chief Audit Executive

Synopsis:

The Audit Committee Charter, which is based on State of Tennessee Comptroller of the Treasury guidelines and approved by the Tennessee Comptroller of the Treasury, lists various responsibilities of the Audit Committee.

One responsibility of the Audit Committee as listed in the Audit Committee Charter is to review and assess the adequacy of the Audit Committee's charter annually, requesting Board approval for proposed changes. To comply with the requirements of the Audit Committee Charter, the current version of the Audit Committee Charter is attached for review and assessment.

Annual Review and Assessment of Audit Committee Charter

Audit Committee

Vicki D. Deaton
Chief Audit Executive



SEPTEMBER 2020

Annual Review and Assessment of Audit Committee Charter

The Audit Committee Charter charges the Audit Committee with reviewing and assessing the adequacy of the Audit Committee's Charter annually, requesting Board approval for proposed changes.

Questions?

Audit Committee Charter

Purpose

The Audit Committee (AC) is responsible for assuring that the University of Memphis' (University) organizational culture, capabilities, systems and processes are appropriate to protect the financial health and the reputation of the University in all of the areas enumerated below. More particularly, the AC will review the financial reporting processes, the system of internal controls, the audit activities (external and internal), management's risk assessment, and the University's process for monitoring and ensuring compliance with laws and regulations. The AC will regularly update the full Board of Trustees (Board) about AC activities and key issues presided over by the Committee.

Roles and Responsibilities

Financial Reporting

- Review audited financial statements with state auditors, and determine whether the statements are complete and consistent with the information known to committee members.
- Review with the University's general counsel any legal matters that could have a significant impact on the University's financial statements.
- Review with management and state auditors any significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the University's financial statements

External Audit

- Meet, as needed, with external auditors to discuss any matters that the AC or auditors deem appropriate.
- Ensure that any findings and recommendations made by the external auditors are received, discussed, and acted upon in an appropriate and timely manner.
- Review the results of the external auditors' examinations and any other matters related to the conduct of the audits, and report to the Board the auditors' findings and recommendations.

Internal Audit

- Review and approve the annual audit plan for the University, including management's request for unplanned audits.
- Review the result of the year's work with the Chief Audit Executive, and receive and review any other work prepared by the Chief Audit Executive for the University.
- Receive and review reports, the results of internal audits performed, and any other work prepared by Internal Audit.

- Ensure that the University has the appropriate structure, staffing and capability to carry out its internal audit responsibilities.
- Ensure that the internal audit department has direct and unrestricted access to the chair and other committee members.
- Appoint, replace, or dismiss the Chief Audit Executive.
- Review, approve, and update the Internal Audit charter annually or more frequent if necessary.

Internal Controls, Risk, and Compliance

- Ensure that a system is in place, and being followed, to review and maintain compliance with the University’s internal control structure.
- Ensure that a process exists for assessing, reporting, and investigating illegal, fraudulent, wasteful, or improper activity at the University, including a confidential reporting mechanism.
- Determine whether internal control recommendations made by internal and external auditors have been implemented by management.
- Review University policies and procedures regarding employee conduct to ensure that it:
 - is easy to access,
 - is widely communicated,
 - is easy to understand and implement,
 - includes a confidential mechanism for reporting code violations,
 - is enforced, and
 - includes conflict of interest policy and guidelines.
- Review the University’s conflict of interest policy to ensure that the guidelines are comprehensive, that the term “conflict of interest” is clearly defined, that annual signoff is required, and that it contains procedures for adequate resolution and documentation of potential conflicts.
- Review the University’s process for monitoring compliance with laws and regulations.
- Review the University’s risk assessment plan.
- Regularly obtain updates from management, General Counsel, and Internal Audit regarding significant changes in legal and compliance issues.
- Review and assess the adequacy of the AC’s charter annually, requesting Board approval for proposed changes.

Membership

The AC shall be composed of no less than three members who shall be appointed by the Board according to Board Bylaws. The Board shall appoint the AC chair. The Board may select one certified public accountant or other qualified citizen who is not a member of the Board to serve on the AC. The external member must have extensive accounting, auditing, or financial management expertise, and may not serve as the chair. The term of appointment is two years, and the chair may not serve more than two consecutive two-year terms as chair. All members of the AC shall be generally knowledgeable of financial management and auditing matters. At all

times, the AC shall have at least one member with extensive accounting, financial, or management expertise.

Each member of the AC shall be free from relationship that would give the appearance of a conflict or that would interfere with his or her exercise of independent judgment.

Education

The University's senior management and internal audit department are responsible for providing the AC with educational resources related to accounting principles, internal controls, applicable policies, and other information that may be requested by the AC to maintain appropriate financial and compliance literacy.

Meetings

The AC shall meet at least once quarterly, in conjunction with regular meetings of the Board, or at any other time upon the call of the AC chair. The AC will invite members of management, auditors, or others to attend and provide pertinent information. Meeting agendas will be provided to members in advance along with proper briefing materials. Minutes will be prepared. The AC shall also meet at the request of the Comptroller of the Treasury.

A majority of the members of the AC shall constitute a quorum for the transaction of business.

Revised June 5, 2019

8. Update on Business Continuity Planning

Presentation

Presented by Raajkumar Kurapati

Report to the Board of Trustees

The University of Memphis Board of Trustees
Report
For Information

Date: August 26, 2020

Committee: Audit Committee

Report Title: Business Continuity Planning Status Update

Presented by: Raaj Kurapati, Chief Financial Officer

Background: Providing a status update to the progress and next steps of Business Continuity Planning as previously discussed at the March 4, 2020 Audit Committee meeting.

Businesss Continuity Planning Update

Audit Committee

Raaj Kurapati
EVP/Chief Financial Officer



SEPTEMBER 2020

March 2020 – August 2020

- Finalized the development of a BCP strategy
- Acquired license for Quali Ready software and completed initial system configuration
- Gathered and reviewed prior BCP plans
- Reviewed Crisis Management Plan for integration into BCP
- Selected administrative units to build initial plans
 - Draft plans have been developed in Business and Finance and IT -- Rental Properties, Environmental Health & Safety, ITS Network Operations Center & Procurement

August 2020 – November 2020

- Gather BCP plans for academic departments
- Identify and charge BCP committee members
- Fill Executive Director position
- Formalize BCP process, establish BCP policies and standards
- Roll out overall BCP plan to University

December 2020 – June 2021

- Implement Quali Ready at the department level and formalize plans in the tool
- Review and approve all plans by BCP Committee

BCP is a living document. Plans will need to be reviewed periodically as determined by committee.

Questions?

9. Information Security Program Update

Presentation

Presented by Robert Jackson

The University of Memphis Board of Trustees

Recommendation

Presentation

Date: August 26, 2020

Committee: Audit

Presentation: Information Security Program Update

Presented by: 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



SEPTEMBER 2020

- Phishing attacks continue to be a primary vector for attacks against students. Action plans include:
 - Collaborate with Marketing on multi-factor authentication education campaign to encourage student opt-in this semester
 - Required use of Duo multi-factor authentication for all accounts, including students, effective January 2021
 - Purchase additional licenses to accommodate students for IT Security Awareness training
 - Collaborate with Marketing on IT Security Awareness education campaign for students
 - Additional outreach from IT Security Communications Coordinator

Email Statistics

Month-Year	Total Inbound Email	Rejections (includes viruses & spam)	Legit Inbound Email	% Rejections	Total Outbound Email	Total Internal Email
July - 2019	9,340,061	4,635,440	4,704,621	49.63 %	406,112	224,091
Aug - 2019	11,794,118	6,740,399	5,053,719	57.15 %	600,409	533,342
Sep - 2019	14,475,047	9,233,820	5,241,227	63.79 %	634,574	716,176
Oct - 2019	13,239,669	8,004,612	5,235,057	60.46 %	643,538	926,227
Nov - 2019	11,674,138	6,467,357	5,206,781	55.4 %	524,485	799,878
Dec - 2019	11,523,060	6,260,525	5,262,535	54.33 %	518,888	854,456
Jan - 2020	11,033,455	6,436,007	4,597,448	58.33 %	600,807	549,625
Feb - 2020	8,489,899	4,049,894	4,440,005	47.7 %	571,194	751,738
Mar - 2020	8,864,635	3,919,013	4,945,622	44.21 %	746,727	712,679
Apr - 2020	8,952,001	4,335,447	4,616,554	48.43 %	699,121	853,644
May - 2020	8,436,644	3,941,739	4,494,905	46.72 %	661,067	782,597
June - 2020	8,079,301	3,281,154	4,798,147	40.61 %	591,239	746,296
Total	125,902,028	67,305,407	58,596,621		7,198,161	8,450,749
Mean	10,491,836	5,608,784	4,883,051.5	52.23 %	599,846.75	704,229.06

FY2020 Q4 IT Security Engagements

The following table shows the number of issues by category reported to IT Security, and the escalation level and outcomes summary:

Category	FY2020 Q4 IT Security Engagements						
	Escalation Level						
	1- Very Minor	2- Minor	3 - Low	4 - Moderate	5 - High	6 - Very High	Total
Denial of Service							0
Malicious Code							0
Unauthorized Access					1		1
Inappropriate Usage	6	1					7
Personally Identifiable Information							0
Other							0
							0
Total	6	1	0	1	0	0	8
Outcomes included:							
• No Action Required (7)							
• Issue Remediated (1)							

Note: 92 accounts were proactively disabled due to suspicious behavior during Apr – Jun 2020.

- Improved security by decommissioning less-secure email protocols
- Enabled email single sign-on (SSO) for Duo authentication support
 - Adds layer of security to login process
 - As students begin using Duo, they will receive this extra security
- Completed FY2020 Network Core / Firewall upgrade
- Improved network resiliency
 - Phases 1-3 of campus fiber network upgrade completed
 - Redundant internet circuit added at South Campus
- Improved infrastructure diversity through limited use of Amazon Web Services cloud

- Review solutions for endpoint security and email security for potential integration into single platform
- Required use of Duo multi-factor authentication for all accounts, including students, effective January 2021
- Collaborate with other units on expanding the University's compliance efforts (PCI, HIPAA, NIST, etc.)

Thank you

10. Complaint Triage Team

For Discussion

Presented by Tiffany Cox

Report to the Board of Trustees

The University of Memphis Board of Trustees

For Discussion

Date: August 26, 2020

Committee: Audit Committee

Report Title: Complaint Triage Team

Presented by: Tiffany Cox, Director, Office for Institutional Equity & Chief Compliance Officer

Background:

One responsibility of the Audit Committee is to make sure the University has processes in place for reporting and investigating illegal, improper, wasteful and fraudulent activity. The creation of the Triage Team will help to streamline complaints so that the appropriate office investigates and reviews the offending conduct. The team will also assist in educating the campus community on ways it can report this activity as well the protections available once it has been reported.

Hotline Report & Complaint Triage Team (FWA, Illegal Activities, COI, and Noncompliance)

Proposed for the University of Memphis

Participants: Chief Compliance Officer, University Counsel, Chief Audit Executive, Chief Human Resources Officer

Authority

In compliance with the State of Tennessee Audit Committee Act, the UofM Audit Committee Charter states that the Committee must ensure that a process exists for assessing, reporting, and investigating illegal, improper, wasteful, or fraudulent activity at the University, including a confidential reporting mechanism. The Committee has the authority to conduct or authorize investigations into any matter within its scope of responsibility.

Responsibilities of the Triage Team include:

- Educating the campus community about fraud, waste and abuse; illegal activities, conflicts of interest; and noncompliance with policies, laws, or regulations.
- Educating the campus community about how to report cases of suspected fraud, waste and abuse; illegal activities, conflicts of interest; and noncompliance with policies, laws, or regulations. This includes informing employees of their protections when reporting these types of activities. It is important that the Triage Team understand the need to protect the confidentiality of complainants as well as the laws that govern the protection of whistleblowers.
- Establishing mechanisms to receive all reports from employees, students, or citizens involving cases of suspected fraud, waste and abuse; illegal activities, conflicts of interest; and noncompliance with policies, laws, or regulations.
- Establishing mechanisms to process reports of suspected fraud, waste and abuse; illegal activities, conflicts of interest; and noncompliance with policies, laws, or regulations from the campus community by developing protocols to triage all reports received. Reports must be triaged in a timely, effective, and confidential fashion to determine which issues might have a serious impact on the University.
- Establishing mechanisms to effectively respond to complaints from the campus community by investigating and reporting results to state and federal agencies as required.

All reports received should be triaged and tracked from receipt through resolution and reporting.

The Triage Team will meet on an ad hoc basis as reports are received, and periodically to track the resolution of cases.

11. Additional Business

Presented by Susan Springfield

12. Adjournment

Presented by Susan Springfield