


December 2024 Finance and Audit Committee




Schedule Tuesday, September 24, 2024 9:30 AM — 10:15 AM CDT
Organizer Colton Cockrum



Agenda


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Presented by David McKinney









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1. Call to Order and Opening Remarks

Presented by David McKinney

2. Roll Call and Declaration of Quorum

For Approval

Presented by Colton Cockrum

3. Approval of Finance and Audit Committee Meeting Minutes from Sept. 4, 2024

For Approval

Presented by David McKinney

University of Memphis
Board of Trustees
Finance & Audit Committee
September 4th, 2024
Meeting Minutes

Agenda Item 1: Call to Order and Opening Remarks

Trustee McKinney called the meeting to order.

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

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

Trustee McKinney recognized Secretary Cockrum. Secretary Cockrum called the roll.

The following trustees were present:

Trustee Khokhar
Trustee Marchetta
Trustee Roberts (Trustee Roberts joined virtually, she stated she was alone and could hear)
Trustee Carter
Trustee McKinney

These additional trustees were acknowledged in attendance

Chairman Johnson

Trustee Edwards

Trustee North (Trustee North joined virtually. He stated he was alone and could hear)

Secretary Cockrum announced the presence of quorum.

Agenda Item 3: Approval of Finance & Audit Committee Meeting Minutes from June 5, 2024

Trustee McKinney called for a motion and second to approve the meeting minutes from June 5, 2024. The motion was made by Trustee Carter and properly seconded.

A roll call was taken, and the motion carried.

Agenda Item 4: Approval of Chief Internal Auditor

Trustee McKinney recognized President Hardgrave.

President Hardgrave provided background and introduced the new Associate Vice President and Chief Audit Executive, Angela Ross, who will oversee the newly created Office of Audit,

Compliance, and Equal Opportunity. She will serve as the Chief Internal Auditor per Board Policy and report to the Finance and Audit Committee.

Trustee McKinney called for a motion and second to approve the appointment of Angela Ross as the new Chief Internal Auditor. The motion was made by Trustee Marchetta and properly seconded.

A roll call was taken, and the motion carried.

Trustee McKinney recognized Chief Internal Auditor, Angela Ross

Agenda Item 5: Internal Audit Quality Assessment Independent Validation Results

Ms. Ross explained that the University of Memphis Internal Audit Organization received the highest possible rating from the Quality Assessment. She explained that the objective of this assessment was to evaluate the university internal audit organization's conformance to the internal audit standards, to assess the efficiency and the effectiveness of the audit function in providing services to the board as well as to the management of the University of Memphis, and to identify opportunities for improvement.

Ms. Ross stated that there were three opportunities for improvement identified by the assessors. The first opportunity recognized was organizational independence noting the fact that there is a reporting line to the Board of Trustees as well as to the President of the University. One recommendation was to update and revisit the Board of Trustee bylaws as well as the internal audit charter. She stated that there are plans for the university internal audit organization's team to look at the charter during the GAP evaluation. Another recommendation was to review the organizational chart to show clarity to ensure independence.

The second opportunity for improvement presented deals with conflict of interest. Per the Finance and Audit Committee charter, the committee shall review the University's conflict of interest policy. Ms. Ross suggested that something be put in place to make sure that takes place.

The third opportunity for improvement noted by the assessors comes from Standard 2000: Managing Internal Audit Activity. Ms. Ross explained that this was geared more towards the Chief Audit Executive to ensure that value is added by implementing effective processes and procedures. She noted that this is something that they intend to review during the GAP analysis as the previous standards did not require a strategic plan, but the new standards have this requirement. Ms. Ross also stated her team intends to review job descriptions and the departmental manual.

Ms. Ross recognized predecessor, Vicki Deaton, and the audit team for the work done to achieve the recognition of the highest rating.

Agenda Item 6: Summary of Audit Issue Follow-up

Ms. Ross presented three reports that were issued by the audit team since the June 2024 meeting. The Lambuth Campus Financial Audit was added in June 2024 with an issue of noncompliance for cash handling training. She explained that the Cash Balances Audit report and the Inventory Observation Audit report are done annually with results provided to the Division of Audit. There were two minor issues that came from the Cash Balances Audit report. One issue was noncompliance for cash handling training. The second issue was noncompliance for cash handling policy related to a cash loan made.

The following issues obtained a 'complete' status: Space Planning and Utilization Audit and the School of Law Financial and Compliance Audit. Ms. Ross explained that the Fixed Asset Audit issue has a status of 'not complete' due to leadership change with an extended completion date given of February 28, 2025.

Agenda Item 7: Summary of Audit Reports

Ms. Ross reported that three investigations were resolved since the June 2024 meeting.

Agenda Item 8: Summary of Internal Audit Year End Report

Ms. Ross reported that there were 37 Internal Audit identified issues and recommendations and 29 externally identified issues. To date there have been 49 total issues corrected by management.

Agenda Item 9: FY24 Internal Audit Year End Report

Ms. Ross presented the FY24 Internal Audit Year End Report. Some accomplishments noted included completing the required 5-year Independent Validation of compliance with the Institute of Internal Auditor's (IIA) International Standards for the Professional Practice of Internal Auditing, identifying opportunities for operational improvement by management, and increased communications with all stakeholders. Some challenges for FY25 included expanding the role of the Chief Audit Executive, implementing the revised IIA International Standards for the Professional Practice of Internal Auditing that take effect January 2025, and providing audit coverage for growing University assets.

Ms. Ross explained that through self-assessment and through independent reviewers, it was concluded that the University of Memphis Office of Internal Audit and Consulting generally conforms to the IIA's standards, Definition of Internal Auditing, the core principles, and the Code of Ethics.

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

Agenda Item 10: Financial Performance Report

Trustee McKinney recognized Chief Financial Officer/Chief Operations Officer Rene Bustamante and Interim Assistant Vice President of Finance, Financial Accounting and Reporting, Steve Lackey.

Mr. Bustamante introduced Steve Lackey.

Mr. Lackey presented that the financials are consistent from year to year with a \$59million increase in total assets due to various factors including assets from the Edwards Research and Innovation Center, capital costs from University Schools, prepaid expenses, and investment earnings.

Mr. Bustamante presented that the sources of revenue increased by \$52million between FY23 and FY24 due largely to increases in State Appropriation and Auxiliaries and Investments.

Mr. Bustamante explained that the expenses increased about 5% due to across-the-board salary increases as well as increase in benefits premiums.

FY24 Investment Income has increased due to a favorable investment season and is also due to a full year to invest the \$50million Carnegie¹ endowment.

Trustee McKinney reminded the board that this presentation was for information purposes only and did not require a vote.

Agenda Item 11: Park Avenue Campus Student Housing Update

Trustee McKinney recognized Rene Bustamante.

Mr. Bustamante provided an update on the Park Ave Campus project. He stated that demolition started in August 2024. He explained that the University saved over \$5.5 million since June by restructuring the financing with an increase in projected ground lease payments from \$4.5million to \$41.5million over the life of the project.

Trustee North asked Mr. Bustamante to elaborate on the ground lease payments. Mr. Bustamante explained revenue will exceed expenditures that will allow funds to be set out to reinvest in a project or utilize the funds in the capacity to enhance the student experience staying on the property although it was noted that the funds do not have to be tied to this facility.

Agenda Item 12: Finalization of President's Review

Trustee McKinney presented the motion of compensation for the President's review.

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

Trustee called for a motion and second to approve this item. The motion was made by Trustee Edwards and properly seconded. Trustee McKinney called for discussion- there was none. A roll call vote was taken. The motion carried.

Agenda Item 13: Additional Business

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

Agenda Item 14: Adjournment

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

4. FY 2024-2025 Revised Budget

Approval

For Approval

Presented by Rene Bustamante

The University of Memphis Board of Trustees

Recommendation

For Approval

Date: December 4, 2024

Committee: Finance and Audit Committee

Recommendation: Approval of FY2025 Revised Budget

Presented by: Rene Bustamante, Executive Vice President & Chief Operating & Financial Officer

Background:

The University of Memphis revises the Proposed (Initial) Budget each fall to update revenue and expenditure projections. The FY2025 Revised Budget takes into consideration fall enrollment changes, tuition increases, the effect of any prior year's activities carried forward into the current year, and adjustments in state appropriations occurring since the FY2025 Proposed Budget was prepared and approved in June 2024.

The FY2025 Educational and General (E&G), Auxiliary Enterprises and Restricted revised budgets are within available resources. The Revised Budget complies with all applicable policies and guidelines.

Committee Recommendation:

The Finance and Audit Committee recommends approval of the FY2025 Revised Budget.

FY2025 Revised Operating Budget Update

Finance & Audit Committee

Rene Bustamante

Executive Vice President & Chief Operating & Financial Officer

December 4, 2024

Maxine A. Smith University Center



DECEMBER 2024

The Revised Budget incorporates the following changes:

- Approved Tuition & Fees increases from June 5, 2024, Board meeting, and adjusted based on Fall 2024 actual enrollment
- Budget Adjustment to mitigate decrease in enrollment
- Increased state appropriations
- Non-recurring expenditure budgets, including one-time activities, and resources available from prior year operations
- Other adjustments to operating plans, organizational structure, revenue projections, or fixed costs made after the submission of the

Proposed Budget

Total Revenues by Fund

FY2025 Revised Budget total \$659.9 million. This total reflects revenue increases of \$15.3 million from the FY2025 Proposed Budget of \$644.6 million.

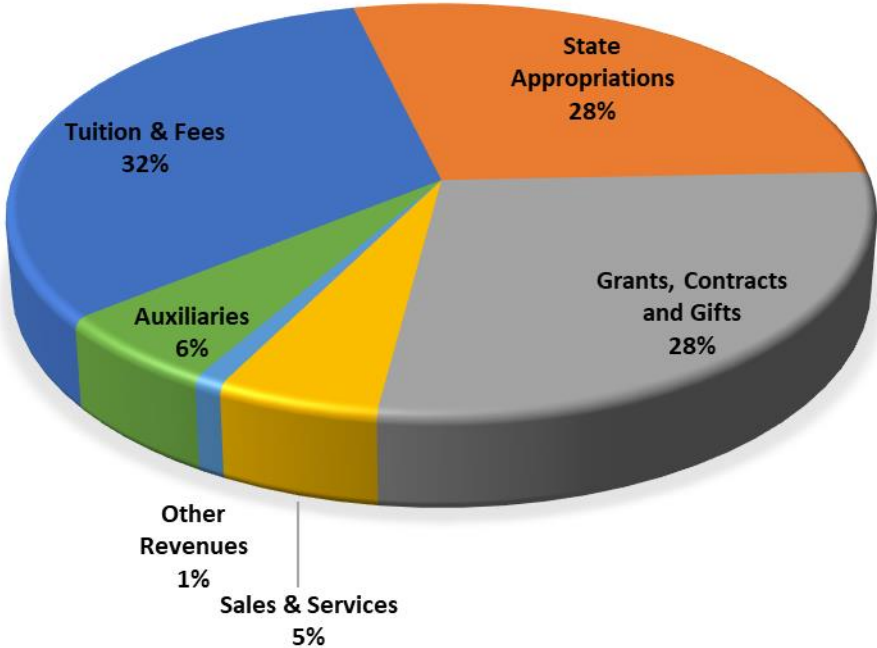
	Proposed FY2025	Revised FY2025	Variance
Educational & General			
Tuition & Fees	\$ 206,718,300	\$ 200,703,300	\$ (6,015,000)
State Appropriations	177,707,600	181,961,300	4,253,700
Grants, Contracts and Gifts	33,033,800	39,405,800	6,372,000
Sales & Services	34,767,500	39,102,400	4,334,900
Other Revenues	3,284,000	5,100,000	1,816,000
Total Educational & General	\$ 455,511,200	\$ 466,272,800	\$ 10,761,600
Auxiliary	36,961,700	39,233,000	2,271,300
Restricted	152,115,500	154,357,000	2,241,500
Total Revenues	\$ 644,588,400	\$ 659,862,800	\$ 15,274,400

Revenue Changes from FY25 Proposed to FY25 Revised Budget

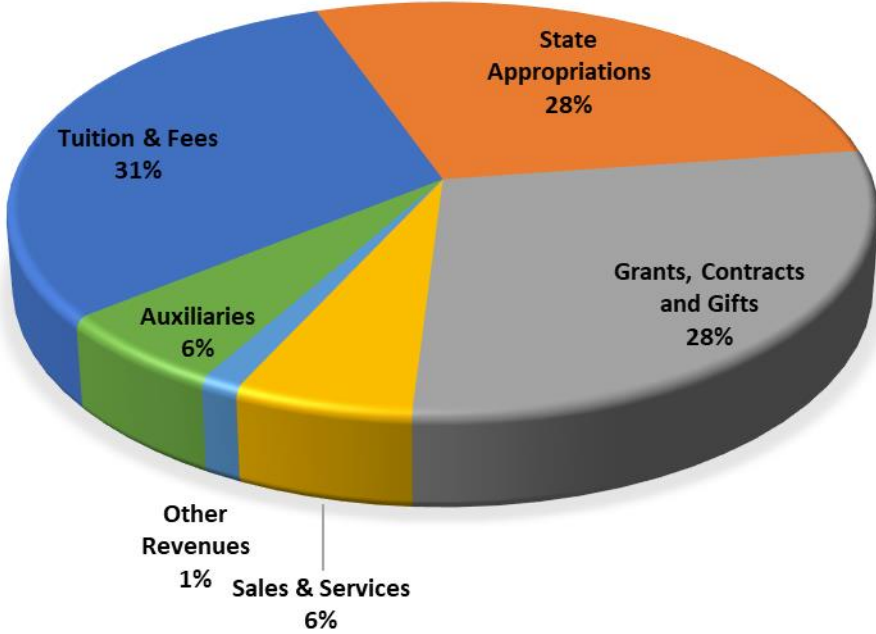
Revenues Variances		
Tuition & Fees	(\$6,015,000)	Decrease is net of approved FY25 tuition increases and enrollment declines across multiple levels
State Appropriations	4,253,700	Increase includes one time Safety & Security special appropriation and adjustments for Insurance Benefits and Risk Mgmt. property insurance
Grants, Contracts and Gifts	6,372,000	Increase is due to increased indirect cost recovery revenues, GIK revenue adjustments, as well as establishing UM Foundation Gift funding for Academic Support & General University uses (one time activity)
Sales & Services	4,334,900	Increase is net of Athletic conference distributions, Conference & Institute events, Int'l Summer Programs, Internships & Career Fair events
Other Revenues	1,816,000	Adjusted investment income revenue for anticipated FY25 activity
Auxiliary	2,271,300	Increase is net of FY25 Housing rate increases and textbook rental program revenues
Restricted	2,241,500	Increase is based on FY25 estimated increase in grants/restricted activity
Total Revenues	\$ 15,274,400	

Total University Revenues

FY2025 Proposed Unrestricted and Restricted Revenues Total \$644.6M



FY2025 Revised Unrestricted and Restricted Revenues Total \$659.9M



University Budget Growth

Total University Revenue by Type (in Millions)



Primary Revenue Sources
 State Appropriations
 & Tuition/Fees

Expenditures by Function

	Proposed FY2025	Revised FY2025*	Variance
Educational & General			
Instruction	\$ 154,181,900	\$ 184,941,800	\$ 30,759,900
Research	54,783,600	82,072,300	27,288,700
Public Service	4,628,700	6,548,300	1,919,600
Academic Support	46,315,900	52,902,000	6,586,100
Student Services	65,691,000	86,814,300	21,123,300
Institutional Support	37,634,300	41,564,000	3,929,700
Operation & Maintenance	46,093,300	46,626,300	533,000
Scholarships and Fellowships	32,964,700	32,557,400	(407,300)
Transfers	13,217,800	(22,038,300)	(35,256,100)
Total Educational & General	\$ 455,511,200	\$ 511,988,100	\$ 56,476,900
Auxiliary	36,961,700	39,233,000	2,271,300
Restricted	152,115,500	154,357,000	2,241,500
Total Expenditures and Transfers	\$ 644,588,400	\$ 705,578,100	\$ 60,989,600

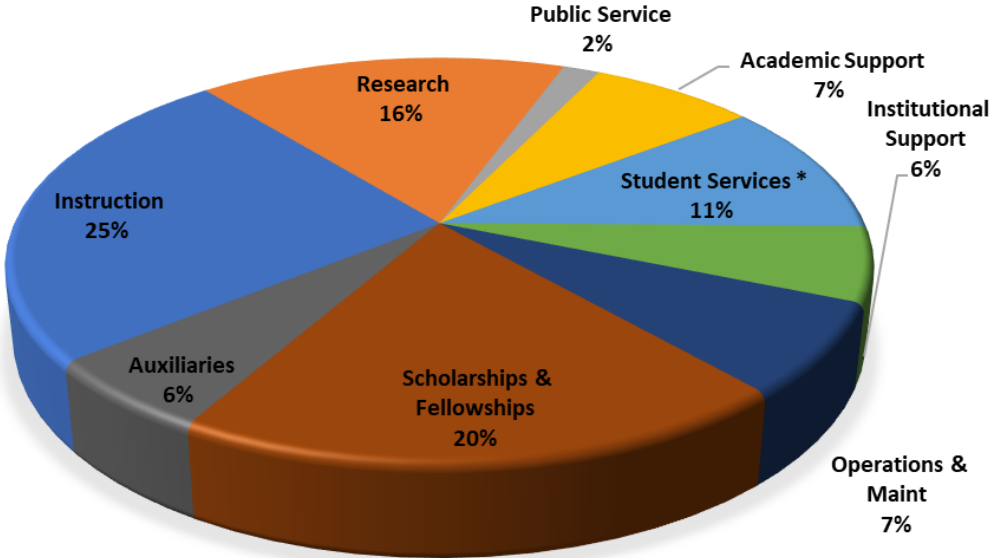
*The Revised Expenditure Budget includes all unrestricted resources available including current year revenues as well as one-time activities and resources available from prior year operations.

Total University Expenditures

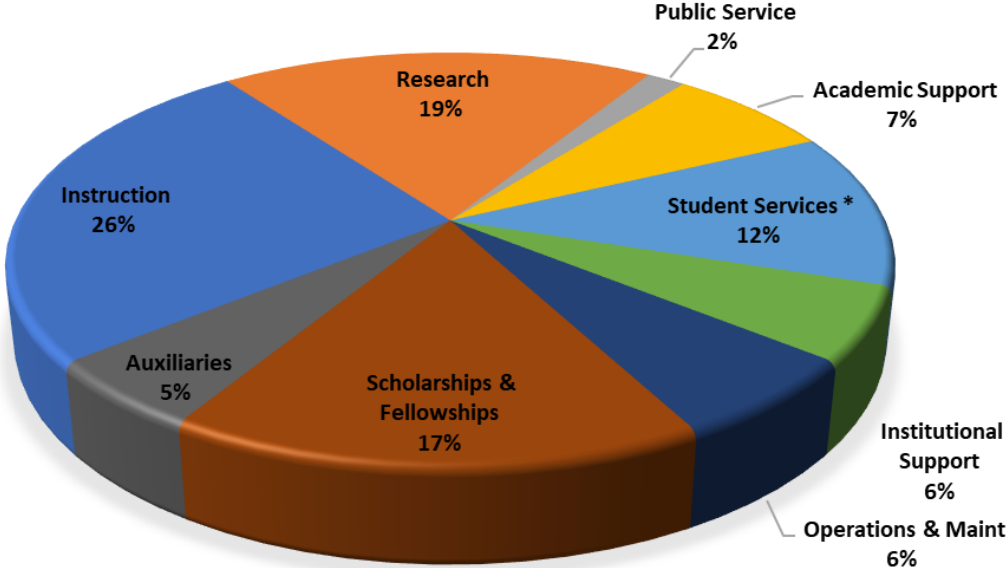
FY25 Expenditures are budgeted across the nine functional areas shown in the two charts below.

Spending by function reflects new investments in Instruction and Research areas as well as Scholarships being adjusted for current enrollment levels

FY2025 *PROPOSED* UNRESTRICTED AND RESTRICTED EXPENSES WITHOUT TRANSFERS



FY2025 *REVISED* UNRESTRICTED AND RESTRICTED EXPENSES WITHOUT TRANSFERS



FY23-FY25 Expense Budget Adjustments

In preparation for the increased enrollment standards and resulting decline in first-time freshmen, the University made budget adjustments that were incorporated into the FY2025 Proposed Budget and FY2025 Revised Budget.

	FY2023			FY2024			FY2025	
	Proposed	Revised	Estimated	Proposed	Revised	Estimated	Proposed	Revised
Revenues	\$ 599.7	\$ 630.1	\$ 634.6	\$ 641.4	\$ 651.6	\$ 659.0	\$ 644.6	\$ 659.9
Expenses & Transfers	599.7	660.2	663.3	641.4	694.9	703.4	644.6	705.6
Net	\$ -	\$ (30.1)	\$ (28.7)	\$ -	\$ (43.3)	\$ (44.4)	\$ -	\$ (45.7)
Sources of One-Time Funding:								
Carryforward	-	49.1	49.1	-	54.4	54.4	-	52.6
Central Reserves	-	43.1	43.3	-	50.9	62.3	-	76.5
One-Time Funds Available	\$ -	\$ 92.2	\$ 92.4	\$ -	\$ 105.3	\$ 116.7	\$ -	\$ 129.1

FY25 and beyond:

The University will be focusing on student retention to ensure Spring 2025 enrollment remains consistent. Enrollment efforts are underway to bring in a larger first-time freshman class for Fall 2025.

One-time funds have been set aside to help respond to temporary declines in tuition and fee revenues.

FY25 Revised Revenue & Expenditure Budget



Revenues		
Educational & General		
Tuition and Fees	\$	200,703,300
State Appropriations		181,961,300
Unrestricted Grants, Contracts, & Gifts		39,405,800
Sales and Services		39,102,400
Other		5,100,000
Total Unrestricted Educational & General	\$	466,272,800
Auxiliary		39,233,000
Restricted		154,357,000
Total Revenues	\$	659,862,800
Expenditures		
Educational & General		
Instruction	\$	184,941,800
Research		82,072,300
Public Services		6,548,300
Academic Support		52,902,000
Student Services		86,814,300
Institutional Support		41,564,000
Operation & Maintenance		46,626,300
Scholarships & Fellowships		32,557,400
Transfers		(22,038,300)
Total Unrestricted Educational & General	\$	511,988,100
Auxiliary		39,233,000
Restricted		154,357,000
Total Expenditures and Transfers	\$	705,578,100

The FY25 Revised Budget is within available resources, complies with applicable policies and guidelines and is therefore recommended for approval.

Questions?

FY24-25 Revised Budget Summary

Total University Revenues

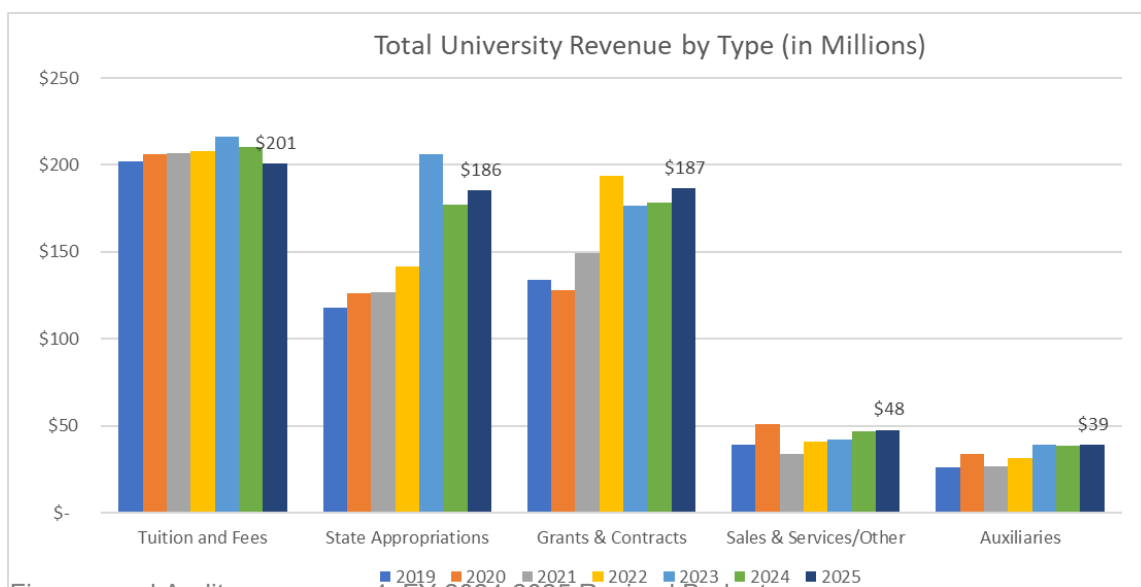
The FY 2025 **Revised Budget** reflects anticipated revenue projections as of early October 2024. The University's Proposed Budget was developed before the end of the previous fiscal year and the Revised Budget provides the opportunity to adjust for changes, such as the following, which occurred after the adoption of the Proposed Budget in June:

- Tuition & Fee increases/decreases approved at June 2024 Board meeting.
- Tuition and Fees adjusted based on actual Fall 24 enrollment.
- Changes to state appropriations that are typically made by the state in August or September
- Incorporates non-recurring expenditure budgets including one-time activities (such as Conference and Institute events & Internships) as well as resources available from prior year operations.
- Other adjustments as needed for changes to operating plans, organizational structure, revenue projections, or fixed costs made after the submission of the Proposed Budget

The University of Memphis revenues in the FY2025 Revised Budget total \$659.9 million. This total reflects revenue increases of \$15.3 million from the FY2025 Proposed Budget of \$644.6 million.

FY2025 Total Revenue (in \$millions)

Revenues	FY2025 Proposed	FY2025 Revised	Change	
Tuition & Fees	\$ 206.7	\$ 200.7	\$ (6.0)	-2.9%
State Appropriations	177.7	182.0	4.3	2.4%
Grants, Contracts and Gifts	33.0	39.4	6.4	19.4%
Sales & Services	34.8	39.1	4.3	12.4%
Other Revenues	3.3	5.1	1.8	55%
Total Unrestricted E&G Revenues	\$ 455.5	\$ 466.3	\$ 10.8	2.4%
Auxiliaries	37.0	39.2	2.2	5.9%
Restricted	152.1	154.4	2.3	1.5%
Total Revenues	\$ 644.6	\$ 659.9	\$ 15.3	2.4%



Revenue Changes from FY25 Proposed to FY25 Revised Budget

Tuition and Fees	\$ (6,015,000)	Decrease is net of approved FY25 tuition increases and enrollment declines across multiple levels
State Appropriations	4,253,700	Increase includes one time Safety & Security special appropriation and adjustments for Insurance Benefits and Risk Mgmt. property insurance
Unrestricted Grants & Contracts	6,372,000	Increase is due to increased indirect cost recovery revenues, GIK revenue adjustments, as well as establishing UM Foundation Gift funding for Academic Support & General University uses (one time activity)
Sales and Services	4,334,900	Increase is net of Athletic conference distributions, Conference & Institute events, Int'l Summer Programs, Internships & Career Fair events
Other	1,816,000	Adjusted investment income revenue for anticipated FY25 activity
Auxiliary	2,271,300	Increase is net of FY25 Housing rate increases and textbook rental program revenues
Restricted Grants and Contracts	2,241,500	Increase is based on FY25 estimated increase in grants/restricted activity
Total Revenue Change	\$ 15,274,400	

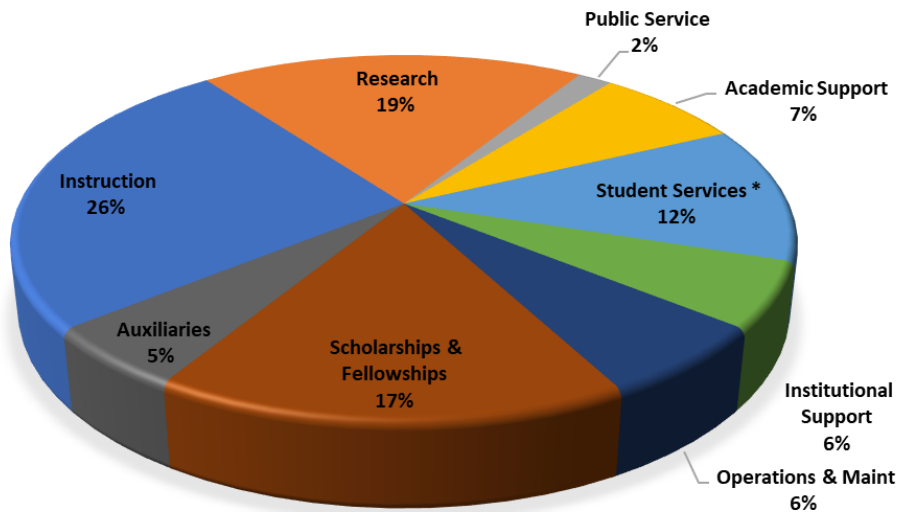
Expenditure Changes from FY25 Proposed to FY25 Revised Budget

Instruction	\$ 30,759,900	Increase is due to prior year carryforward funds, FY25 central budget allocations to include Faculty Promotions, establishment of Internships & Professorships usually only budgeted yearly, shifts from Instruction to Research/Public Service for Faculty Salary Splits, GA stipends/waivers, travel, operating, as well as benefit shifts due to staffing levels
Research	27,288,700	Increase in Research is due to prior year carryforward funds, FY25 central budget allocations, Faculty start up funds, establishment of Internships and budget shifts from Instruction to Research for faculty salary splits, operating expenses, travel, and Graduate Assistant stipends & waivers, as well as benefit shifts due to staffing levels
Public Service	1,919,600	Increase is due to prior year carryforward funds, FY25 central budget allocations, establishing revenue supported activities such as Internships and Conference & Institute events which are usually one time activities, and benefit shifts due to staffing levels
Academic Support	6,586,100	Increase is due to prior year carryforward funds, various FY25 central budget allocations including technology investments and benefit shifts due to staffing levels
Student Services	21,123,300	Increase is due to prior year carryforward funds, investments in the new Student Affairs & International Affairs Divisions, Athletics one time support, operating increases due to Athletic revenue increases, various central budget allocations and benefit shifts due to staffing levels
Institutional Support	3,929,700	Increase is due to prior year carryforward funds, FY25 Capital Campaign operating budget, various FY25 central budget allocations and benefit shifts due to staffing levels
Operation & Maintenance	533,000	Increase is net of FY25 central budget allocations and benefit shifts due to staffing levels
Scholarships and Fellowships	(407,300)	Decrease is net of adjustments due to enrollment declines and scholarship increases related to FY25 tuition increase
Transfers	(35,256,100)	Net of Transfer of prior year end departmental carryforward & central funds set aside in non current plant funds for future year strategic investments
Auxiliary	2,271,300	Increase is net of FY25 Housing rate increases and textbook rental program revenues
Restricted Grants and Contracts	2,241,500	Increase is based on FY25 estimated increase in grants/restricted activity
Total Expenditure Change	\$ 60,989,700	

Total University Expenditures

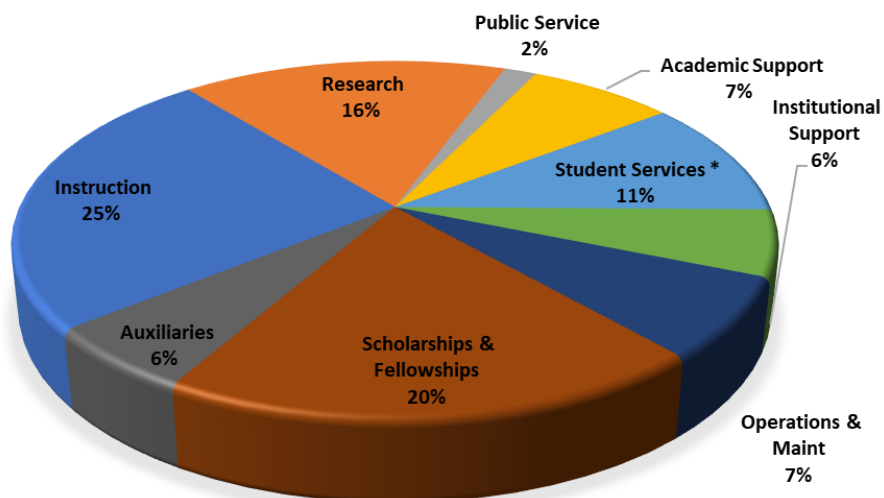
FY25 Expenditures are budgeted across the nine functional areas shown in the two charts below. Spending by function reflects new investments in Instruction and Research areas as well as Scholarships being adjusted for current enrollment levels.

FY2025 REVISED UNRESTRICTED AND RESTRICTED EXPENSES WITHOUT TRANSFERS



*Athletics is included in Student Services

FY2025 PROPOSED UNRESTRICTED AND RESTRICTED EXPENSES WITHOUT TRANSFERS



Approval of the Revised Budget

The FY2025 Revised Budget is within available resources and complies with all applicable policies and guidelines. Full spending authority has been budgeted but is not expected to be utilized in the current year. This budget includes all resources available including current year revenues as well as one-time activities and resources available from prior year operations.

The increased expenditure budget results primarily from non-recurring funds including resources available from prior year operations. Non-recurring funds were allocated in accordance with campus budgeting policy and guidelines to numerous projects and programs such as facility improvements, equipment replacements, faculty start-up packages, annual athletic support, bridge funding for research activities, student recruiting & retention, program improvements, and technology infrastructure and investments.

University of Memphis
FY25 Revised Revenue & Expenditure Budget

Revenues	Revised FY 2025
Educational & General	
Tuition and Fees	\$ 200,703,300
State Appropriations	181,961,300
Unrestricted Grants, Contracts, & Gifts	39,405,800
Sales and Services	39,102,400
Other	5,100,000
Total Unrestricted Educational & General	\$ 466,272,800
Auxiliary	39,233,000
Restricted	154,357,000
Total Revenues	\$ 659,862,800
Expenditures	
Educational & General	
Instruction	\$ 184,941,800
Research	82,072,300
Public Services	6,548,300
Academic Support	52,902,000
Student Services	86,814,300
Institutional Support	41,564,000
Operation & Maintenance	46,626,300
Scholarships & Fellowships	32,557,400
Transfers	(22,038,300)
Total Unrestricted Educational & General	\$ 511,988,100
Auxiliary	39,233,000
Restricted	154,357,000
Total Expenditures and Transfers	\$ 705,578,100

**5. Renaming of Auxiliary Services
Foundation to Athletic Foundation**
For Approval
Presented by Rene Bustamante

Auxiliary Services Foundation

Finance and Audit Committee

Rene Bustamante

Executive Vice President & Chief Operating & Financial
Officer



Board *of*
Trustees

DECEMBER 2024

Proposal to rename Auxiliary Services Foundation

- ‘Auxiliary Services Foundation’ (ASF) to become ‘Athletics Foundation’
- ASF has evolved into supporting the University’s athletic endeavors.

The University of Memphis Board of Trustees

Recommendation

For Approval

Date: December 4, 2024

Committee: Finance and Audit

Recommendation: Authorize renaming the Auxiliary Services Foundation to the Athletic Foundation

Presented by: Rene Bustamante, Chief Financial Officer

Background:

The Tigers of Memphis Foundation (“TOM”) was established in 2014 to support the University’s athletic endeavors. This Foundation was never utilized and was administratively dissolved by the Tennessee Secretary of State in 2018. It was subsequently revived and put back in good standing in January of 2019. That same year, the University requested, and the Board approved the repurposing and renaming of TOM to the University of Memphis Auxiliary Services Foundation (“ASF”). At the time, the ASF’s purpose was to hold and operate auxiliary enterprises which would directly benefit the University. Although the ASF has been operating in that capacity, it has evolved into supporting the University’s athletic endeavors. Most recently with the acquisition of the Simmons Bank Liberty Stadium.

To this end, the University would like to repurpose and rename the Auxiliary Services Foundation to the Athletic Foundation. The foundation will retain its 501(c)(3) status as well as the current board structure and its mission will be to support and promote the advancement of the athletic programs of the University.

Motion:

Motion to authorize the renaming and repurposing of the Auxiliary Services Foundation to the Athletic Foundation.

6. Summary of Audit Reports

Presentation

Presented by Angela Ross

The University of Memphis Board of Trustees

Presentation
For Information

Date: December 4, 2024

Committee: Finance and Audit Committee

Presentation: Summary of Internal Audit Reports Issued

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

Background:

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

7. Summary of Internal Audit Investigations

Presentation

Presented by Angela Ross

The University of Memphis Board of Trustees

Presentation
For Information

Date: December 4, 2024

Committee: Finance and Audit Committee

Presentation: Summary of Internal Audit Reports Issued

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

Background:

Reports were issued for three resolved investigations since the last meeting. Summarized information is included in the attached table.

8. Review of Conflict of Interest Policy

Presentation

Presented by Angela Ross

The University of Memphis Board of Trustees

Presentation
For Information

Date: December 4, 2024

Committee: Finance and Audit Committee

Presentation: Review of Conflict of Interest Policy

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

Background:

In accordance with the Finance and Audit Committee Charter, the Conflict of Interest policy (GE2021) should be reviewed. No modifications have been made since last year. The policy is included in your packet for review.

POLICIES

Policy Statement

All employees of the University of Memphis serve the interests of the state of Tennessee and its citizens and have a duty to avoid activities and situations that, either actually or potentially, put personal interests ahead of the professional obligations that they owe to the University. All employees serve a public interest role and thus have a clear obligation to conduct all affairs of the University in a manner consistent with this concept. Employees shall not use their positions to secure anything of value, or any financial gain or personal benefit, that would not ordinarily accrue to them in the performance of their official duties or through personal, non-University connected activities. University employees shall avoid external commitments that significantly interfere with the employee's duties to the University and diverge from the best interests of the University.

Purpose

The purpose of this policy is to provide guidelines to help employees of the University of Memphis avoid conflicts of interest. This policy is intended to 1) define the general principles which should guide the actions of University employees, 2) offer illustrations of activities which potentially constitute a conflict of interest, 3) make employees aware of disclosure requirements related to conflicts of interest, 4) describe the process by which those disclosures shall be evaluated and decisions rendered, and 5) describe the appeals process regarding such decisions.

Definitions

Conflict of Interest	Occurs when the personal interests, financial or otherwise, of a person who owes a duty to the University of Memphis actually or potentially diverge from the person’s professional obligations to, and from the best interests of, the University.
Conflict of Commitment	Occurs when the personal or other non-University related activities of an employee of the University impair the ability of that employee to meet their commitments of time and energy to the University.
Family Member	Includes the parent, spouse, and children (both dependent and non-dependent) of a person covered by this policy.

Procedures

General Procedures

It is the policy of the University of Memphis that employees should avoid situations where the self interests of the employee diverge from the best interests of the University (conflicts of interest). It is also the policy of the University of Memphis that employees should avoid external commitments which significantly interfere with the employee’s duties to the University (conflicts of commitment).

Allowing a conflict of interest to exist without being addressed in an appropriate manner is a serious violation of an employee’s duty to the University and can be a violation of state or federal law. Some conflicts of interests are even punishable as criminal offenses under Tennessee law. While this policy is intended to be consistent with all pertinent Federal and State laws, regulations, this policy is preempted by those enactments, to the extent that there is a material difference between any provisions. However, this policy preempts any other University policy that is inconsistent with the provisions herein.

The mere existence of either a potential or actual conflict of interest does not necessarily mean that such conflict must be eliminated. However, all actual and potential conflicts of interests must be disclosed and evaluated by the Conflicts Review Committee as described in this policy.

Examples of Conflicts of Interests

In the following situations and activities, there is at least the appearance, and possibly the actuality, of an employee allowing his or her personal interests, and not the best interests of the University of Memphis, to affect that employee's judgment. This list is illustrative and not exhaustive.

a) **Self-dealing**- Situations in which an employee can appear to influence or actually influence a University-related decision from which that person or a member of that person's family stands to realize a personal financial benefit, or other personal benefit, are self-dealing, and conflicts of interest. Examples of self-dealing activities are numerous and include the following:

i) Purchase of State-owned property by an employee absent fair and open bidding, where required. This is a violation of State law under Tenn. Code. Ann. §§ 12-2-208 and 12-2-417.

ii) Institutional purchases from businesses in which an employee or family member has a financial interest. Tenn. Code Ann. §12-4-103 prohibits employees from bidding on, selling, or offering to sell or have an interest in the selling of merchandise, equipment, material, or similar commodity to the State of Tennessee during their tenure of employment, or for six (6) months thereafter. Violation of this provision is considered a class E felony. Employees are required to disclose if he/she or members of his/her family have any significant ownership interest (more than 4%) in such business or if the employee or a member of his/her family serves as an officer for the business.

Tenn. Code Ann. §12-3-106(b) declares that it is a conflict of interest for any person or any company with whom such person is an officer, director, or equity owner with more than 1% interest to bid on any public contract for products or services for the University if that person or their relative is responsible for approving such contract for the University. Under this provision, relative means spouse, parent, sibling or child.

iii) Use of educational materials from which a faculty member derives a financial benefit. Any faculty member who wishes to use in his or her teaching activities educational materials (e.g. textbook) that he or she has authored, or in which he or she otherwise stands to benefit financially from such use, has a conflict of interest that must be managed. The use of such materials shall be evaluated by the appropriate University department or division committee. University policy **UM 1669 Faculty Authored Educational Material** establishes guidelines for making these decisions.

iv) Acceptance of gifts, gratuities, or favors. No employee shall knowingly solicit or accept, directly or indirectly, on behalf of himself or herself, any person living in the employee's household or a family member, for personal use or consumption, any gift including but not limited to any gratuity, service, favor, food, entertainment, lodging,

transportation, loan, loan guarantee or any other thing of monetary value, from any person or entity that:

- a) Has or is seeking to obtain, contractual or business or financial relations with the University; and
- b) Has interests that may be substantially affected by the performance or nonperformance of the employee.

Exceptions to the prohibition of gifts:

- 1) a gift with a non-business purpose motivated by a close personal relationship and not by the employee's position with the University;
- 2) informational materials in the form of books, articles, periodicals, other written materials, audiotapes, videotapes, or other forms of communications
- 3) sample merchandise, promotional items, and appreciation tokens, if they are routinely given to customers, suppliers or potential customers or suppliers in the ordinary course of business, including items distributed at tradeshow and professional meetings where vendors display and promote their services and products;
- 4) food, refreshments, foodstuffs, entertainment, or beverages provided as part of a meal or other event, including tradeshow and professional meetings, if the value of such items does not exceed fifty dollars (\$50.00) per occasion; provided

that the value of the gift may not be reduced in value by dividing the cost of the gift among two or more persons or entities. Rather, the measure is the value of the gift received by each individual person;

5) circumstances where refusal or reimbursement of the gift may be awkward and contrary to the larger interests of the University. In such circumstances, the employee is to use his or her best judgment, and disclose the gift including a description, estimated value, the person or entity providing the gift, and any explanation necessary within fourteen (14) days to their immediate supervisor;

6) food, refreshments, meals, foodstuffs, entertainment, beverages or intrastate travel expenses that are provided in connection with an event where the employee is a speaker or part of a panel discussion at a scheduled meeting of an established or recognized membership organization which has regular meetings;

7) participation in institution or foundation fundraising and public relations activities (i.e. golf tournaments and banquets), where persons or entities provide sponsorship; and

8) loans from established financial institutions made in the ordinary course of business on usual and customary terms, so long as there are no guarantees or collateral provided by any person from whom the employee would

normally be prohibited from accepting a gift.

v) Approval of transactions involving self or family members. No employee shall be the approver of a University transaction in which that employee or a family member of that employee benefits financially or in any other respect, such as by the reduction of an academic requirement. Any transactions in which the employee or a family member could benefit financially or otherwise must be approved by a person with higher authority than the employee at issue.

b) Inappropriate use of students or support staff- Employees shall ensure that the activities of students and support staff are not exploited for the benefit of any non-University related activity of the faculty or staff member. Disclosure and approval is required prior to assigning any non-institutionally related task (which is more than incidental or de minimus in nature) to a student or member of support staff.

c) Inappropriate use of State owned resources- Employees may not make significant use of University owned facilities, equipment, materials or other resources, not otherwise available to the public, in the course of activities which are not related to the University, without prior disclosure and approval.

d) Failure to disclose intellectual property- Under UM Policy 1607, persons affiliated with the University have a duty to disclose inventions or copyrightable works which may reasonably be expected to have commercial value and which have jointly or solely been developed or created during their affiliation with the University of Memphis. For more information about what must be disclosed to the

University pursuant to this policy, please see **UM Policy 1607**.

e) **Nepotism-** **Under UM Policy 1381**, no employees of the University who are relatives shall be placed within the same direct line of supervision whereby one relative is responsible for supervising the job performance of another relative. For more information about the Nepotism Policy, please see UM 1381.

Disclosure Requirements

A. Conflict of Interest Disclosure

Persons to whom this policy applies who believe that a conflict of interest may exist either for themselves or with respect to another person covered by this policy shall make a written disclosure of the facts and circumstances surrounding the situation. The Conflict of Interest Disclosure Form can be found at Appendix B. Disclosures shall be submitted to the Office of Legal Counsel and then referred to the University's Conflicts Review Committee for evaluation.

B. Annual Financial Interest Disclosure

In addition to the general disclosures, certain University officials and employees are required to file financial disclosure forms within one month of their initial appointment and annually in January. The Financial Interest Disclosure shall be filed with the Office of Legal Counsel after being reviewed by all of the employee's supervisors. The following persons are subject to this provision:

- 1) Coaches and Assistant Coaches;
- 2). Employees of the Athletic Department who are exempt from the provisions of the Fair Labor Standards Act

Conflicts Review Committee A Conflicts Review Committee is an advisory committee and resides under the President's Office. The primary members shall be representatives from the Office of Legal Counsel, Internal Audit and Business and Finance. Other areas of the University (such as Human Resources, Academic Affair,

Student Affairs, etc.) may be brought in to assist the committee to provide additional insight and expertise depending on the nature of the disclosure submitted. The committee's role will be to review actual and potential conflict of interest situations and submit recommendations to the President's Office regarding management or elimination of conflict of interest situations.

Review of Disclosures

All disclosures of actual or potential conflicts shall be referred to the University's Conflicts Review Committee. The Committee shall review the disclosure and shall render a decision regarding the issue(s) presented. Persons who are the subject of the disclosure under consideration by the Committee shall be given an opportunity to appear before the Committee before a final determination is made. The employee shall have seven (7) days after receiving notice of the disclosure to determine whether he/she will personally appear before the Committee.

Any disclosure which indicates an actual violation of law shall be forwarded to the President along with the Committee's findings. The President in consultation with the Office of Legal Counsel will determine the appropriate action(s) to be taken.

For any conflict which is not a violation of federal or state law, the Committee is permitted to make a determination that the conflict is de minimus and is permitted to continue; restrictions should be placed on the individual to manage the conflict; or that the person must eliminate the conflict. The Committee shall provide the employee its decision in writing.

Failure to observe the restrictions imposed as a result of the Committee's review of a conflict disclosure or a knowing failure to disclose a conflict of interest may result in disciplinary proceedings under University policies, up to and including termination.

Appeals

Decisions made by the Conflict Review Committee may be appealed within five days to the President of the University. Decisions of the President shall be final and binding.

Related Forms

Financial Interests Disclosure Form

<http://www.memphis.edu/legal/docs/financialinterestsdisclosureform.doc>

Conflict of Interest Disclosure Form

<http://www.memphis.edu/legal/docs/generalconflictofinterestdisclosureform.doc>

FAQs

What if I have a conflict that I have not disclosed? You should disclose the actual or potential conflict as soon as possible. If the Committee determines that there exists a significant conflict then the employee’s good faith effort to comply with this policy will be an important consideration.

What if I am not sure if I have a conflict? If you are not sure whether a situation is a conflict, you should make a disclosure of the situation and allow the Committee to determine if a conflict exists. Remember, the mere appearance of a conflict of interest is enough to require disclosure.

Will the disclosures of conflicts be confidential? Yes. Any disclosure will be kept strictly confidential unless otherwise required by law. However, should the Committee determine that a serious conflict exists, the Committee will require the conflict to be revealed to the extent necessary to resolve the conflict.

Am I required to disclose another employee’s conflicts? Yes. Non-disclosure of any known conflict would be a conflict of interest in itself in that University employees owe a duty to the University and must consider the University’s best interest in all matters.

Whom do I contact with further questions? You may contact the Office of Legal Counsel for The University of Memphis at (901) 678-2155, Administration 201, <http://www.memphis.edu/legal/>.

Links

**Faculty Authored
Educational Material UM
1669**

<http://policies.memphis.edu/UM1669.htm>

**Intellectual Property UM
1607**

<http://policies.memphis.edu/UM1607.htm>

**Ethics in Research and
Sponsored Programs UM
1451**

<http://policies.memphis.edu/UM1451.htm>

**Extra Compensation and
Outside Employment UM
1490**

<http://policies.memphis.edu/UM1490.htm>

**Equal Employment
Opportunity, Affirmative
Action, Discrimination and
Nepotism**

<http://policies.memphis.edu/UM1381.htm>

Revision Dates

UM1692 -- revised Aug 3, 2016
UM1692 -- revised Dec 18, 2009
UM1692 -- issued Mar 5, 2008 supercedes policy number
1:2A:11:05

Subject Areas:

Academic	Finance	General	Human Resources	Information Technology	Research	Student Affairs
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9. Review of University Code of Ethics

Presentation

Presented by Angela Ross

The University of Memphis Board of Trustees

Presentation
For Information

Date: December 4, 2024

Committee: Finance and Audit Committee

Presentation: University Code of Ethics Policy Review

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

Background:

In accordance with the Finance and Audit Committee Charter, the University Code of Ethics policy (GE2044) should be reviewed. No modifications have been made since last year. The policy is included in your packet for review.

POLICIES

Purpose

The University of Memphis is committed to maintaining the highest ethical standards in furtherance of the University's mission to provide quality education, support world class research and engage in beneficial service in our local and global communities. All employees of the University of Memphis are expected to conduct themselves in accordance with the ethical standards established in this Code of Ethics.

Policy

Respect for Others

People are the University's most important resource for accomplishing its vision, mission and goals. It is important that the learning and working environment at the UofM is one in which all employees and students are provided opportunities to excel. Further, the UofM values diversity and inclusion and expects all employees to be committed to fostering an environment in which faculty, staff and students feel valued and supported. Employees are expected to treat one another, students and the community at large in a respectful manner.

The University will not tolerate discrimination against or harassment of any employee, applicant for employment, student or individual attempting to access University benefits, programs or activities on the basis of race, color, ethnic or national origin, religion, creed, sex, sexual orientation, gender identity/expression, disability, age (as applicable), status as a covered veteran or genetic information or any other category protected by federal or state civil rights law.

[GE2039- Sexual Harassment and Sexual/Gender-Misconduct](#)
[GE2030 - Non-Discrimination and Anti-Harassment](#)

**Financial Responsibility
and Use of University
Resources**

University employees are expected to exercise sound business practices, prudent financial management and ethical stewardship in the use of University resources. University resources must not be utilized for personal gain. All University employees have a responsibility to help prevent fraud, waste, or abuse of University resources.

[BF4001- University Travel](#)
[BF4023-Payment Card Industry Compliance](#)
[BF4035-Travel Cards](#)
[HR5065-Employee Debt to the University](#)

Conflicts of Interest

The University of Memphis values collaboration and encourages partnerships both within and beyond the University. However, the University is committed to managing potential conflicts of interest and commitment. All University faculty, staff and representatives should avoid both actual and perceived conflicts of interest.

Individual employee conflicts of interest refer to situations in which an individual's or family member's financial, professional or other personal considerations may directly or indirectly affect, or have the appearance of affecting, an individual's professional judgment in performing any University duty or responsibility, including the conducting or reporting of research.

All members of the University are required to disclose if they believe that a conflict of interest may exist either for themselves or with respect to another person. All disclosures of actual or potential conflicts shall be referred to the University's Conflicts Review Committee. Certain University officials and employees (coaches, assistant coaches, Athletic department exempt employees) are required to file financial disclosure forms within one month of their initial appointment and annually in January.

Any University employee responsible for the design, conduct or reporting of a sponsored project at the University must disclose significant personal financial interests related to the Investigator's institutional responsibilities. When the University determines that such an interest might reasonably appear to be directly and significantly affected by the sponsored project, the University will take steps either to manage or to eliminate the conflict of interest.

[HR5055 - Nepotism and Personal Relationships](#)
[GE2021- Conflict of Interest](#)

Research

The University of Memphis is committed to compliance with applicable local, state and federal laws in the conducting of research as to ensure the integrity of research, protection of the rights of research subjects, faculty, staff and students and the protection and rights of the public. The University of Memphis strives to protect the health, safety and welfare of human and animal research subjects and to conduct research with scientific integrity. All employees who are engaged in any kind of research, whether unfunded or sponsored by the University or an external source, must do so with the highest ethical standards and in accordance with applicable University policy, local, state and federal laws.

[RE7001 - Research Misconduct](#)
[RE7003 - Disclosure of Financial Interests Related to Sponsored Research](#)
[RE7007 - Human Subjects Protection](#)

Confidentiality, Privacy and Information Security

The University of Memphis is committed to maintaining a balance between allowing free access to information and securing sensitive information. University policies and federal laws prohibit the unauthorized pursuit and disclosure of sensitive or protected information such as that contained in student and employee records. Therefore, all employees are required to protect and ensure the confidentiality of such sensitive information.

[IT6000 - Data Access](#)
[IT6004 - Security and Protection of Information Technology Resources](#)
[IT6005 - Data Security](#)

Compliance with State and Federal Laws and University Policy and Procedure

University of Memphis employees are expected to conduct University business with honesty and integrity, and in compliance with applicable laws, regulations and University policy and procedure.

Non-University and Discipline Specific Professional Standards:
Some professions and disciplines represented at the University are governed by standards and codes specific to their profession, including but not limited to attorneys, certified public accountants and medical doctors. Those professional

standards generally advance the quality of the profession and/or discipline by developing codes of ethics, conduct and professional responsibility and standards to guide their members. Those belonging to such organizations are expected to adhere to University policies and codes of conduct in addition to any professional standards.

Responsible Reporting of Violations of University Policy, State and Federal Law

University of Memphis employees are obligated to report in good faith all violations of University policy, state and federal law, or any concern that a compliance violation may have occurred. Reports of fraud, waste and abuse of University resources should be reported to the University's Office of Internal Audit and Consulting. All other reports of violations of University policies should be reported to the University's Chief Compliance Officer. Reports of state or federal crimes should be reported to University Police Services. Responsible reporting of actual and/or potential conflicts of interests should be reported to the Office of the President for review by the Conflicts Review Committee.

[GE2000 - Occupational Health & Safety](#)

[GE2014 - Reporting Fraud, Waste or Abuse of University Resources](#)

[GE2015 - Preventing Fraud, Waste or Abuse of University Resources](#)

[GE2029 - Lost or Stolen University Property](#)

False Claims Act

The University of Memphis requires all faculty and staff to report known or suspected violations of the Federal False Claims Act (FFCA) or the Tennessee False Claims Act, TCA § 4-18-101 et seq (collectively referred to as FCA). A person violates the FCA by knowingly submitting, or causing another to submit, false claims for payment of government funds; making or using a false record or statement to get a claim paid; or engaging in conduct in order to procure anything of value from the state or any political subdivision. In addition, a person is liable under the FCA if they are a beneficiary of an inadvertent submission of a false claim and, after discovering the claim's falsity, fails to disclose it within a reasonable time.

Violations of the FCA should be reported to the University's Office of Internal Audit and Consulting.

For more information about FAR protections and reporting procedures please see:

<https://www.memphis.edu/research/researchers/compliance/whistleblowers.php>.

Protections Against Retaliation

In Tennessee, employees who report an employer's acts of defrauding the government or who report occupational safety or health violations are protected from retaliation under TCA § 50-1-304 and TCA § 50-3-409.

Employees who report the following types of violations are also protected under the Federal Acquisition Regulation (FAR) Pilot Program:

- Gross mismanagement of a federal contract
- Gross waste of federal funds
- Abuse of authority relating to a federal contract ("abuse of authority" is defined as an "arbitrary and capricious exercise of authority that is inconsistent with the mission of the executive agency . . . or the successful performance of a[n agency] contract [or grant]")
- A substantial and special danger to public health or safety
- A violation of law, rule or regulation related to a federal contract (including the competition for or negotiation of a contract)

Links

[GE2039 - Sexual Harassment and Sexual/Gender-Misconduct](#)
[GE2030 - Non-Discrimination and Anti-Harassment](#)
[BF4001 - University Travel](#)
[BF4023 - Payment Card Industry Compliance](#)
[BF4035 - Travel Cards Policy](#)
[HR5065 - Employee Debt to the University](#)
[HR5055 - Nepotism and Personal Relationships](#)
[GE2021 - Conflict of Interest](#)
[RE7001 - Research Misconduct](#)
[RE7003 - Disclosure of Financial Interests Related to Sponsored Research](#)
[RE7007 - Human Subjects Protection](#)
[IT6000 - Data Access](#)
[IT6000 - Data Access](#)
[IT6004 - Security and Protection of Information Technology Resources](#)
[IT6005 - Data Security](#)
[GE2000 - Occupational Health & Safety](#)
[GE2014 - Reporting Fraud, Waste or Abuse of University Resources](#)
[GE2015 - Preventing Fraud, Waste or Abuse of University Resources](#)
[GE2029 - Lost or Stolen University Property](#)

Revision Dates

Issued - July 2021

Subject Areas:

Academic	Finance	General	Human Resources	Information Technology	Research	Student Affairs
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

10. Review of Finance and Audit Charter

Presentation

Presented by Angela Ross

The University of Memphis Board of Trustees

Presentation
For Information

Date: December 4, 2024

Committee: Finance and Audit Committee

Presentation: Review of Finance & Audit Charter

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

Background:

Annual review of the Finance and Audit Committee Charter. No modifications have been made since last year.

Finance and Audit Committee Charter

Purpose

The Finance and Audit Committee (“FAC” or “Committee”) 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. The FAC also provides oversight for the University’s finance, business, administration, and facilities activities. The FAC advises the Board on the state of the University’s financial operations, budget, student fees, personnel policies, and facilities. The Committee serves to ensure the University operates within available resources, and in compliance with applicable federal and state laws and University policies in a manner supportive of the University’s strategic plan. In addition, the FAC 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 FAC will regularly update the full Board of Trustees (Board) about FAC activities and key issues presided over by the Committee.

Authority and Responsibilities

Finance

- Review University’s annual operating and capital budgets;
- Approve Student Tuition and fee rates;
- Review fiscal procedures and rules for maintaining bank accounts, draw vouchers and checks for expenditures through disbursing officers;
- Oversee Debt issuances;
- Approve Facilities Master Plan.
- Manage the leasing, purchasing and disposal of real estate;
- Respond to personnel policy matters requiring Board approval.

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 FAC 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, 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 FAC’s charter annually, requesting Board approval for proposed changes.

Membership

A minimum of four trustees will serve on the FAC. The chair of the committee will be appointed by the Executive Committee. The chair of the committee may select one certified public accountant or other qualified citizen who is not a member of the Board to serve on the FAC. The external member must have extensive accounting, auditing, or financial management expertise, and may not serve as the chair. The term of appointment is three years and reappointment is allowed. The chair serves a two-year term and is eligible for reappointment, but may not serve more than two consecutive two-year terms as chair. All members of the FAC shall be generally knowledgeable of financial management and auditing matters. At all times, the FAC shall have at least one member with extensive accounting, financial, or management expertise.

The President and the Chief Financial Officer (or the President’s designee for this position) shall be ex officio, non-voting members of the committee.

Each member of the FAC shall be free from relationships 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 FAC with educational resources related to accounting principles, internal controls, applicable policies, and other information that may be requested by the FAC to maintain appropriate financial and compliance literacy.

Meetings

The FAC shall meet quarterly, in conjunction with regular meetings of the Board, or at any other time upon the call of the FAC chair. The FAC will invite members of management, business and finance, 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 FAC shall also meet at the request of the Comptroller of the Treasury.

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

Revised December 12, 2023

11. Payment Card Industry (PCI) External Review and Corrective Action

Presentation

Presented by Jeff Delaney

PCI (Payment Card Industry) External Review and Corrective Action Update

Finance and Audit Committee

Dr. Jeff Delaney
Chief Information Officer

December 4, 2024
Maxine A. Smith University Center



DECEMBER 2024

Payment Card Industry Data Security Standard

- PCI DSS includes guidelines for protecting credit card holder data, using passwords and access controls, and not sharing credit card information. It's enforced by the major card brands with penalties for non-compliance including fines, termination of business relationships, and increased transaction fees.

PCI DSS Compliance Assessment

- A Compliance assessment was completed in Feb 2023 by CampusGuard.
- A summary of the assessment as well as a list of the recommendations was provided at the Sept 2023 BOT meeting in executive session.
- Since that date, we have been working in consultation with CampusGuard to complete the recommendations.

PCI DSS Compliance Assessment Update

- To date, we have completed all of the recommendations except for two, which are currently in work.
 - Strengthening the partnership between the University and the Foundations and show that they will comply with the PCI DSS.
 - Increase the logging and auditing on the PCI Network.
 - Alternative: Eliminate the PCI Network

Information Security Program Update

Finance and Audit Committee

Dr. Jeff Delaney
Chief Information Officer

December 4, 2024
Maxine A. Smith University Center



DECEMBER 2024

Recent Accomplishments

- Annual Security Awareness training cycle completed October 2024.
- Training and monthly simulated phishing campaigns has improved the phishing failure rate from 15% down to 7.6%.
- Completed first student phishing campaign Fall 2024.
- New IT Security policies
 - Data privacy policy (IT6010) – to protect personal data (GLBA requirement)
 - Password policy (IT6011) – codifying process already in place
- Improved email security filtering reduced inbound email threats
 - Currently processing ~13M emails monthly and drop/block about 40%

Looking Ahead

- CyQu - State of Tennessee cyber insurance questionnaire – Fall 2024
- Research improve authentication methods, including passwordless authentication (Passkey, biometrics)
- Continue student phishing campaigns to better protect and educate our students

Thank you!

12. Annual Information Security Program Update

Presentation

Presented by Jeff Delaney

13. Additional Business

For Discussion

Presented by David McKinney

14. Adjournment

For Approval

Presented by David McKinney

15. Declaration of Executive Session

Report

Presented by Colton Cockrum