

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE AUDIT AND COMPLIANCE COMMITTEE

May 9, 2016
Nashville, Tennessee

The Audit and Compliance Committee of The University of Tennessee Board of Trustees met at 10:00 a.m. CDT on May 9, 2016, in the offices of Bradley Arant Boult Cummings in Nashville, Tennessee.

I. CALL TO ORDER

Mr. D. Crawford Gallimore, Chair, called the meeting to order.

II. ROLL CALL

Ms. Sandy S. Jansen, Executive Director, called the roll, and the following Audit and Compliance Committee members were present:

Mr. D. Crawford Gallimore
Mr. Waymon Hickman, external member
Mr. Raja Jubran
Mr. Brad Lampley
Ms. Sharon Pryse
Mr. Tommy Whittaker

Ms. Jansen announced the presence of a quorum of the Committee. Members of State Audit and the UT administrative staff were also present.

III. APPROVAL OF MINUTES FROM LAST MEETING

Chair Gallimore asked for any corrections to the December 7, 2015, minutes. Hearing none, Mr. Hickman moved approval of the minutes as presented and Trustee Pryse seconded. The motion carried unanimously.

IV. NCAA AGREED-UPON PROCEDURES

Mr. Bob Hunter, Division of State Audit, presented the Agreed-Upon Procedures for the University's Athletics Departments (Exhibit 1).

V. ATHLETICS DEPARTMENTS' FINANCIAL TRENDS

Mr. David Blackburn, Vice Chancellor and Director of Athletics at UT Chattanooga, and Mr. Rob Robinson, Associate Athletic Director, presented financial trends for Chattanooga Athletics (Exhibit 2). Mr. Robinson pointed out changes in revenue and expense categories for 2015. The reporting changes give the appearance of some large fluctuations. Instead, the changes are the result of moving expenses and revenues to different categories. Robust discussion occurred among the trustees and administrators on the financials, the changes to the reporting categories including changes to indirect institutional support and debt service, and the financial processes utilized by Athletics.

Mr. Brent Huebner, Senior Associate Athletics Director for UT Knoxville, presented the financial trends for Knoxville Athletics (Exhibit 3). Mr. Huebner explained the changes in reporting requirements for fiscal year 2015 which resulted in some fluctuations for the year. The fluctuations and reporting categories were discussed, including capital gifts, spirit group expenses, and game-day expenses.

Trustee Jubran asked about revenue and expense ratios compared to other schools. Mr. Huebner stated UT Knoxville ranked seventh or ninth in total revenues and commented that Alabama is probably the largest. He also noted that UT Knoxville does not have the reserves most of the other schools have. After further discussion on ratios, Mr. Huebner said he could provide the information requested at a later date.

Trustee Wharton inquired about other Southeastern Conference (SEC) schools selling beer or wine at sporting events. Mr. Huebner stated the SEC does not allow the selling of alcohol in general. Schools can sell alcohol only in controlled environments such as club spaces or private seating.

Mr. Hickman questioned whether Athletics had satisfied all the coaches' buyouts. Mr. Huebner confirmed the buyouts were satisfied and emphasized that Matthew Scoggins, Deputy General Counsel, has worked on buyout provisions in the coaches' contracts.

Ms. Petra McPhearson, Interim Vice Chancellor for UT Martin, presented Martin Athletics' financial trends (Exhibit 4). Trustee Wharton asked if any of the athletes at UT Martin receive the full cost of living. Ms. McPhearson indicated UT Martin does not provide the full cost of living.

VI. OFFICE OF AUDIT AND COMPLIANCE BUDGET

Ms. Sandy Jansen presented the Office of Audit and Compliance budget (Exhibit 5). Trustee Whittaker asked if the office was adequately staffed, and Ms. Jansen reviewed the staffing levels and confirmed the internal audit function was appropriately staffed. She added that the office continues to focus on staffing for West Tennessee and the Institutional Compliance office. Chair Gallimore highlighted that he discusses staffing with Ms. Jansen regularly.

Trustee Wharton asked to whom Ms. Jansen reports and whether she has an adequate budget to conduct the necessary work. Ms. Jansen and Chair Gallimore responded that she reports to the Audit and Compliance Committee. She reiterated that the internal audit function is fully staffed and that she is still working to build a team for Institutional Compliance and provide better audit coverage for the western side of the state.

Trustee Wharton questioned Ms. Jansen about the institutional compliance work. She explained that the institutional compliance team facilitates the compliance risk assessment and works with compliance committees at each campus. The risk assessment includes approximately 400 regulations with which the university must comply. Trustee Wharton asked if the Institutional Compliance office was actively involved in Title IX. Ms. Jansen noted the office does not conduct the investigations, but the team works closely with those directly involved with Title IX to assess risk.

Trustee Wharton inquired whether audits of endowments and gifts are conducted to ensure funds are used in accordance with donor intent. Ms. Jansen stated an audit of endowments is not conducted each year; however, audits were conducted about two years ago and recommendations were provided.

VII. 2015 REPORT OF ACCOMPLISHMENTS

The 2015 Report of Accomplishments was included in the materials (Exhibit 6).

VIII. 2016 AUDIT PLAN UPDATE

The audit plan update was included in the materials (Exhibit 7).

IX. INSTITUTIONAL COMPLIANCE UPDATE

The institutional compliance update was included in the materials (Exhibit 8).

X. INFORMATION SECURITY UPDATES

Reports for UT System Administration (Exhibit 9), UT Knoxville (Exhibit 10), UT Chattanooga (Exhibit 11), UT Martin (Exhibit 12), UT Health Science Center (Exhibit 13), UT Institute of Agriculture (Exhibit 14), and UT Institute for Public Service (Exhibit 15) were included in the materials.

XI. EXTERNAL AUDIT REPORTS

Reports for UT Foundation (Exhibit 16), UT Research Foundation (Exhibit 17), and UC Foundation (Exhibit 18) were included in the materials.

XII. TRAVEL EXCEPTION REPORT

Mr. Ron Maples, Interim Treasurer and Chief Financial Officer, submitted a report of travel exceptions (Exhibit 19). Two exceptions were included for the Vice President for Government Relations and Advocacy, and six lodging exceptions were noted for the Vice President for Development and Alumni Affairs and Programs.

XIII. OTHER BUSINESS

The Chair called for any other business to come before the Audit and Compliance Committee. There was none.

XIV. ADJOURNMENT

There being no further business to come before the Audit and Compliance Committee, the meeting was adjourned.

Respectfully Submitted,



Sandy S. Jansen
Executive Director
Office of Audit and Compliance