

THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES

MINUTES OF THE AUDIT COMMITTEE

December 8, 2014  
Nashville, Tennessee

The Audit Committee of The University of Tennessee Board of Trustees met at 10:30 a.m. CST on December 8, 2014, 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 Committee members were present:

Mr. D. Crawford Gallimore  
Mr. Spruell Driver  
Mr. Waymon Hickman, external member  
Mr. Tommy Whittaker

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

III. APPROVAL OF MINUTES FROM LAST MEETING

Chair Gallimore asked for any corrections to the September 5, 2014, minutes. Hearing none, Mr. Hickman moved approval of the minutes as presented, and Trustee Driver seconded, and the motion carried unanimously.

IV. APPROVAL OF INTERNAL AUDIT AND AUDIT COMMITTEE CHARTERS

Ms. Jansen presented the Internal Audit Charter (Exhibit 1) and the Audit Committee Charter (Exhibit 2) for approval. She commented on the significant updates which reflect the maturing of the institutional compliance function and the oversight provided. The charters also reflect updates for the names of the

Audit Committee and the office to Audit and Compliance Committee and Office of Audit and Compliance, respectively. Trustee Whittaker moved approval of the charters as presented, and Trustee Driver seconded, and the motion carried unanimously.

## V. UNIVERSITY'S FINANCIAL RISK ASSESSMENT

Ms. Sherry Davis, Senior Auditor, and Ms. Judy Burns, Associate Director, Audit and Compliance, presented an overview of the University's Financial Risk Assessment (Exhibit 3).

Ms. Burns commented that the University first conducted the risk assessment in 2006 in response to a requirement from the State Comptroller and the Director of State Audit for all state agencies to perform a risk assessment. Each year since, the audit office has facilitated a risk assessment with the business officers to update the initial assessment. Around 2008, the Tennessee Department of Finance and Administration began to require state agencies to submit the risk assessment to comply with provisions of the Tennessee Financial Integrity Act. Ms. Davis pointed out two new risk areas added in 2014 related to Uniform Guidance and the Patient Protection and Affordable Care Act.

## VI. INFORMATION SECURITY UPDATE

Mr. Joel Reeves, Chief Information Officer (CIO) for UT Knoxville, presented the remediation plan and the information technology (IT) security posture update (Exhibit 4). When Mr. Reeves commented that a security information and event management software package was implemented in fall 2013, Dr. Joseph DiPietro, University President, asked Mr. Reeves to comment on the University's vulnerability. Mr. Reeves indicated many entryways exist in the University and much data moves around. While the University can build firewalls, it takes only one disgruntled employee with access to information to create an issue. As such, Mr. Reeves stated the University still has a lot of work to do.

Chair Gallimore asked about Mr. Reeves' reporting lines, the security budget, and his relationship with the CIO for the UT System. Mr. Reeves stated he reports to the Vice Chancellor for Finance and Administration. Regarding the budget, BerryDunn indicated the target for security was 4 percent of IT spending. The budget for this fiscal year will be right at 4 percent. He also noted his good working relationship with Mr. Les Mathews, System CIO.

Chair Gallimore asked Mr. Reeves to discuss risks that keep him awake at night. Mr. Reeves responded that international security threats and internal threats concern him. Although the University has made great strides to minimize security risk with the type and volume of information, Mr. Reeves considers information security a risk, among other areas. Dr. DiPietro asked about distributed denial of service, and Mr. Reeves explained how such attacks impact the network.

Trustee Driver asked if the University had IT security responsibilities at the Oak Ridge National Lab (ORNL). Mr. Reeves stated the University does not. Afterward, there was discussion on sharing best practices with ORNL and the differences between security in higher education and the lab.

Dr. Jan van der Aa, CIO for the UT Health Science Center (UTHSC), presented the IT security milestones achieved at UTHSC (Exhibit 5).

Chair Gallimore asked whether the CIOs have a forum where they regularly discuss progress and best practices. Dr. van der Aa stated the CIOs have monthly conference calls and meet face-to-face at least annually to discuss initiatives. They also participate in the information security community of practice. He believes these meetings are helping to establish a culture of security across the system.

Chair Gallimore asked about the reporting lines on the campus and about the things that keep him awake at night. Dr. van der Aa stated he reports directly to Chancellor Schwab and that human curiosity is what worries him most. It is human nature to click a link in an e-mail, which can compromise the machine. Although a number of security layers exist, it takes only one individual who clicks on a malicious link to create issues.

Chair Gallimore asked him to comment on budgeting and staffing. Dr. van der Aa noted they have four employees for IT security and dedicate about 8 percent of the IT budget for security.

Mr. Terry Lewis, Interim CIO for the University of Tennessee at Martin, presented progress on security initiatives (Exhibit 6).

Mr. Gallimore then asked him to discuss his reporting relationship. Mr. Lewis responded that he reports to Chancellor Rakes. There was discussion of clicking on links, related consequences for employees who click on links, the need to balance consequences, and security awareness training for employees.

Mr. Tom Hoover, CIO for the University of Tennessee at Chattanooga, presented the security assessment remediation report (Exhibit 7). Chair Gallimore then asked about Mr. Hoover's reporting line. Mr. Hoover stated he reports to Vice Chancellor Brown.

The difference in reporting structures for each campus was discussed. Mr. Gallimore suggested that Dr. DiPietro consider the difference in reporting structures as the university considers the long-term success of the IT function.

There was also discussion of shadowing users and which campuses had the ability to shadow users.

Chair Gallimore asked about the status of rogue (departmental) networks. Mr. Reeves responded that a centralized network exists. During the discussion, it was determined that BerryDunn was using different terminology; however, Mr. Reeves planned to look into the question further.

Mr. Gallimore commented on the progress being made and encouraged everyone to be aggressive in budgeting and to ensure each CIO has adequate staffing and resources.

## VII. INSTITUTIONAL COMPLIANCE UPDATE

Mr. Matthew Scoggins, Assistant General Counsel, presented an overview of sexual assault in higher education, sexual assault on the University of Tennessee campuses, and compliance with Title IX and the Clery Act. The discussion was a continuation of the overview provided by Mr. Bill Moles, Director of Institutional Compliance, at the September committee meeting.

Trustee Driver asked about impact on scholarships if athletes are suspended. Mr. Scoggins responded that scholarships are not immediately removed while a case is pending, but the athletes are not allowed to participate in team activities.

Mr. Scoggins discussed the Clery Act compliance activities at UT Knoxville, including hiring a coordinator to focus on Clery compliance. Dr. DiPietro commented on the work Mr. Scoggins has done in the area to move the university forward and the load he has taken on to address risks.

### VIII. 2014 ANNUAL AUDIT PLAN STATUS

Ms. Jansen presented an update on the audit plan status (Exhibit 8). She commented on special projects, investigations, and projects added, cancelled, or carried forward to 2015.

### IX. AUDIT AND COMPLIANCE STAFFING

Ms. Jansen presented an update on the audit staffing (Exhibit 9). She provided an update on the IT Security team and on turnover in the department.

### X. APPROVAL OF 2015 AUDIT PLAN AND COMPLIANCE WORK PLAN

Ms. Jansen presented the 2015 Audit Plan (Exhibit 10) and Compliance Work Plan (Exhibit 11) for approval, noting the audit plan was aggressive. She noted the addition of the HIPAA security assessment work, a new and important area, adds complexity. She stated some audits may be carried over to 2016. The audit team plans to tackle projects in priority order and pick up the remainder in 2016. She pointed out a number of mandatory audits requiring 2,000 more hours of audit work this year. Ms. Jansen also commented on the compliance work plan and the importance of implementing a system-wide hotline. Trustee Driver moved approval of the audit plan and compliance work plan as presented, and Mr. Hickman seconded, and the motion carried unanimously.

### XI. TRAVEL EXCEPTION REPORT

A written report was submitted by Mr. Charles Peccolo, University Treasurer, regarding travel exceptions (Exhibit 12). There were two minor exceptions.

### XII. HOUSING EXCEPTION REPORT

A written report was submitted by Mr. Peccolo regarding housing exceptions (Exhibit 13). This is the last housing exception report that will be submitted to the committee.

### XIII. OTHER BUSINESS

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

XIV. ADJOURNMENT

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

Respectfully Submitted,

A handwritten signature in blue ink that reads "Sandy S. Jansen". The signature is written in a cursive style and is positioned above a horizontal line.

Sandy S. Jansen  
Executive Director  
Audit and Compliance