
















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

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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. Nenon 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. Nenon 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.

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

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.

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. FY 2020 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.

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.

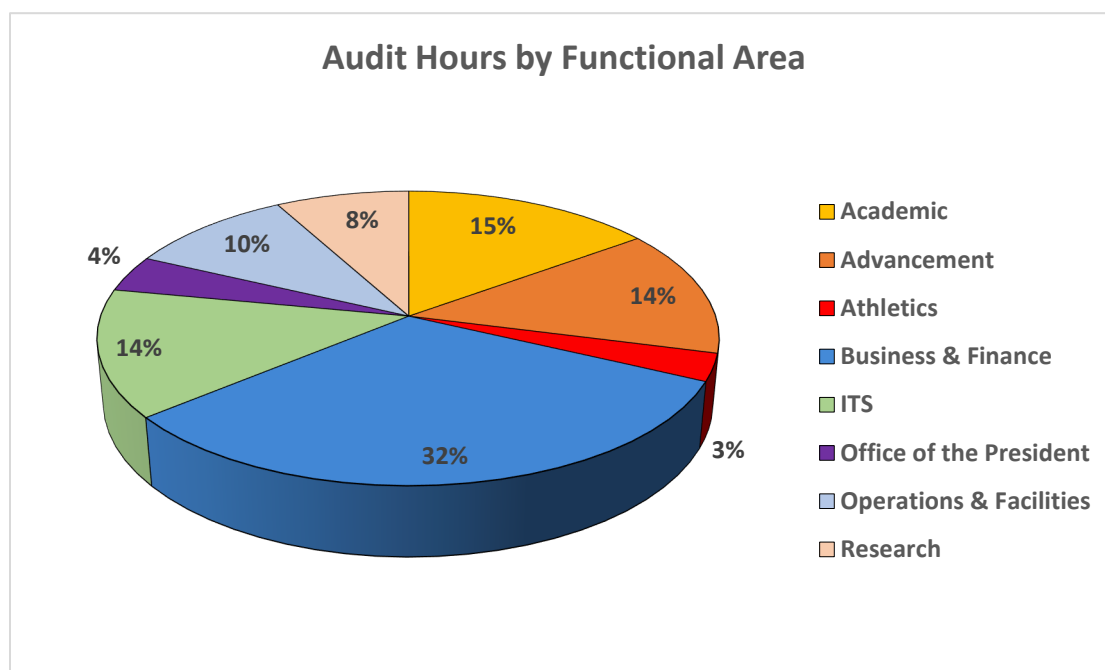
Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. When performing consulting services, the Internal Auditor should maintain objectivity 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

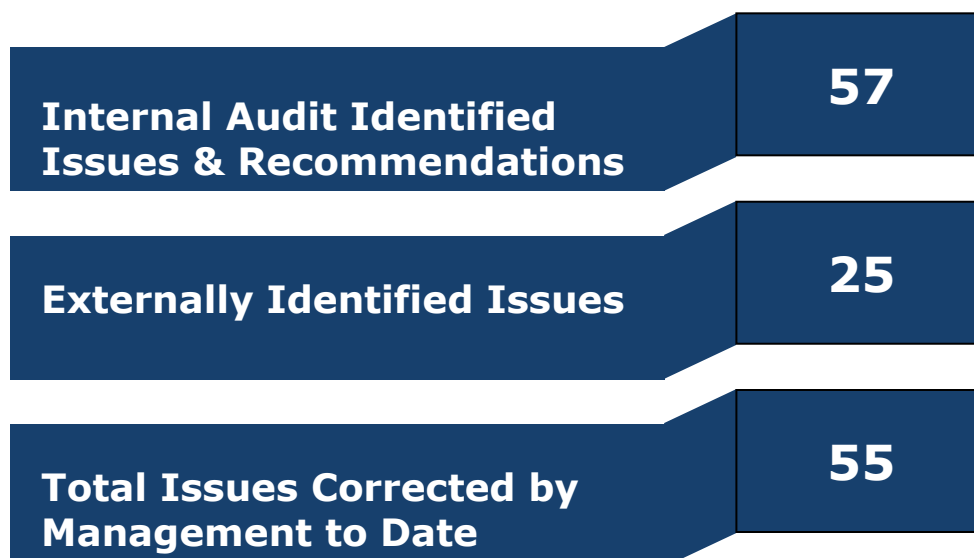




AUDIT ISSUES TRACKED BY INTERNAL AUDIT

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.

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:

	FY2020 Q4 IT Security Engagements						
	Escalation Level						Total
	1- Very Minor	2- Minor	3 - Low	4 - Moderate	5 - High	6 - Very High	
Category							
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	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