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**Schedule** Wednesday, September 4, 2024 10:00 AM — 10:30 AM CDT  
**Organizer** Colton Cockrum

## Agenda

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# 1. Call to Order and Opening Remarks

Presented by David McKinney



## 2. Roll Call and Declaration of Quorum

Presented by Colton Cockrum



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

For Approval

Presented by David McKinney

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

**Agenda Item 1: Call to Order and Opening Remarks**

Trustee McKinney called the meeting to order.

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

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

Trustee McKinney recognized Secretary Cockrum

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

Trustee Carter

Trustee Marchetta

Trustee Springfield

Trustee McKinney

Secretary Cockrum announced the presence of quorum.

These additional trustees were acknowledged in attendance

Trustee Edwards

Chairman Johnson

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

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

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

Trustee McKinney recognized Chief Audit Executive, Vicki Deaton.

**Agenda Item 4: Summary of Audit Reports Issued**



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

#### **Agenda Item 5: Summary of Internal Audit Investigations**

Ms. Deaton explained that two investigations were resolved since the March 13<sup>th</sup> meeting.

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

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

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

#### **Agenda Item 7: Plan for Quality Assurance Review External Validation**

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

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

#### **Agenda Item 8: Approval of FY2025 Audit Plan**

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

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

Trustee McKinney called for discussion.

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

A roll call was taken, and the motion carried.

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

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

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

### **Agenda Item 10: FY2025 Budget Update**

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

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

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

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

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

### **Agenda Item 11: FY25 Tuition and Fees Recommendation**

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

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

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

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

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

### **Agenda Item 12: Discontinuation of Guaranteed Tuition Program**

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

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

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

### **Agenda Item 13: Park Avenue Campus Student Housing P3**

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

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

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

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

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

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

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

#### **Agenda Item 14: President's Review and Evaluation**

Trustee McKinney recognized Chairman Johnson.

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

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

#### **Agenda Item 15: Additional Business**

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

#### **Agenda Item 16: Adjournment**

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



## 4. Approval of Chief Internal Auditor

For Approval

Presented by David McKinney

# The University of Memphis Board of Trustees

Recommendation

For Approval

**Date:** September 4, 2024

**Committee:** Finance & Audit Committee

**Presentation:** Approval of Chief Internal Auditor

**Presented by:** David McKinney

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

**The Finance and Audit Committee recommends a motion to approve the appointment of Angela Ross as the new Chief Internal Auditor.**



# 5. Internal Audit Quality Assessment Independent Validation Results Presentation

# The University of Memphis Board of Trustees

Presentation

For Information

**Date:** September 4, 2024

**Committee:** Finance and Audit Committee

**Presentation Title:** Internal Audit Quality Assessment Independent Validation Results

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

## Synopsis:

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

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

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



Memphis, TN 38152

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**Office of Internal Audit and Consulting**

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July 19, 2024

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

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

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

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

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

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

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

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

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

### Successful Practices

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

### Opportunities For Improvement Identified by the External Review Team

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

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

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

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

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

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

## Quality Assessment Team's – Successful Practices and Opportunities for Improvement

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

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

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

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

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

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

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

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

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

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

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

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

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

**Self-Assessment Performed by the Following Auditors:**

Vicki D. Deaton, Chief Audit Executive  
Jesse J. Pierce, Senior Technology & Network Security Auditor

**Background & Objective**

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

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

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

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

**Requirement for Quality Assessments**

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

**Opinion as to Conformity with the Standards**

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

# *Internal Audit Agenda Items*

## *Finance and Audit Committee*

Angela Ross

Associate Vice President and Chief Audit Executive

September 4, 2024

Maxine A. Smith University Center



SEPTEMBER 2024

# Presentation: Summary of Internal Audit Reports Issued

Three reports were issued since the June 2024 meeting.

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



# Presentation: Audit Issue Follow Up

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

# Presentation: Audit Issue Follow Up

| Action Plan Estimated Completion Date | Name of Audit                                       | Date of Audit Report | Audit Engagement Opinion                       | Issue #         | Issue Description  | Issue Rating                                       | Party Responsible for Action Plan Completion   | Current Status (as of July 2024) |
|---------------------------------------|---|----------------------|--|-----------------|--|--|--|----------------------------------|
| 5/15/2024                             | School of Law Financial and Compliance Audit FY2024 | 11/8/2023            | Effective with the Opportunity for Improvement | Law 1a (FY2024) | Annual Financial Responsibility Certification Compliance         | Moderate = Insufficient and Requires Improvement   | Christopher Whitehead, Business Officer II, School of Law  | Complete                         |
| 6/30/2024                             | School of Law Financial and Compliance Audit FY2024 | 11/8/2023            | Effective with the Opportunity for Improvement | Law 1b (FY2024) | Annual Financial Responsibility Certification Compliance         | Moderate = Insufficient and Requires Improvement   | Steve Lackey, Interim Assistant Vice President of Financial Accounting and Reporting and University Controller | Complete                         |
| 11/3/2023                             | School of Law Financial and Compliance Audit FY2024 | 11/8/2023            | Effective with the Opportunity for Improvement | Law 3b (FY2024) | Insufficient Controls over Payment of Professional Privilege Tax | Minor = Effective with Opportunity for Improvement | Shan Arnold, Assistant Controller of General Accounting, Accounts Payable, Payroll, & Tax                      | Complete                         |
| 2/28/2024                             | School of Law Financial and Compliance Audit FY2024 | 11/8/2023            | Effective with the Opportunity for Improvement | Law 4 (FY2024)  | Security Awareness Training Compliance                           | Minor = Effective with Opportunity for Improvement | Christopher Whitehead, Business Officer II, School of Law  | Complete                         |
| 12/31/2023                            | School of Law Financial and Compliance Audit FY2024 | 11/8/2023            | Effective with the Opportunity for Improvement | Law 5 (FY2024)  | Insufficient Controls over Purchasing Cards                      | Minor = Effective with Opportunity for Improvement | Christopher Whitehead, Business Officer II, School of Law  | Complete                         |

# Presentation: Summary of Internal Audit Investigations Resolved

Three investigations were resolved since the June 2024 meeting.

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

# Presentation: Internal Audit & Consulting FY2024 Year End Report

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

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

# Presentation: Internal Audit & Consulting FY2024 Year End Report

## Purpose:

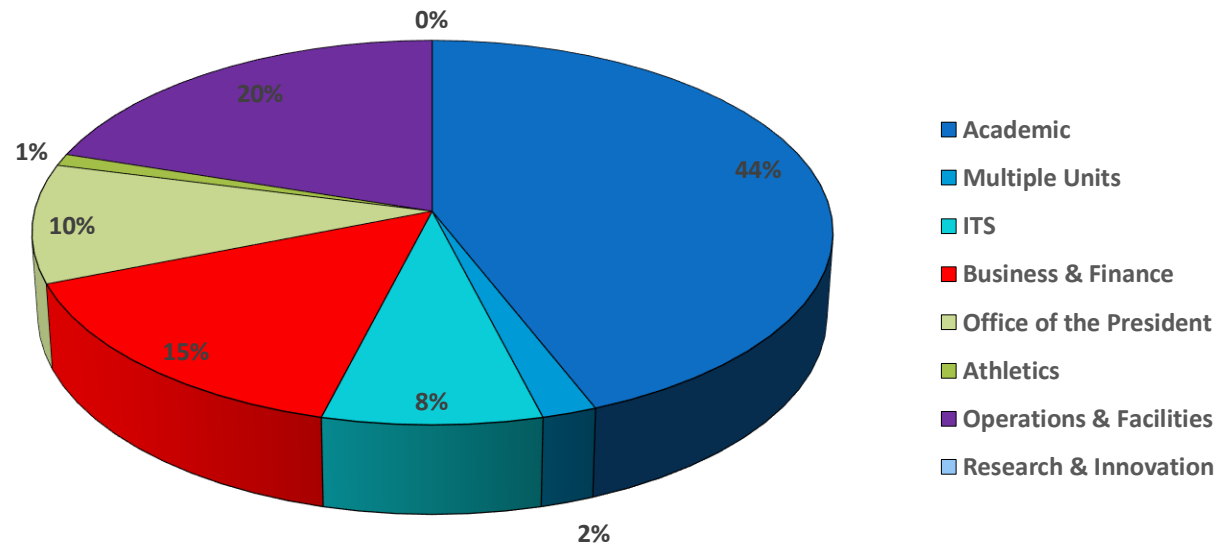
Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the University of Memphis' operation.

## Services:

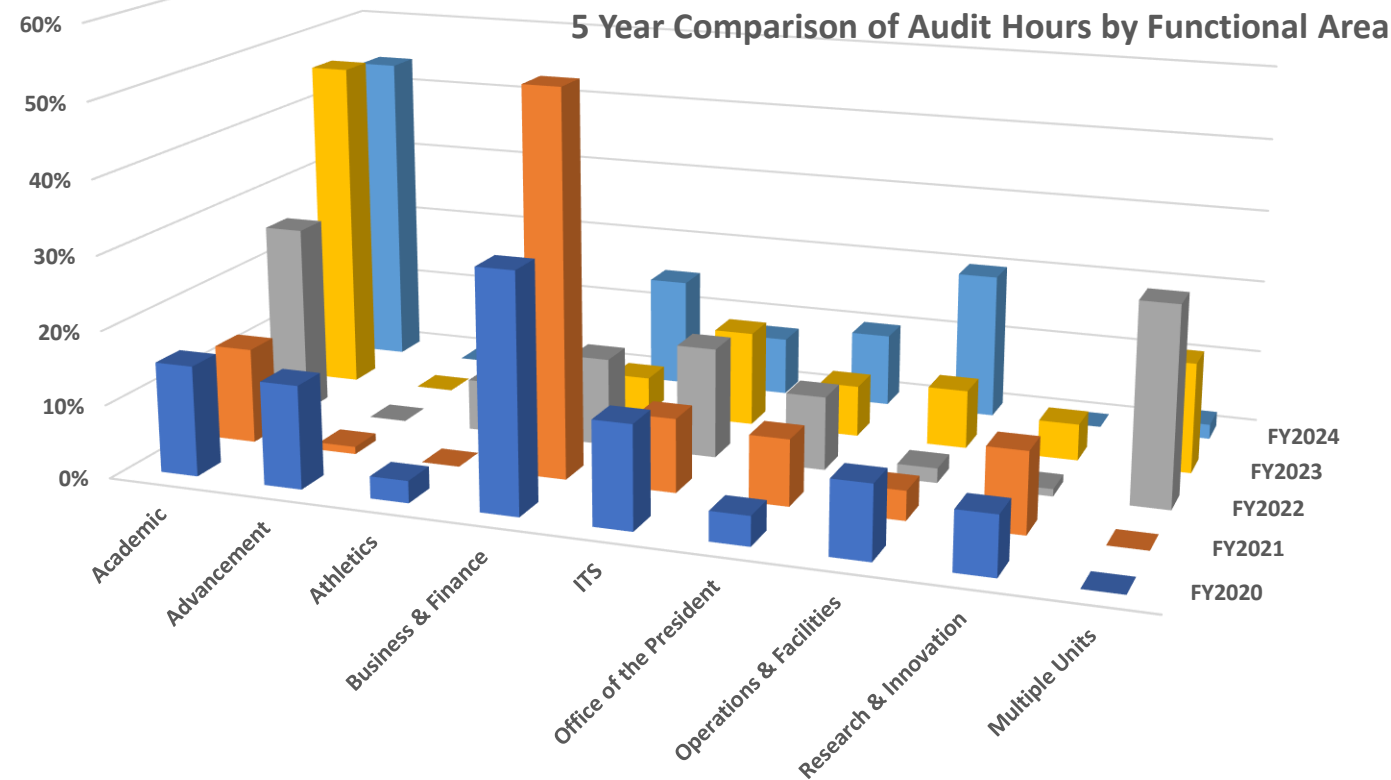
- Assurance Services (Audits)
- Consulting and Advisory Services
- Investigations

# Presentation: Internal Audit & Consulting FY2024 Year End Report

FY2024 Audit Hours by Functional Area



# Presentation: Internal Audit & Consulting FY2024 Year End Report



# Presentation: Internal Audit & Consulting FY2024 Year End Report

## *Audit Recommendation Summary for FY2024*





# Presentation: Internal Audit & Consulting FY2024 Year End Report

## *Investigation Summary for FY2024*



# Presentation: Internal Audit & Consulting FY2024 Year End Report

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

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

# Presentation: Internal Audit & Consulting FY2024 Year End Report

## Accomplishments:

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

# Presentation: Internal Audit & Consulting FY2024 Year End Report

## Challenges for FY2025:

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

# Presentation: Internal Audit Quality Assessment Independent Validation Results

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

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

# Presentation: Internal Audit Quality Assessment Independent Validation Results

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

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

# Questions?





## 6. Summary of Audit Issue Follow-up Presentation

# The University of Memphis Board of Trustees

Presentation  
For Information

**Date:** September 4, 2024

**Committee:** Finance and Audit Committee

**Presentation:** Summary of Audit Issue Follow Up

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

**Background:**

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

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



# 7. Summary of Audit Reports

## Presentation

# The University of Memphis Board of Trustees

Presentation  
For Information

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

**Background:**

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

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





# 8. Summary of Internal Audit Year End Report Presentation

# The University of Memphis Board of Trustees

Presentation  
For Information

**Date:** September 4, 2024

**Committee:** Finance and Audit Committee

**Presentation:** Internal Audit Investigations Resolved

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

**Background:**

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

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



# 9. FY2024 Internal Audit Year End Report Presentation

# The University of Memphis Board of Trustees

Presentation  
For Information

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

## **Background:**

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

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

# UNIVERSITY OF MEMPHIS OFFICE OF INTERNAL AUDIT AND CONSULTING

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



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



## **INTERNAL AUDIT PURPOSE AND SERVICES**

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

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

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

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

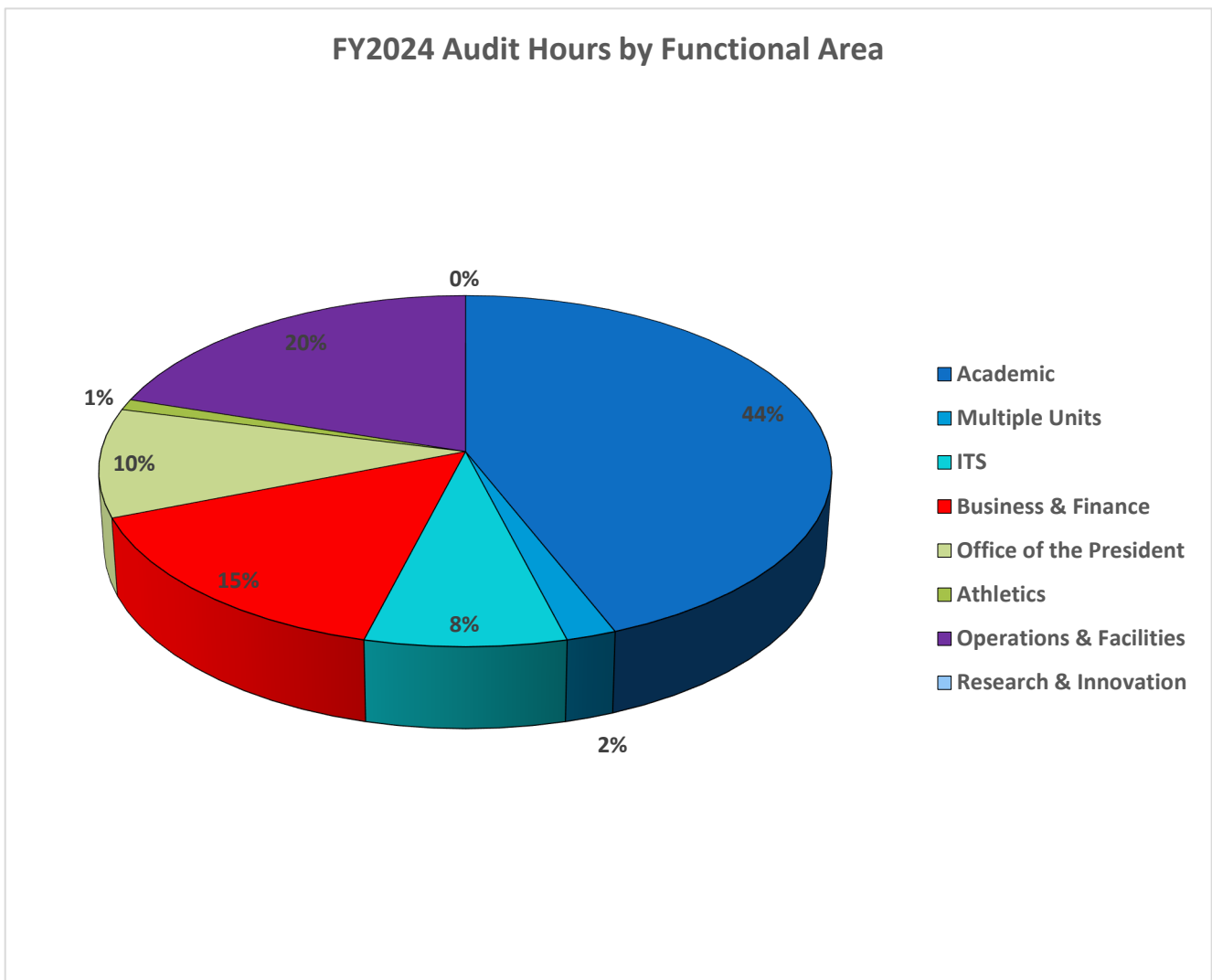
Results of all Internal Audit projects are communicated to the Finance and Audit Committee, the Tennessee Comptroller of the Treasury, and University of Memphis upper management.



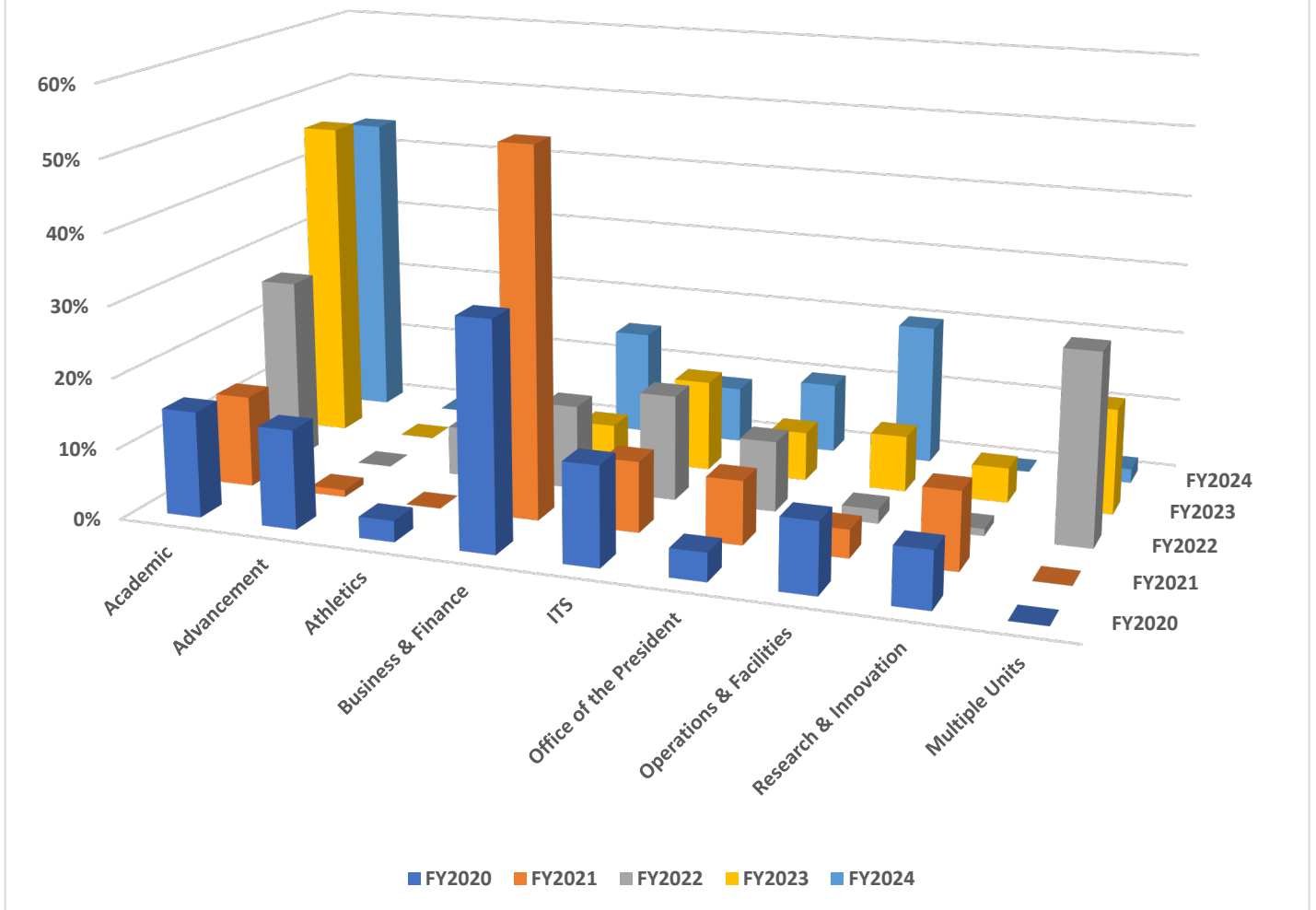
## DISTRIBUTION OF AUDIT HOURS

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

### *Audit Hours by Functional Area*



## 5 Year Comparison of Audit Hours by Functional Area

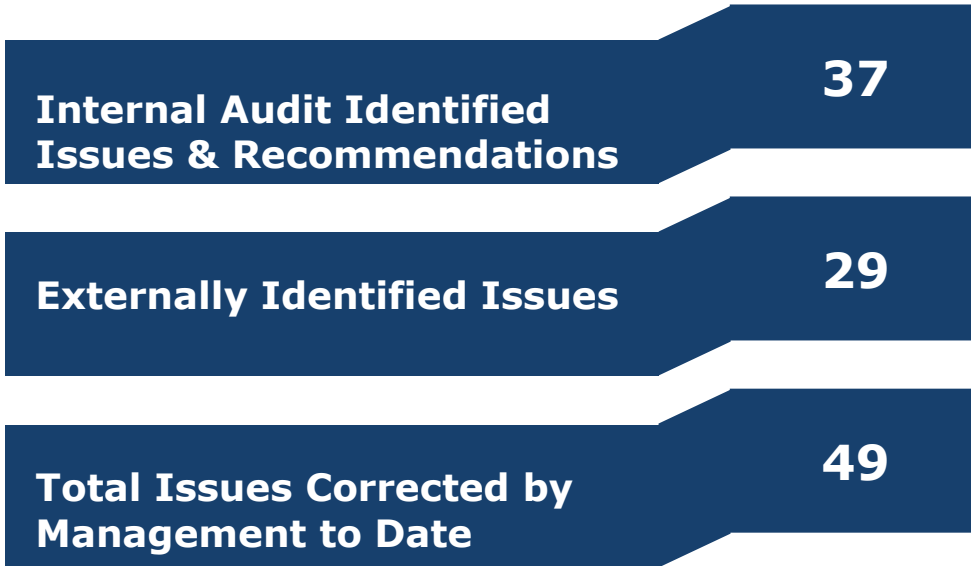


## AUDIT ISSUES TRACKED BY INTERNAL AUDIT

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

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

## ***Audit Recommendation Summary for FY2024***



## INVESTIGATION INFORMATION

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

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

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

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

### *Investigation Summary for FY2024*





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

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

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

## OTHER SIGNIFICANT ACCOMPLISHMENTS

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

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

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

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

## OTHER CHALLENGES

Internal Audit faces the following challenges during FY2025:

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

# 10. Financial Performance Report

Presentation

Presented by Steve Lackey and Rene  
Bustamante

# The University of Memphis Board of Trustees

## Presentation

**Date:** September 4, 2024

**Committee:** Finance & Audit Committee

**Presentation:** FY24 Financial Performance Report

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

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



# *FY24 Financial Performance Report*

## *Finance & Audit Committee*

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

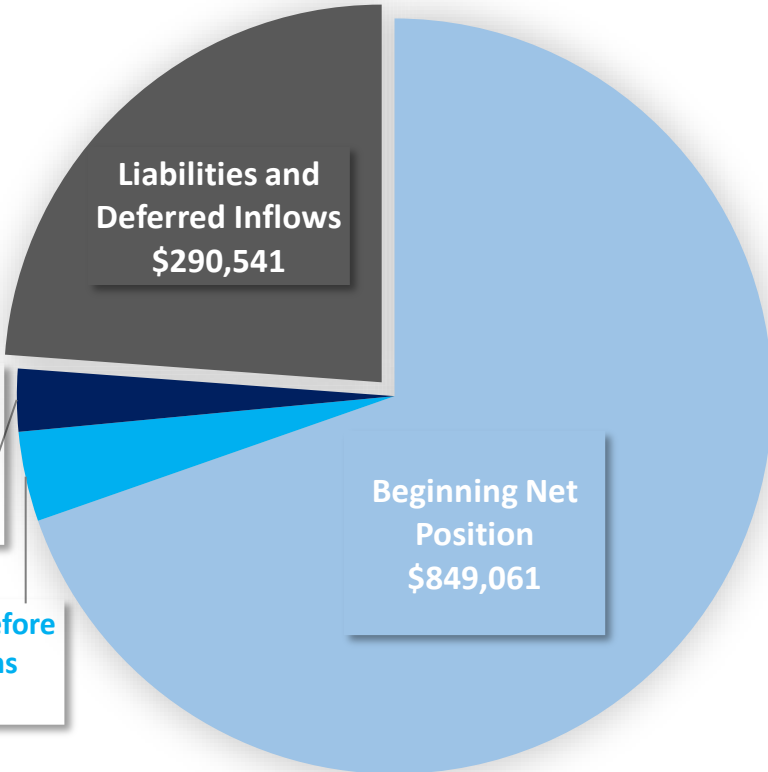
Date  
Meeting Location



SEPTEMBER 2024

### Prelim FY24

(in thousands)

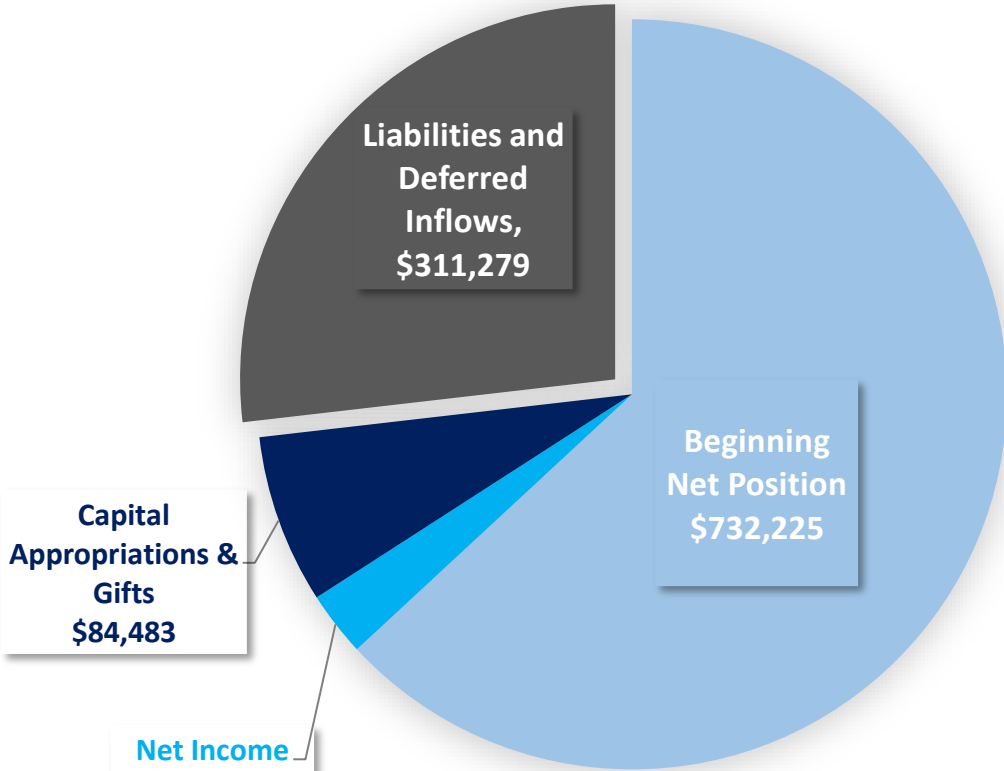


**Ending Net  
Position  
\$928,540**

**Total Assets - \$1,219,081**

### Audited FY23

(in thousands)



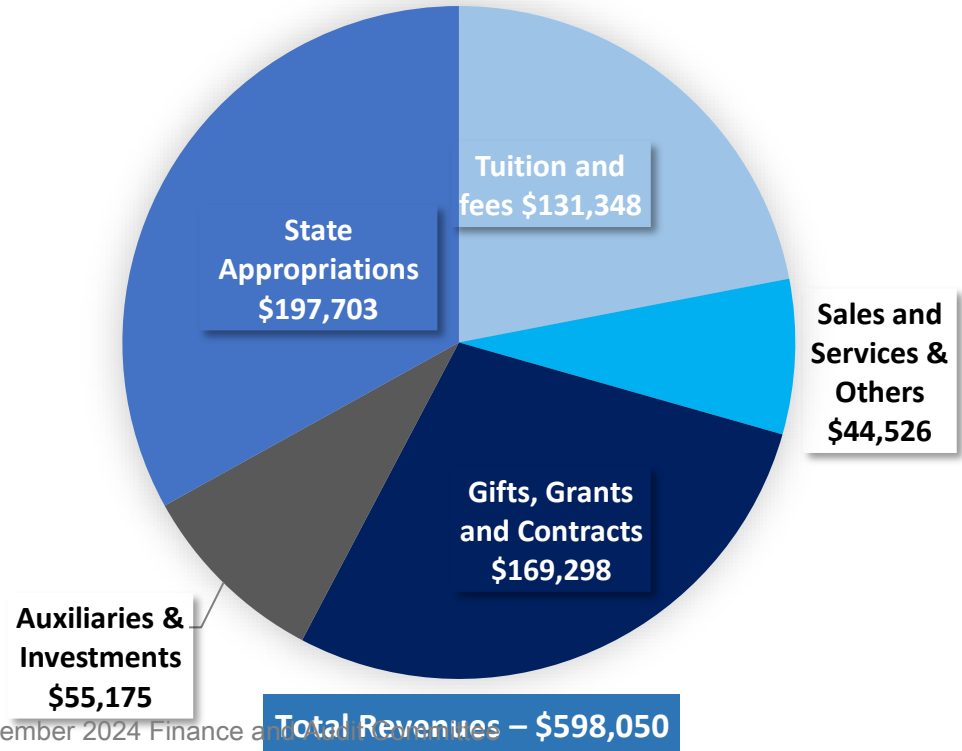
**Ending Net  
Position  
\$849,061**

**Total Assets – \$1,160,340**

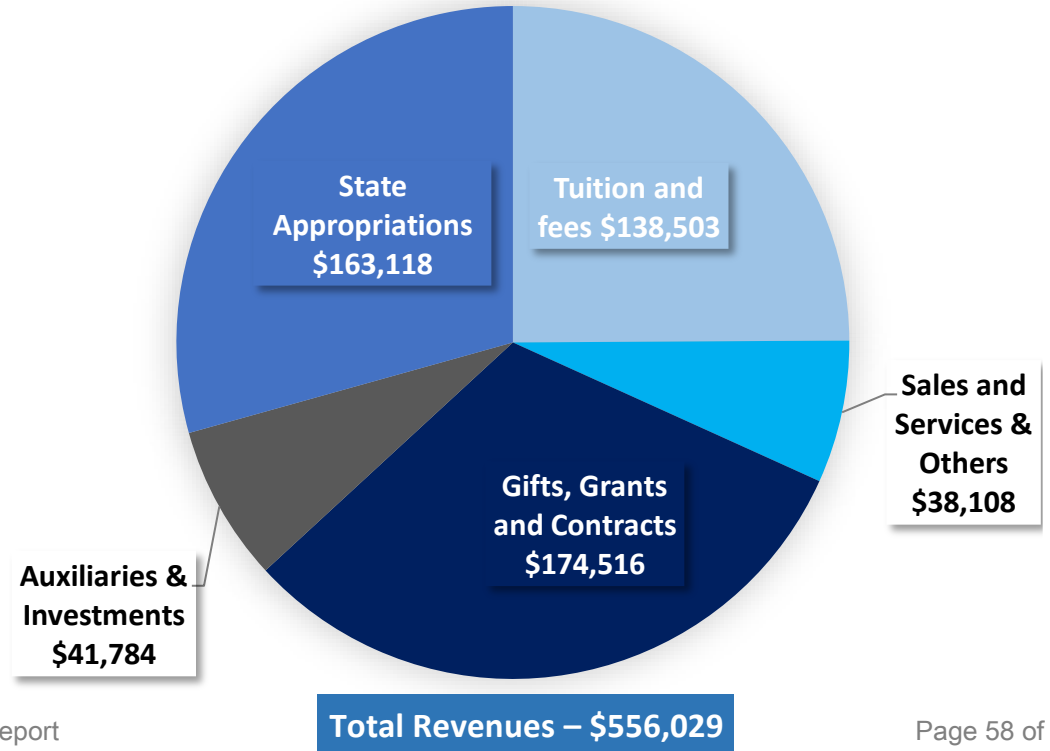
## Sources Of Revenue\*

\*Does not include Capital Gifts and Appropriations

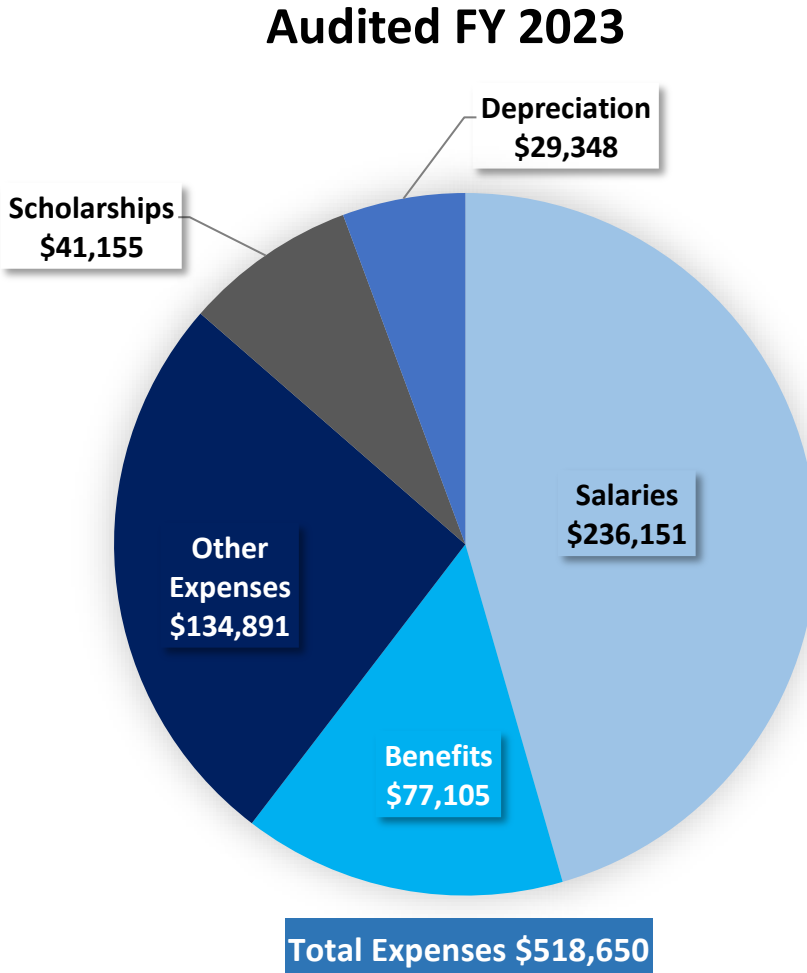
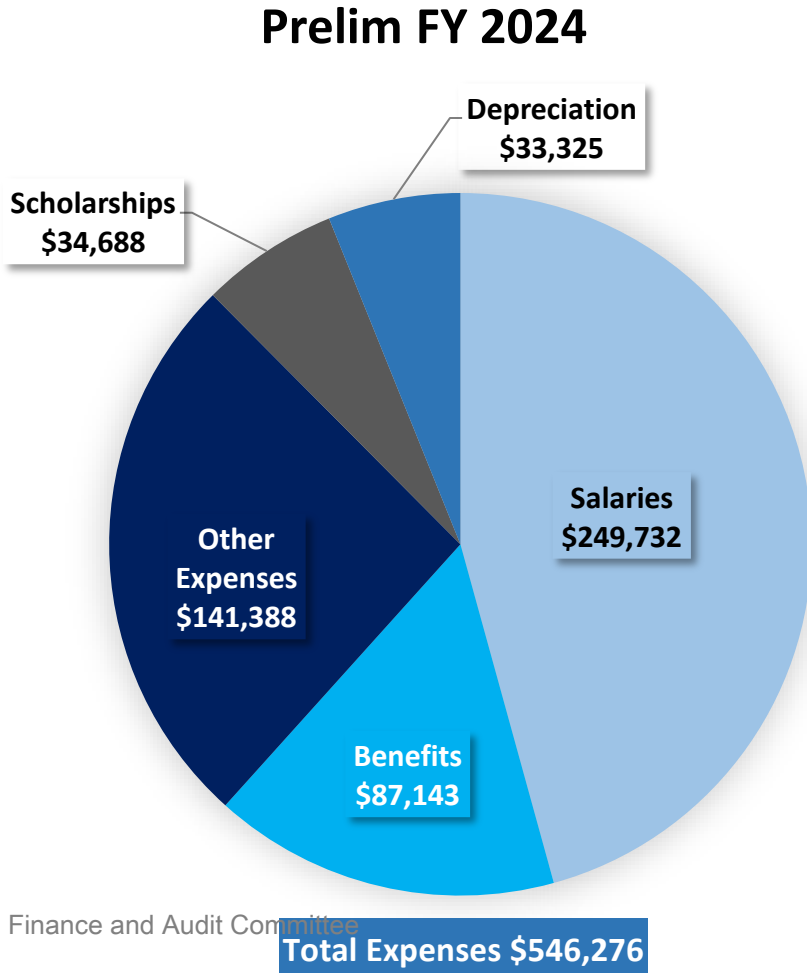
**Prelim FY 2024**  
(in thousands)



**Audited FY 2023**  
(in thousands)

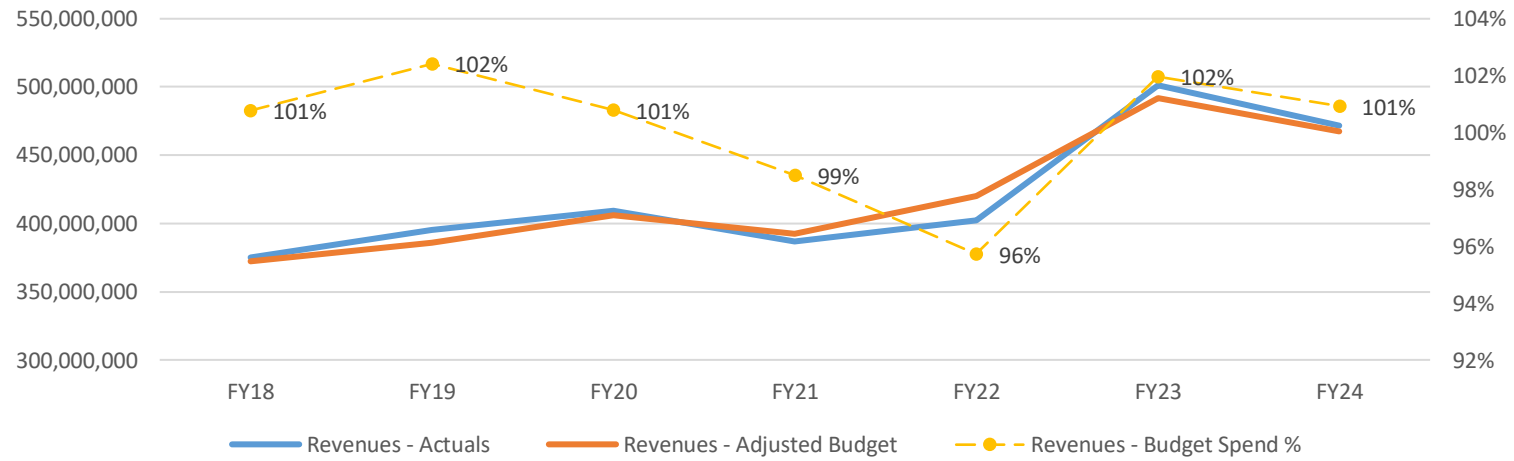


### Details of Expenses *(in thousands)*

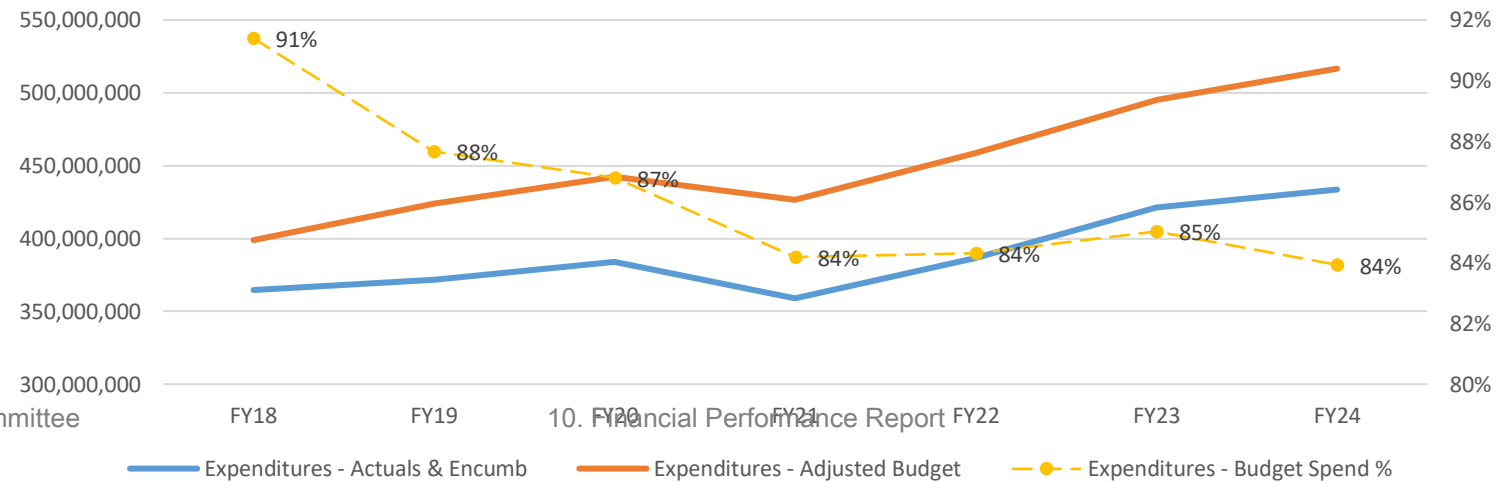


# E&G Rev. & Exp. Vs. Budget

### E&G Revenues | Actuals and Adjusted Budget

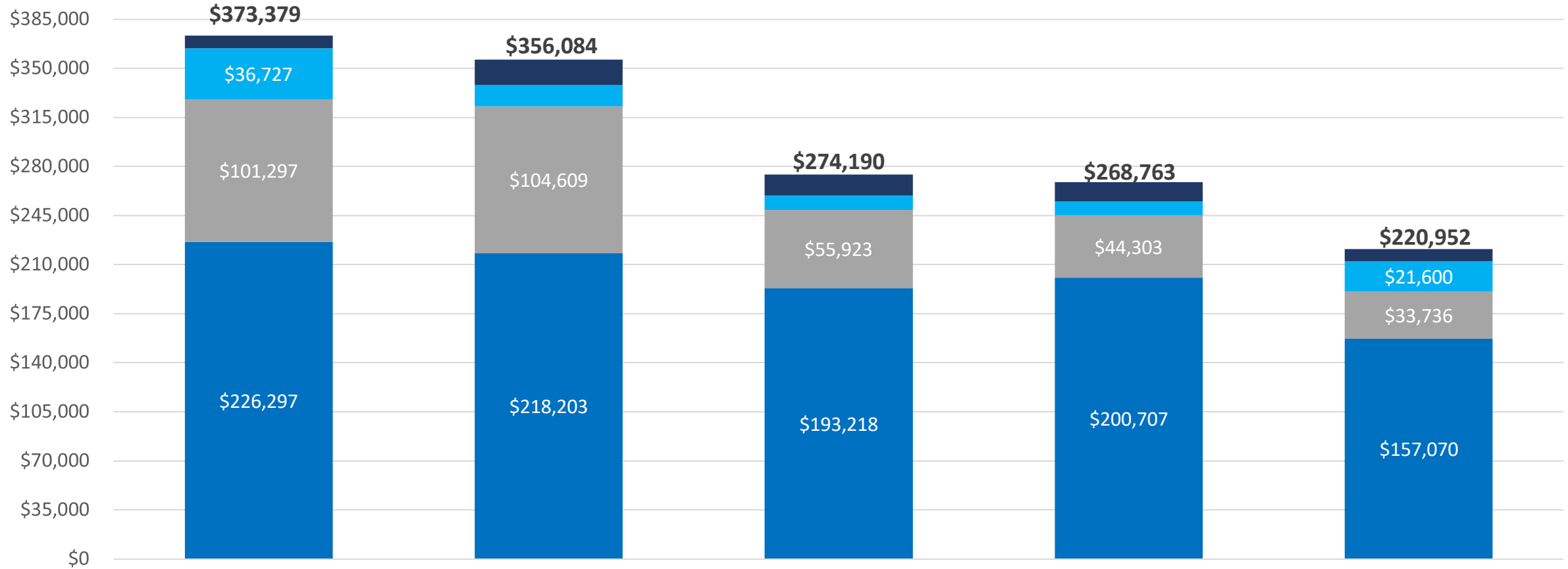


### E&G Expenditures | Actuals and Adjusted Budget



# FY24 Total Investments & Cash

*In Thousands*



FY24

FY23

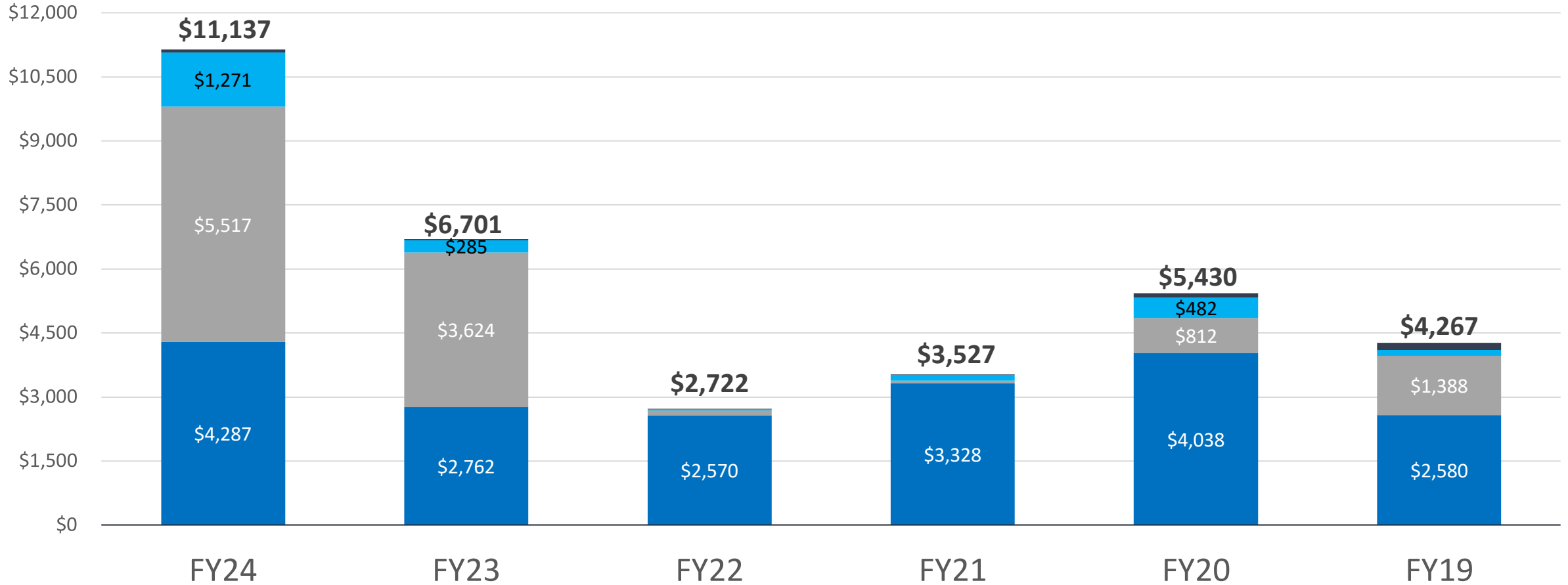
FY22

FY21

FY20

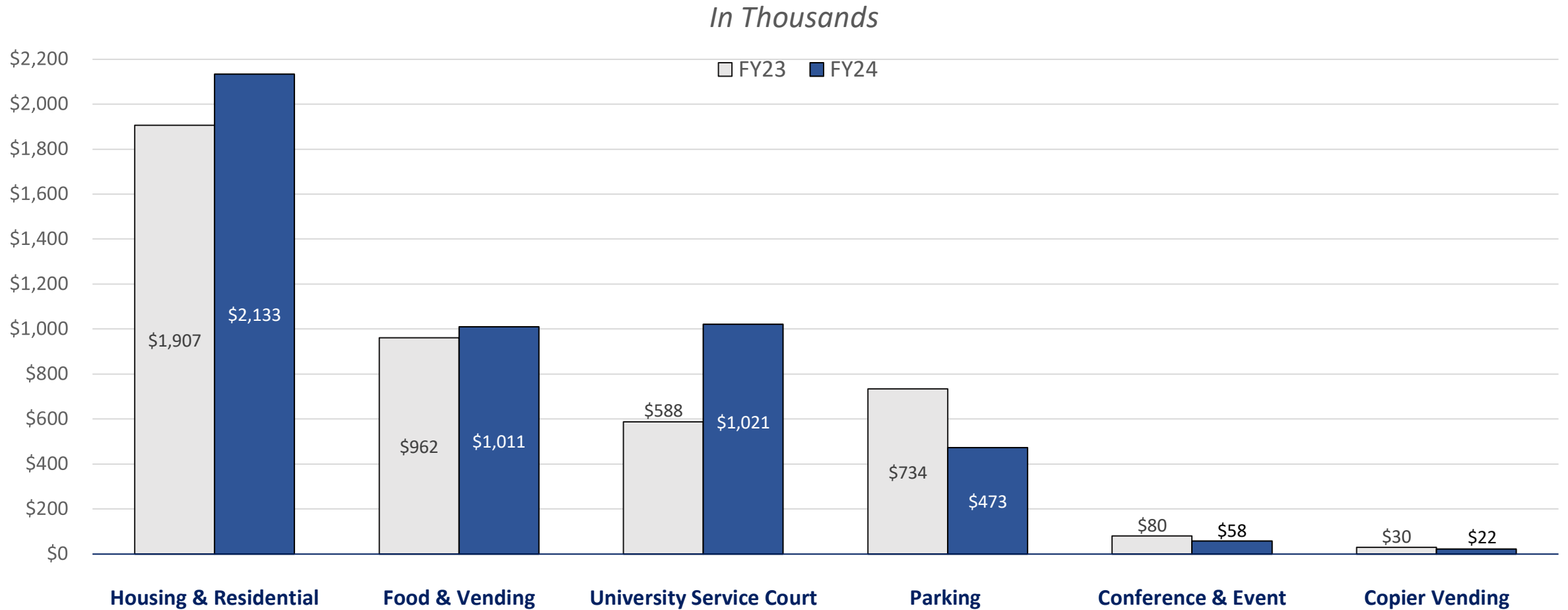
# FY24 Investment Income

*In Thousands*



# FY24 vs FY23 Auxiliary Services Operating Results

(Preliminary)





# Questions?



# 11. Park Avenue Campus Student Housing Update

Presentation

Presented by Rene Bustamante

# The University of Memphis Board of Trustees

## Presentation

**Date:** September 4, 2024

**Committee:** Finance & Audit Committee

**Presentation:** Park Avenue Campus Student Housing Update

**Presented by:** Rene Bustamante, CFO and COO

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

# *Park Avenue Campus Student Housing Update*

## *Finance and Audit Committee*

Rene Bustamante  
Executive Vice President & Chief Operating & Financial  
Officer

September 4, 2024  
University Center



SEPTEMBER 2024



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

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



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

**2024A-1 (S&P: BB+)**

\$70,870,000

**Federally Taxable 2024A-2 (S&P: BB+)**

\$2,150,000

### Transaction Background

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

# Summary of Series 2024 Transaction

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



# Changes to Financing Structure since Mid-June

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

## In addition to the savings, the following remained intact

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

# Pricing Progression

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

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

# Final Pricing Scale

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

# 12. Finalization of President's Review - Compensation

For Approval

Presented by Rene Bustamante

# The University of Memphis Board of Trustees

Recommendation

For Approval

**Date:** September 4, 2024

**Committee:** Finance & Audit Committee

**Presentation:** Finalization of President's Review - Compensation

**Presented by:** David McKinney

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

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

# 13. Additional Business

For Discussion

Presented by David McKinney





# 14. Adjournment

For Approval

Presented by David McKinney