



THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE AUDIT AND COMPLIANCE COMMITTEE

September 25, 2019
Knoxville, Tennessee

The Audit and Compliance Committee of The University of Tennessee Board of Trustees met at 2:00 p.m. EDT on September 25, 2019, in the Andy Holt Tower in Knoxville, Tennessee.

I. CALL TO ORDER

Ms. Amy Miles, Chair, called the meeting to order.

II. ROLL CALL

Mr. Brian J. Daniels, Chief Audit and Compliance Officer, called the roll, and the following Audit and Compliance Committee members were present:

Ms. Amy Miles
Mr. Brad Box (by video)
Mr. D. Crawford Gallimore (by telephone)
Mr. Decosta Jenkins (by video)
Mr. John Compton (by telephone)

Mr. Daniels announced the presence of a quorum. In compliance with the Open Meetings Act, Mr. Box, Mr. Gallimore, Mr. Jenkins, and Mr. Compton indicated no others were present at their locations. Those present in Knoxville included Mr. Randy Boyd, interim president; Mr. David Miller, chief financial officer; Dr. Herb Byrd, vice president of the Institute for Public Service (IPS); staff from the Office of Audit and Compliance (OAC), and other members of the UT administrative staff.



III. CONSENT AGENDA

Chair Miles asked whether any committee member would like to remove an information item from the Consent Agenda for discussion. Hearing no requests, she called for a motion that the minutes of the April 17, 2019, meeting be approved as presented in the meeting materials. Mr. Jenkins moved approval of the minutes, and Mr. Compton seconded. A roll call vote followed, and the motion carried unanimously.

IV. INFORMATION TECHNOLOGY UPDATE

Mr. Jim Purcell, manager of information technology audits, presented an update on the University's information technology (IT) security posture. He described improvements resulting from a 2014 external security posture assessment performed by the firm BerryDunn, including an expansion of system-wide IT policies, campus/institute security plans, an IT Security Community of Practice for sharing information, and a requirement that data owners in departments and colleges develop plans to secure information they control. Chair Miles asked whether data owners had guidelines and standards for developing their plans, and Mr. Purcell responded each campus had its own guidelines based on standards developed by the National Institute for Standards and Technology (NIST).

In 2017, Mr. Purcell explained, the University adopted NIST's Cybersecurity Framework (CSF) as a means of measuring IT security posture. He noted this framework offers a more realistic measure of information security because it acknowledges that breaches will occur and addresses an organization's ability to detect, respond, and recover from these events in addition to identifying ways to protect information. Each UT campus and institute performed a self-assessment using this framework and determined that implementation of methods to detect breaches currently represented the largest risk for the University.

Mr. Purcell stated that OAC conducted audits of each campus and institute in 2019 to verify compliance with system-wide IT security policies. OAC found good compliance overall, but identified a need for campuses and institutes to assess the implementation of the security plans they have developed and to develop continuous monitoring for detecting security breaches. Mr. Purcell indicated that



every campus and institute has a remediation plan for addressing all outstanding issues by the end of 2020. Chair Miles asked Mr. Purcell if the work effort needed for remediation was the reason for the 2020 implementation date and whether he felt comfortable with that timeline. Mr. Purcell responded that some campuses had challenges to overcome, but most were ahead of schedule. Mr. Les Matthews, UT System chief information officer, commented that he had a high comfort level with the timeline, given the tremendous amount of work done over the past two years on detection methods and the identification of new risks and mitigation plans to address those risks. Mr. Robert Ridenour, UT System chief information security officer, added that he works with campus and institute chief information officers at least monthly regarding future plans and ways to collaborate.

Mr. Purcell described OAC's next steps—monitoring completion of outstanding issues from the 2019 audits, partnering with campus and institutes to assess the implementation of their security plans, and initiating either an internally or externally led system-wide security posture assessment in 2022 or 2023.

Chair Miles suggested accelerating the timeline for conducting another comprehensive assessment, given the significance of information security, the fact that the last such assessment occurred in 2014, and the projection that campuses and institutes will have completed their mitigation plans by the end of 2020. Mr. Gallimore and Mr. Boyd concurred with accelerating the timeline.

Mr. Daniels commented that he agreed with the immediacy of addressing this topic and observed that while the campuses and institutes have done good work, there is an opportunity to be strategic as well as tactical by taking a system-wide approach. He explained the intention to map internal audit's work to the Cybersecurity Framework to align with the efforts of information security officers and to focus on assessing detection functions. He stated he would add the topic of accelerating an external assessment to the Committee's January meeting agenda.

Mr. Jenkins asked whether there were any high risk issues that needed to be brought to the Committee's attention, and Mr. Daniels responded he was not aware of any gap in controls, but that OAC would continue to monitor and is ready to conduct its annual risk assessment in preparation for developing the 2020 audit



plan, which would provide an opportunity to identify any high risk areas. Mr. Matthews commented that the system-wide information security office conducts a risk assessment and prioritizes its work plan to focus on high-risk areas.

Mr. Miller informed the Committee of the system-wide IT security training that is mandatory for all employees. Mr. Matthews explained the University purchased various training modules, and campuses and institutes identify the specific modules to deliver at their locations.

V. UPDATE ON CORRECTIVE ACTIONS IN RESPONSE TO THE 2017 SUNSET REVIEW OF THE TENNESSEE FOREIGN LANGUAGE INSTITUTE/ TENNESSEE LANGUAGE CENTER

Dr. Byrd explained that the General Assembly established the Tennessee Foreign Language Institute (TFLI) in 1986 to help recruit foreign businesses to the state. In 2018, the General Assembly passed legislation transferring responsibility for the TFLI from the Tennessee Board of Regents to UT's Institute for Public Service, where it has been renamed the Tennessee Language Center (TLC).

Dr. Byrd described the actions taken to address the four findings noted in the 2017 sunset audit. TLC has improved controls over cash handling by segregating duties as required by UT fiscal policy. Also, whenever writing grant proposals, TLC is now differentiating the fiscal responsibilities of the TFLI Fund, a nonprofit fundraising entity with a separate governing board, from the programmatic responsibilities of the TLC, a former point of confusion. IPS fiscal staff are overseeing the contract process, ensuring compliance with UT fiscal policy. TLC is expanding its client base by collaborating with other IPS agencies to promote services to their constituents. Dr. Byrd also noted the TFLI governing board was dissolved, and IPS plans to appoint an advisory board for TLC.

Mr. Gallimore asked whether there was any connection between TLC and the English Language Institute in Knoxville, and Dr. Byrd replied that the two entities are not related.



VI. AFFILIATION AGREEMENT WITH UNIVERSITY CLINICAL HEALTH, INC.

Mr. Ryan Stinnett, deputy general counsel, addressed a question from the April Committee meeting about the University's liability for the financial obligations of University Clinical Health (UCH), one of the UT Health Science Center's faculty practice plans. The Office of the General Counsel (OCG) determined there was no language in the UCH agreement, as there is in other practice plan agreements, about this issue. Although OCG did not consider the omission to be a significant risk, the staff thought it appropriate to minimize financial and legal risks by drafting an amendment to the current agreement.

The amendment added the following provisions: 1) UCH is solely responsible for all debts and other financial liabilities of its practice, and its debts, liabilities, and obligations are not those of the state or the University, 2) the University is not waiving its or the state's sovereign immunity, and 3) UCH and the University are not acting as agents of each other.

Mr. Stinnett indicated that Mr. Anthony Ferrara, UT Health Science Center vice chancellor for finance and operations, met with UCH officials who concurred with the amendment; the agreement was executed and became effective as of September 17, 2019.

Mr. Stinnett noted the language in the amendment is similar to that in an existing affiliation agreement between the University and Erlanger Health System. Chair Miles commented that the language in the Erlanger agreement and the UCH amendment, with any necessary adjustments, could be a template for future agreements. Mr. Stinnett agreed.

VII. INSTITUTIONAL COMPLIANCE

Mr. Bill Moles, director of institutional compliance, described progress toward implementing recommendations from an external review of the University's institutional compliance function conducted by consulting firm Baker Tilly in 2018. To engage senior leaders in discussions of compliance risks, OAC held meetings with executives at UT Chattanooga, UT Martin, and the Institute for Public Service. Executive owners for compliance areas have been assigned at UT Knoxville, UT Chattanooga, and the UT System Administration. An effort to monitor procurement card purchases using data analytics was undertaken to evolve compliance and risk monitoring and analytics. A system-wide compliance roundtable scheduled for November will assist with sharing leading practices



across the University. To leverage the compliance-oriented perspectives of the Office of the General Counsel, a member of that office now sits on the UT System Administration Institutional Compliance Committee. Chair Miles observed Baker Tilly concluded the University had an effective bottom-up approach to compliance, but provided recommendations to ensure the top-down approach was equally sound.

Mr. Moles described other key accomplishments during 2019, including work on risk mitigation at UT Martin, the UT Institute of Agriculture, and IPS. He presented the key risk areas identified by those entities.

Mr. Miller asked whether the risk areas listed were potential risks as opposed to known problems, and Mr. Moles responded that campus and institute compliance officers identified these areas as having control weaknesses and, in some cases, violations.

Chair Miles commented the Committee should discuss at a future meeting how to link strategic planning, compliance, and risk, particularly to ensure the University is identifying the risks to achieving its strategic plan goals.

VIII. OTHER BUSINESS

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

IX. ADJOURNMENT

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

Respectfully Submitted,

/s/ Brian J. Daniels

Brian J. Daniels

Chief Audit and Compliance Officer