



THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES

MINUTES OF THE AUDIT AND COMPLIANCE COMMITTEE

February 3, 2020  
Knoxville, Tennessee

The Audit and Compliance Committee of The University of Tennessee Board of Trustees met at 2:00 p.m. EST on February 3, 2020, in the 8<sup>th</sup> Floor Conference Room, Andy Holt Tower, Knoxville, Tennessee.

**I. Call to Order**

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

**II. Roll Call**

Board Secretary, Cynthia C. Moore, called the roll, and the following members of the Audit and Compliance Committee were present: Amy E. Miles, Brad Box (by telephone), John C. Compton (by telephone), D. Crawford Gallimore (by telephone), and Decosta E. Jenkins (by video). In addition, Trustee Jamie Woodson was in attendance. Trustees participating electronically confirmed no one else was present at their various locations. Ms. Moore announced the presence of a quorum.

Interim President Randy Boyd participated in the meeting via telephone. Others present in Knoxville included: Brian Daniels, Chief Audit and Compliance Officer; David Miller, Chief Financial Officer; Ryan Stinnett, Interim General Counsel; Tiffany Carpenter, Vice President for Communications and Marketing; staff members 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 September 25, 2019, meeting be approved as presented in the meeting materials. Upon motion duly made and seconded, a roll call vote was taken, and the minutes were approved.



#### IV. Office of Emergency Management - Annual Report

Mr. Brian Daniels, Chief Audit and Compliance Officer, introduced Mr. Mike Gregory, Director, Special Events & Emergency Management. Mr. Gregory began his presentation by noting that the Office of Emergency Management prepares a report annually and that the most recent report is for FY 2018-2019 ("Annual Report"). He explained the organizational structure for emergency management at the University, including his role in facilitating, coordinating and supporting the efforts of the emergency managers from the various UT campus and institute locations. Mr. Gregory advised that he attends monthly meetings with other emergency services coordinators across the state and serves as the University's point of contact with the Tennessee Emergency Management Agency ("TEMA").

The Office of Emergency Management is responsible for providing university officials with guidelines to assist in the development and maintenance of plans and procedures that meet emergency prevention/mitigation, preparedness, response and recovery requirements within the National Incident Management System and the Tennessee Emergency Management Plan.

Mr. Gregory shared highlights from the Office of Emergency Management's Annual Report, including: (i) achievements for the fiscal year; (ii) disaster, emergencies and disruption events; (iii) training efforts; and (iv) goals for FY 2019-2020. A copy of the Annual Report is filed with these minutes.

In response to questions raised by members of the Committee, Mr. Gregory provided additional information regarding the following items:

- Training requirements for staff (orientation and on-going efforts);
- The advantages/costs associated of weather tracking applications/alerts;
- Focus of table top exercises (active shooters, weather events (tornadoes), etc.);
- Unique location considerations (e.g., AG Extension offices, where University employees are located, but the facilities are owned by local municipalities); and
- Various certification standards.

Mr. Gregory also indicated that, as part of the collaboration efforts, the emergency managers share information on new initiatives, best practices, and conduct peer reviews of the campuses' emergency management plans.



Chair Miles inquired as to the interaction between the University's Office of Emergency Management and the Office of Communications and Marketing, with regard to both internal and external communications. Mr. Gregory advised that he is a direct report to the Vice President for Communications and Marketing. Ms. Carpenter reported that the University's crisis communication plan considers both internal and external communications processes in the event of a crisis situation.

## V. 2020 Internal Audit Plan

Mr. Daniels reminded the Committee that the Internal Audit Plan is prepared on an annual, calendar year, basis. He provided background information on how information is obtained and incorporated into the proposed plan. Mr. Daniels discussed staffing changes regarding efforts to fill an open position at UT Martin, and the recent loss of an information technology ("IT") auditor. Chair Miles acknowledged that it is difficult to retain qualified IT auditors based on the increased demand and encouraged Mr. Daniels to act quickly to start a search given the length of time that could be involved in filling the position.

The Internal Audit Plan for the year ending December 31, 2020 ("2020 Internal Audit Plan") was presented to the Committee by Mr. Daniels. He explained that the annual plan includes five broad categories of work:

- *Risk-Based & Compliance* - Planned engagements based on risk assessment;
- *Annual Audits* - Required by statute, administrative policy, or agreements with management;
- *Special Projects and Fraud, Waste and Abuse (FWA) Investigations*;
- *Prior Year* - Audits in progress on January 1, 2019; and
- *Advisory Service* - Value-added work and consulting.

Mr. Daniels reviewed the allocation of effort for the prior fiscal year for the above-mentioned categories, noting that the majority of the team's effort was focused on risk-based and compliance audits, along with annual audits (collectively, approximately 65%). He advised that most of the effort was directed at system-wide matters.

Chair Miles inquired as to whether the University's focus is consistent with others in the higher education industry. Mr. Daniels stated that, based on his experience at other institutions and what he has seen on peer reviews, the focus is alignment with other institutions.



Mr. Daniels highlighted certain risk-based audits that are planned for the upcoming year, several of which pertain to items raised by the Office of Comptroller in connection with the Performance Audit Report ("Sunset Audit"). These risk-based audits include the following:

- Clery Act Compliance;
- Background Checks;
- International Travel; and
- Programs for Minors.

Mr. Daniels highlighted that, the timing of Clery Act compliance reviews, may be adjusted based on findings from the ongoing audit. Where modifications are being made to policies/procedures, it is natural to have an audit lag in order to allow sufficient time for such policies/procedures to be implemented.

With respect to background checks, the Committee members inquired as to the University's current practices and policies, including whether employees have an obligation to report arrests or convictions for certain types of criminal activities. Mr. Ryan Stinnett, Interim General Counsel, explained that there is no current policy that contains such a requirement. In this regard, it was suggested that management consider whether policy changes would be appropriate.

In response to a question from a Committee member regarding responsibilities for conducting FWA investigations, Mr. Daniels discussed the reporting requirements and working relationship between the University's OAC and the Office of the Comptroller for conducting these types of investigations.

Upon motion duly made and seconded, a roll call vote was taken, and the 2020 Internal Audit Plan was approved.

## **VI. 2020 Institutional Compliance Work Plan**

Mr. Bill Moles, Director of Institutional Compliance, presented the Work Plan for the year ending December 31, 2020 ("2020 Compliance Work Plan"). Mr. Moles began by providing an overview of the organizational structure of the University's compliance program and showing the planned changes in responsibilities. He reminded the members of the Committee that these actions are reflective of recommendations made by Baker Tilly, based on an external review of the University's institutional compliance program. The plan incorporates the following items:



- Strategic Compliance Oversight. Streamline the risk assessment process to enable strategic identification and prioritization of top compliance risks.
  - Expand the responsibilities of the UT System Administration Institutional Compliance Committee; and
  - Include UT System Administrative Council involvement in prioritizing and validating top compliance risks.
  
- Collaboration. Expand opportunities for sharing leading practices across the System.
  - New regulations and policy changes;
  - Identified risks;
  - Best practices; and
  - Compliance leader roundtable.
  
- Monitoring. Improve the feedback loop for monitoring effectiveness of the compliance program.
  - Executive and mid-level management; and
  - Compliance officers; and
  - Compliance committee members.

Fully implement and refine an automated procurement card monitoring process for future monitoring and audits.
  
- Compliance Risk Assessments and Action Plans. Five-year cycle.
  - Perform new compliance risk assessments at UT Knoxville and UT Chattanooga; and
  - Track implementation of risk mitigation plans at other campuses and institutes.
  
- Promote an Ethical Culture.
  - Promote the UT Compliance Hotline, the Code of Conduct, and other compliance and ethics information; and
  - Promote the Code of Conduct training module to campuses/institutes and encourage them to require the training.

Mr. Moles noted that actions taken to promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law is a basic tenant of an effective compliance and ethics program as set forth in the federal sentencing guidelines.



He also informed the members of the Committee that the Code of Conduct training module is not currently a requirement across the University system. The members of the Committee inquired as to the administration's plan to require the training, and Mr. Daniels indicated that it is something that will be reviewed and discussed with the Committee at a future meeting.

Upon motion duly made and seconded, a roll call vote was taken, and the 2020 Institutional Compliance Work Plan was approved.

#### **VII. 2020 IT Security - External Assessment Update**

Mr. Daniels provided an update on the administration's plans for conducting an external assessment of the University's IT security. Specifically, OAC is working with the University's procurement office on the preparation of either a request for information ("RFI") or request for proposals ("RFP"). Mr. Daniels and Mr. Miller discussed the potential benefits of the assessment and how it may inform the work associated with the University's contemplated enterprise resource planning ("ERP") efforts. Mr. Daniels indicated that the assessment will focus on key areas of control, including: identity/access; incident response; system and communication protection; and system and information integrity. Members of the Committee offered their interest in reviewing the RFI/RFP before it is sent to prospective vendors.

Following this discussion, Mr. Miller advised that, with respect to the Code of Conduct training discussed earlier in the meeting, there are certain training programs that are required for all employees across the University system and that the UT System Administrative Council can consider whether the Code of Conduct training should be mandated.

#### **VIII. Other Business (none brought to the Chair's attention prior to the meeting)**

#### **IX. Adjournment**

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

Respectfully Submitted,

A handwritten signature in blue ink that reads "Cynthia C. Moore".

Cynthia C. Moore  
Secretary and Special Counsel



Approved Consent Agenda Items

- Minutes of the Prior Meeting (September 25, 2019)

List of Information Items Presented to the Committee

- 2019 Audit Plan Update
- 2019 Outstanding Audit Issues
- Travel Exception Report