

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE AUDIT AND COMPLIANCE COMMITTEE

May 3, 2017
Nashville, Tennessee

The Audit and Compliance Committee of The University of Tennessee Board of Trustees met at 9:30 a.m. CDT on May 3, 2017, in the offices of Adams & Reese 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 15, 2016, minutes. Hearing none, Trustee Whittaker moved approval of the minutes as presented and Trustee Pryse seconded. The motion carried unanimously.

IV. REVISED AUDIT AND COMPLIANCE COMMITTEE CHARTER

Ms. Jansen presented the Audit and Compliance Committee charter (Exhibit 1), which was revised to align with the 2016 updates to the Board of Trustees' bylaws.

Trustee Price moved approval of the charter and Mr. Hickman seconded. The motion carried unanimously.

V. OFFICE OF AUDIT AND COMPLIANCE BUDGET

Ms. Jansen presented the Office of Audit and Compliance's (OAC) budget trends for the last five years. Future budget focus areas were also presented, and Ms. Amy Wilegus, Audit Director, provided an overview of procurement card analytics (Exhibit 2).

Trustee Pryse questioned whether the IT Security positions were replaced in IT. Ms. Jansen explained that the two positions were not replaced. Both positions were moved to OAC during a restructure.

The Committee had a lengthy discussion on UT's procurement card monitoring and asked about implementation of the procurement card analytics. All were supportive of implementing data analytics. Mr. Gallimore commented that implementation would require UT to be generous with the budget. Ms. Jansen indicated that she would continue to work through the budget process for implementation.

VI. OFFICE OF AUDIT AND COMPLIANCE UPDATE

Ms. Jansen presented an update on staffing for the Office of Audit and Compliance (Exhibit 3). During the discussion, she commented that Ms. Judy Burns, Associate Director, is continuing to implement enterprise risk management this year, and that Mr. John Fox, associate director, is retiring in May. She also noted the office hired an experienced auditor for UT Martin.

VII. NCAA AGREED-UPON PROCEDURES

Mr. Bob Hunter, Audit Manager in the state comptroller's office, provided a brief overview of the work done by his team and presented the report (Exhibit 4). Trustee Pryse questioned what causes the agreed-upon procedures to change and who decides to make the changes. Mr. Hunter indicated changes result from input of professional organizations to the NCAA. He added that he felt the changes were good and provided a better picture of the financials.

VIII. INSTITUTIONAL COMPLIANCE

Dr. Robert Nobles, Associate Vice Chancellor for Research at UT Knoxville and Chair of the UTK campus compliance committee, presented an overview of higher education compliance trends and compliance activities at UT Knoxville (Exhibit 5).

Dr. Nobles provided background on the UTK campus compliance committee. He described the work of approximately 70 compliance officers, the scope of over 400 regulatory and policy areas, and the progress on the 2010 and 2015 risk assessments. He also commented on the corrective action plan process and triannual reports to the Audit and Compliance Committee. Dr. Nobles discussed his desire to implement corrective actions so issues would not linger. He also reviewed the highest risk areas for Knoxville: equity and diversity, finance and administration, and research and engagement.

Dr. Nobles summarized three priorities to enhance compliance at UT Knoxville, including standardized, centralized policies and procedures, mandatory training, and escalation procedures.

The Committee discussed mandatory training at length. Dr. Joe DiPietro, UT President, noted the strength of the Institutional Review Board (IRB) and the Institutional Animal Care and Use Committee (IACUC) training and procedures. Dr. DiPietro commented that IACUC mandates training and principal investigators attending training if they plan to use animals. For other areas, he asked how often training should occur and how intense it should be. There was discussion on the need for periodic training in certain areas.

Dr. DiPietro inquired whether the IRB and IACUC chairs are included in the campus compliance committee meetings. Dr. Nobles noted that they are not directly involved in the meeting but are represented.

Trustee Jubran questioned what the Audit and Compliance Committee could do to assist with the compliance efforts. Dr. Nobles indicated the more people who know about compliance, the better. Dr. Nobles responded that having a mandate about a central policy repository would be helpful, as well as basic platform for training. He also suggested that having the Chancellor meet with the campus compliance committee annually to review the compliance risks would move the program forward.

Trustee Jubran asked what were the disappointments associated with the 2010 assessment. Dr. Nobles stated individuals did not know how to address mandates for training, in particular compliance areas, and were not able to accomplish training needs.

Dr. DiPietro indicated UT should do more than promote mandatory training and should insist on mandatory training. Robust discussion was held on who has the authority to mandate training across the institution.

Dr. DiPietro inquired about the consequences that could exist for individuals who do not attend mandatory training. Possible options were discussed, including escalation processes and reports provided to supervisors and levels of management.

Mr. Matthew Scoggins, General Counsel, commented that the report of noncompliance with training requirements should eventually be provided to the Audit and Compliance Committee. He also discussed areas of strength where campuses have implemented mandatory training, including UT Chattanooga's Title IX training. He noted several administrators believe there has not been support for mandated training.

Discussion was held on how to drive the culture for mandatory training from the Chancellor to members of the Chancellor's cabinet to the deans and department heads.

Trustee Jubran indicated training is extremely important; however, with training, UT is assuming shared values and consequences should exist for continued noncompliance. He requested a follow-up on the discussion at a future meeting.

IX. UTIA MINORS ON CAMPUS

Dr. Tim Cross, Chancellor of the UT Institute of Agriculture, provided an overview of management's actions to improve policy, processes, and monitoring for Minors on Campus (Exhibit 6) programs.

Trustee Lampley asked about the length of time between background checks. Chancellor Cross discussed the costs and benefits of the length of time. He also discussed the Institute's assessment of timing for the periodic background checks.

Mr. Hickman asked whether the policy applies to all types of employees working with minors. Chancellor Cross indicated that all employees and volunteers are subject to the Minors on Campus policy and processes.

X. 2016 REPORT OF ACCOMPLISHMENTS

A written report of the *2016 OAC Accomplishments* (Exhibit 7) was submitted for Committee review.

XI. 2017 AUDIT PLAN UPDATE

A written report on the status of the audit plan (Exhibit 8) was submitted for Committee review.

XII. OUTSTANDING AUDIT ISSUES

A written report on the outstanding audit issues (Exhibit 9) was submitted for Committee review.

XIII. INSTITUTIONAL COMPLIANCE

A written report of the Institutional Compliance progress and activities (Exhibit 10) was submitted for Committee review.

XIV. EXTERNAL AUDIT REPORTS

External audit reports (Exhibits 11, 12, and 13) were submitted for Committee review.

XV. TRAVEL EXCEPTION REPOST

Mr. David Miller, Chief Financial Officer, submitted a written report of travel exceptions (Exhibit 14). Three exceptions were noted.

XVI. OTHER BUSINESS

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

XVII. ADJOURNMENT

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

Respectfully Submitted,

A handwritten signature in cursive script, reading "Sandy S. Jansen", written over a horizontal line.

Sandy S. Jansen

Executive Director

Office of Audit and Compliance