

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE AUDIT COMMITTEE

September 5, 2014
Nashville, Tennessee

The Audit Committee of The University of Tennessee Board of Trustees met at 10:30 a.m. CDT on September 5, 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 May 8, 2014 minutes. Hearing none, Trustee Driver moved approval of the minutes as presented, Mr. Hickman seconded, and the motion carried unanimously.

IV. INFORMATION TECHNOLOGY UPDATE

Mr. Lester Mathews, Executive Director of Information Technology Services, presented an update (Exhibit 1) on the University of Tennessee System Administration (UTSA) information technology (IT) transition and efforts to address the security concerns raised by BerryDunn.

President DiPietro asked about the role of the security positions transitioning to audit. Ms. Jansen responded that the first order of business will be to conduct Health Insurance Portability and Accountability Act (HIPAA) security assessments and to develop plans to follow up on BerryDunn's recommendations.

Mr. Hickman asked whether the University's records had ever been compromised. Mr. Mathews indicated there have been small circumstances, and a small breach occurred in the last couple of months. Dr. DiPietro stated there was an issue at the Institute of Agriculture his first year there. Mr. Mathews added that the enterprise resource planning (ERP) software has different controls to alleviate or detect attacks, and security is in layers of controls.

Chair Gallimore asked for the status on life-cycle management of system software, hardware, and support. Mr. Mathews stated the University does a good job with hardware and works to keep it within the next cycle. The ERP systems are very mature and have a complete life cycle. The research system, which is under consideration for replacement, has a less formal life-cycle process.

During the update on information technology policies, several questions were asked. BerryDunn identified seven top-priority policies to be developed. Mr. Mathews shared that three of the seven were reviewed and approved. In total, the University needs to establish about 15 IT policies. Dr. DiPietro asked about a policy on policies. Mr. Matthews and Treasurer Butch Peccolo indicated that University Secretary Catherine Mizell is making plans for a policy to address all University policies. Trustee Driver questioned how they determined the need for 15 policies and how they plan to prioritize development. Mr. Matthews responded that UT is following the National Institute of Standards and Technology (NIST) framework, which outlines areas for inclusion. The University is determining the most efficient means to tackle the policy development to align with the NIST framework.

Dr. DiPietro also inquired about the various types of security work represented on the information technology organization chart. Mr. Mathews indicated that the security outside of the Chief Security Officer's organization is a different type of security. IRIS (the University's accounting system) application security is at the application level. The application security team is responsible for the assignment of roles within the system, among other application security responsibilities.

V. INSTITUTIONAL COMPLIANCE

Mr. Bill Moles, Director of Institutional Compliance, presented an overview of Title IX and other regulations regarding sexual assault. A written report on compliance activities (Exhibit 2) was also included in the Committee materials.

Mr. Moles informed the Committee that Mr. Matthew Scoggins, Assistant General Counsel, would attend the next Audit Committee meeting to discuss the University's steps to comply with Title IX and other regulations regarding sexual assault.

Mr. Moles reported that regulatory action has been gaining momentum for a number of years, and universities are facing increased scrutiny from the public. In some cases, universities have not responded to sexual assaults appropriately. At the University of Tennessee, all campuses have websites to guide students on issues concerning sexual assault. UT Knoxville and the Institute of Agriculture have recently issued interim policies and procedures for handling sexual misconduct and relationship violence. Other campuses will follow suit with similar policies.

The federal Clery Act requires schools to report sexual assault statistics, but studies have indicated a discrepancy exists between the official numbers universities report and the numbers seen by campus and community sexual assault counseling centers or other places victims seek help. In 2011, the U.S. Department of Education (ED) issued a "Dear Colleague Letter" which made it clear that, under Title IX, universities receiving federal funds must respond promptly and effectively to sexual violence. Title IX covers grievance procedures for handling complaints and requires the designation of a responsible employee to coordinate compliance. This letter was followed by the Violence Against Women Reauthorization Act of 2013 (VAWA), also known as the Campus SaVE Act. The Act impacts Title IX grievance procedure compliance.

In January 2014, the White House created the Task Force to Protect Students from Sexual Assault. The task force published its report in April. In May, ED named 55 higher education institutions that were under investigation for possible violations of Title IX. The number now exceeds 70.

Dr. DiPietro stressed that, while the University is not among the institutions listed, UT may be unaware of someone who has filed a claim with ED. Because of the significance of these issues, it was important to have interim procedures in place. The University has developed interim procedures at Knoxville and across

the system, because it will take a while to get procedures completely approved by the Board. However, University administration has every intention to bring the procedures to the Board for approval.

Mr. Moles continued by outlining the Campus Safety and Accountability Act, which was introduced to take aim at sexual assaults on college and university campuses. Schools that do not comply with certain requirements under the bill may face a penalty of up to one percent of the institution's operating budget. The bill also increases penalties for Clery Act violations to up to \$150,000 per violation from the current penalty of \$35,000.

Dr. DiPietro asked whether the penalty applied to the total budget or just the federal budget. Mr. Moles and Mr. Peccolo indicated it would apply to the total current fund. Trustee Driver asked about communication with students and parents during orientation. Dr. DiPietro indicated that students are informed during orientation processes.

VI. 2014 AUDIT PLAN UPDATE

Ms. Jansen provided an update of the audit plan (Exhibit 3) and discussed the rationale behind adding new projects and canceling others. The Clery Act and VAWA projects were canceled for 2014, but will be included on the 2015 plan. Instead of audit work being conducted, Mr. Scoggins will update the Committee on the status of compliance in these areas. Departmental audits were added for UT Knoxville, and IT audits were added when the IT security team members transferred to the audit office.

VII. AUDIT STAFFING

Ms. Jansen presented an update on the audit staffing (Exhibit 4). She introduced Ms. Janna Moore, Audit Manager at UT Chattanooga, and provided an update on other staffing changes in the office. She commented on Mr. Jim Purcell's agreement to lead the information technology audit and security assessment function, the auditor vacancies, and the upcoming departure of Mr. Douglas Hawks, Senior Auditor, to assume the role of Assistant Dean in the College of Business at UT Knoxville.

VIII. TRAVEL EXCEPTION REPORT

A written report was submitted by Mr. Peccolo regarding travel exceptions (Exhibit 5).

IX. HOUSING EXCEPTION REPORT

A written report was submitted by Mr. Peccolo regarding housing exceptions (Exhibit 6).

Mr. Peccolo confirmed with the Committee that housing reports could be discontinued since UT no longer owns a house and the UT Chattanooga Chancellor has moved out of the Chattanooga Foundation's house.

X. DISCRETIONARY EXPENDITURE REPORT

A written report was submitted by Mr. Peccolo regarding discretionary expenditures (Exhibit 7).

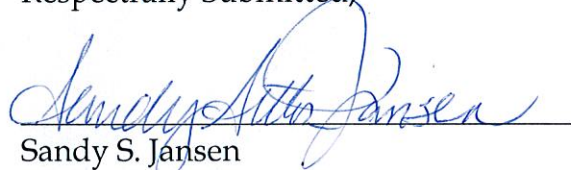
XI. OTHER BUSINESS

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

XII. ADJOURNMENT

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

Respectfully Submitted,



Sandy S. Jansen
Executive Director
Audit and Consulting Services