



THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

AUDIT AND COMPLIANCE COMMITTEE	
Thursday, February 25, 2021	
8:30 a.m. (EST)/7:30 a.m. (CST)	Virtual/Knoxville, TN

AGENDA

Public Session

- I. Call to Order
 - II. Roll Call
 - III. [Approval of Minutes from Last Meeting – Action Item/Roll-Call Vote](#) Tab 1
 - IV. [Consent Agenda](#)..... Tab 2
 - Information Items:
 - A. [2020 Audit Plan Update](#)..... Tab 2.1
 - B. [Outstanding Audit Issues](#)..... Tab 2.2
 - C. [Travel Exception Report](#)..... Tab 2.3
 - D. [Annual Safety Report Update](#)..... Tab 2.4
 - E. [NCAA Agreed Upon Procedures Report](#) Tab 2.5
 - F. [Compliance Program Update](#) Tab 2.6
 - V. [Internal Audit Charter – Action Item/Roll-Call Vote](#)..... Tab 3
 - VI. [2021 Internal Audit Plan – Action Item/Roll-Call Vote](#)..... Tab 4
 - VII. [2021 Institutional Compliance Workplan – Action Item/Roll-Call Vote](#) Tab 5
 - VIII. [UT System Information Security Update](#) Tab 6
 - IX. [Tennessee Financial Integrity Act Report](#) Tab 7
 - X. Other Business
- [Note: Under the Bylaws, items not appearing on the agenda may be considered only upon an affirmative vote representing a majority of the total voting membership of the Committee. Other business necessary to come before the Committee at this meeting should be brought to the attention of the Committee Chair or Board Secretary before the meeting.]*
- XI. Adjournment



THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

Nonpublic, Executive Session

Following the public session, the committee will convene in a nonpublic, executive session pursuant to Tennessee Code Annotated § 4-35-108 to review:

- External audits
- Fraud, waste, and abuse update
- Investigation update
- Litigation update



THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE AUDIT AND COMPLIANCE COMMITTEE

October 22, 2020
Knoxville, Tennessee

The Audit and Compliance Committee of The University of Tennessee Board of Trustees met at 10:00 a.m. (EDT) on Thursday, October 22, 2020. Following continuing guidance from the U.S. Centers for Disease Control and Prevention (CDC) regarding COVID-19 and in compliance with the Tennessee Pledge and other state and local guidelines, the meeting was held virtually with Committee members participating electronically or by telephone. The meeting was hosted from the University of Tennessee, Knoxville campus.

I. Call to Order and Roll Call

Ms. Amy Miles, Committee Chair, called the meeting to order. Board Secretary, Cynthia C. Moore, called the roll, and the following members of the Committee were present: Amy E. Miles, Committee Chair; Bradford D. Box; John C. Compton, Board Chair; D. Crawford Gallimore; and Decosta E. Jenkins. In addition, the following trustees were in attendance: Leighton Chappell (Student Trustee), and Donald J. Smith.

Others present included: President Randy Boyd; Brian Daniels, Chief Audit and Compliance Officer; David Miller, Senior Vice President and Chief Financial Officer; Ryan Stinnett, General Counsel; Tiffany Carpenter, Vice President for Communications and Marketing; Mark Paganelli, Treasurer; Robert Ridenour, Chief Information Security Officer (UT System Administration); staff members from the Office of Audit and Compliance ("OAC"); and other members of the UT administrative staff. The meeting was webcast for the convenience of the University community, the general public, and the media.

Ms. Moore addressed the Open Meetings Act requirements for meetings conducted with members participating electronically and announced the presence of a quorum.

II. Opening Remarks of the Committee Chair

Committee Chair Miles dispensed with opening remarks and moved directly into the meeting agenda.

III. Approval of the Minutes

Committee Chair Miles noted that the minutes of the May 8, 2020 meeting were included in the meeting materials (Tab 1). She asked for any corrections to the minutes. Hearing none,



upon motion duly made and seconded, a roll call vote was taken, and the minutes were approved.

IV. Consent Agenda

Committee Chair Miles called the Committee's attention to the Consent Agenda. There were no requests to remove any of the information items from the Consent Agenda for discussion. As the items on the Consent Agenda were informational in nature, no action was required. (A complete list of the Consent Agenda items appears at the end of these minutes.)

V. Committee Work Plan Update

Brian Daniels, Chief Audit and Compliance Officer, discussed the Committee's work plan for calendar years 2020 and 2021. He reminded the Committee members of the intended purpose of the work plan, which includes identifying the critical items to be brought before the Committee, along with the cycle for such presentation. Additionally, the new format allows for a more standardized approach for use across the standing committees of the Board of Trustees.

The Committee's work plan, includes the following sections:

- Key Reports and Special Focus Topics
- Action Items
- Other Standing Reports
- Non-Public Session

Mr. Daniels remarked on the special focus topics (Title IX, Clery Act, and National Collegiate Athletics Association (NCAA) Compliance) included on the Committee's work plan. New regulations have been issued with respect to Title IX, which became effective in August 2020. In connection with the performance audit conducted by the Office of the Comptroller (Sunset Audit), compliance with Clery Act was identified as an area for improvement. The campus annual safety reports will be completed later this year (deadline was extended due to the pandemic). As set forth in the Board Policy on Oversight of Intercollegiate Athletics, the Committee is to receive annual reports to monitor compliance with the rules and regulations of the NCAA and the adequacy of each institution's athletics compliance function.

Following a review of the other primary elements of the work plan, Mr. Daniels stressed that the work plan is intended to be a guide and that it will be updated as needed in order to address other emerging risk and compliance topics, changes in statutory requirements and/or auditing standards, and other matters relevant to the Committee. Committee Chair Miles thanked Mr. Daniels for the review of the work plan, and she indicated that it will also contribute to ensuring that the Committee addresses its fiduciary obligations as set forth in the Committee's charter.



VI. Internal Audit – Quality Assurance Review Plan

Mr. Daniels explained that The Institute of Internal Auditors' (IIA) Standards set forth certain requirements associated with a Quality Assurance and Improvement Program (QAIP), which includes internal assessments, external assessments, reporting, and ratings.

Mr. Daniels advised that the IIA Standards requires an external assessment to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. With respect to external assessments, the evaluation work can be done through the selection of an external third party (i.e., an auditing firm) or external peers. In light of budget considerations, but more so due to the unique attributes of higher education, Mr. Daniels recommended proceeding with a self-assessment, with independent validation undertaken by peers. This approach would meet the applicable IIA Standards.

Trustee Decosta Jenkins expressed his general support for the approach; however, he stated that he had suggested to Mr. Daniels that the Committee Chair be involved in the selection of the peer review team to ensure the proper level of independence. Committee Chair Miles expressed her gratitude to Trustee Jenkins for this recommendation and confirmed that she would participate in the peer selection.

The members of the Committee discussed the advantages of using an external audit firm for future assessments on a rotational basis intermixed with peer reviews, with the next external assessment being performed by such a firm. In addition, it was clarified that five years is the maximum period for conducting the assessment, but that the external assessment could be performed more often as determined by the Committee.

Mr. Daniels indicated that the self-assessment work would begin in the fall of 2020, with the external peer assessment to be conducted in the spring of 2021. The final report would then be presented to the Committee at a future meeting.

VII. UT System Privacy & Information Security Update

Ryan Stinnett, General Counsel, advised that one of the 2020 Objectives for The University of Tennessee system pertains to improving information security and privacy. He noted the critical importance of protecting personal data of students and employees, the research data generated by faculty and students, and other sensitive information maintained by the University on its various operating systems. Mr. Stinnett discussed the recent efforts undertaken to make progress in this area, with the assistance of Mr. Daniels and Robert Ridenour, Chief Information Security Officer (UT System Administration).

Continuing the presentation, Mr. Daniels addressed the overlaps and distinctions between cybersecurity risk and privacy risk. He provided an overview of the University's privacy



landscape, noting that there are more than (i) 90 regulations with privacy obligations applicable across the University, and (ii) 50 individuals assigned with certain privacy-related responsibilities. Mr. Daniels reviewed the results of a benchmarking survey of the privacy operations at 33 universities, including the UT System's peer institutions, UTK's peer and aspirational institutions, and other SEC schools.

In concluding his remarks on privacy, Mr. Daniels discussed potential opportunities and challenges associated with having a designated individual, office, and/or committee, whose primary responsibility is privacy. The members of the Committee shared their insights on the value of having a broader, more holistic approach toward privacy for the entire organization. They also stressed that it is critically important to assess what information is being retained and why.

Mr. Daniels then provided an update on the Information Technology (IT) Security Assessment. He explained that there are two phases of the project, which are:

- Phase 1: External - Identify and Test security of systems exposed to the public internet; and
- Phase 2: Internal - Check effectiveness of IT security infrastructure systems.

In light of budget uncertainties, the assessment is being undertaken internally by the OAC, with the assistance of Mr. Ridenour and his team. Phase 1 is almost complete, and Phase 2 will begin in November. Mr. Daniels indicated that a final report will be prepared that sets forth findings based on thematic topics and by campus/institute. In addition, the report will include remediation recommendations. The findings will be presented to the Committee at a future meeting.

Mr. Daniels informed the Committee that Ramon Padilla, has been hired as Chief Information Officer for the UT System Administration. Mr. Padilla will be invited to present at the next meeting of the Committee.

In response to questions from members of the Committee, Mr. Ridenour confirmed that universities and colleges have been targeted by hackers and that such activity has become more prevalent. To date, attacks on the University's systems have happened on a relatively small scale at an individual level as opposed to a system-wide event.

The benefit of hiring an external firm to conduct an assessment was discussed. Mr. Daniels advised that an external consultant was hired previously and that it would be done again in the future. In the meantime, the staff felt that moving forward with internal resources would allow for meaningful and incremental progress.



Committee Chair Miles requested that the administration place a special emphasis on the actions taken to remediate any issues identified. David Miller, Senior Vice President and Chief Financial Officer, stressed the distributed nature of IT security in the University's operations and the challenges it presents to consistency across the system. Mr. Daniels confirmed that the future report will address remediation efforts and that he looks forward to working with Mr. Padilla on ways to advance IT security system-wide.

VIII. Other Business

None.

IX. Closing Remarks

Committee Chair Miles thanked the members of the Committee and the staff for their participation in the meeting.

X. Adjournment

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

Respectfully Submitted,

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

Cynthia C. Moore
Secretary and Special Counsel

List of Information Items Presented to the Committee

- 2020 Audit Plan Update
- Compliance Program Update
- Outstanding Audit Issues
- Travel Exception Report
- Discretionary Expenditure Report

Attachments. Copies of the following documents are filed with the official minutes of this meeting.

- Presentations:
 - Audit and Compliance Committee Work Plan
 - Internal Audit - Quality Assurance Review
 - Privacy and Information Security Update



THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

AGENDA ITEM SUMMARY

Meeting Date: February 25, 2021

Committee: Audit and Compliance

Item: **Consent Agenda**

Type: Information

Presenter: Amy Miles, Committee Chair

There are no action items on the Committee Consent Agenda for approval; however, certain information items have been placed on the Committee Consent Agenda. These items will not be presented or discussed in the Committee unless a Committee member requests removal of an item from the Consent Agenda. The Bylaws provide that an item will not be removed from the Consent Agenda solely for the purpose of asking questions for clarification. Those questions should be presented to the Chief Audit and Compliance Officer before the meeting. Unless there is a request to remove an information item for review or discussion, the information items will be deemed to be accepted.

**The University of Tennessee
Audit Plan Status
For the Year Ending December 31, 2020**

Audits		Status
2020	System Windows Server Security	In Progress
2020	System Quality Assurance Self-Assessment	In Progress
2020	UTK Admin Division Policy Compliance	In Progress
2020	UTK IT Security College of Arts and Sciences	In Progress
2020	UTK Programs for Minors	In Progress
2020	HSC Admin Division Policy Compliance	In Progress
2020	HSC College of Medicine Cash Management Review	In Progress
2020	HSC HIPAA Security Rule UTHSC	In Progress
2020	UTC Admin Division Policy Compliance	In Progress
2020	UTC Athletics NCAA Compliance Eligibility	In Progress
2020	UTM Admin Division Policy Compliance	In Progress
2020	UTM Athletics NCAA Compliance Eligibility	In Progress
2020	UTIA Extension Regional and County Offices	In Progress

Advisory		Status
2020	System IT Security Infrastructure Assessment	In Progress

Investigations		Status
2020	UTK Department of EECS SkyBonus Account	In Progress
2020	UTK COE CURENT Circuit Boards	In Progress
2020	UTC SimCenter	In Progress
2020	UTC Vivature Contract	In Progress
2020	UTM Athletics Medical Claims Billing	In Progress
2020	UTIA Plant Sciences Gift Funds	In Progress

Completed Projects		Status
Prior Year	System General & Application Controls ANDI	Complete
Prior Year	System Conflicts of Interest	Complete
Prior Year	System Clery Act Compliance	Complete
Prior Year	System Effort Reporting	Complete
Prior Year	UTK Emergency Management	Complete
Prior Year	UTK Department of Theatre IT Security Departmental Audit	Complete
Prior Year	UTK Dept of Supply Chain Management Pcard and Vehicle Use	Complete
Prior Year	UTK Division of Student Life IT Security Divisional Audit	Complete
Prior Year	UTK Key Business Controls Assessment	Complete
Prior Year	UTK Export Controls	Complete
Prior Year	UTC Key Business Controls Assessment	Complete
Prior Year	UTIA Extension Laptop Order	Complete
Prior Year	UTIA Lone Oaks Farm	Complete
Prior Year	UTIA Entomology and Plant Pathology IT Security	Complete
Prior Year	UTIA Extension County Offices	Complete
Prior Year	UTIA College of Veterinary Medicine - check deposits	Complete
Prior Year	IPS TN Language Center	Complete

**The University of Tennessee
Audit Plan Status
For the Year Ending December 31, 2020**

2020	System MSSQL Security Configuration Business Intelligence	Complete
2020	System Conflicts of Interest	Complete
2020	System President`s Office	Complete
2020	System Self-Assessment of Controls	Complete
2020	System Complete College Tennessee Act	Complete
2020	System UTSA Division Policy Compliance	Complete
2020	System Miscellaneous Fraud Allegations	Complete
2020	System IT Security Controller Office Security Plan	Complete
2020	UTK Psychological Clinic IT Security Assessment	Complete
2020	UTK Civil and Environmental Engineering	Complete
2020	UTK Effort Reporting College of Nursing	Complete
2020	UTK Athletics NCAA Compliance Eligibility	Complete
2020	UTK Student Tuition and Fee Refunds	Complete
2020	UTK CVM Center for Agriculture Food Safety and Preparedness (CASFP) Effort Reporting	Complete
2020	HSC Cash Controls	Complete
2020	HSC Pediatrics Research Gift Cards and Transfers	Complete
2020	UTC Counseling Center	Complete
2020	UTC Chancellor	Complete
2020	UTC Physician`s Assistant program	Complete
2020	UTC Athletics Box Office	Complete
2020	UTC UTCOMC Faculty Member Conflict of Interest	Complete
2020	UTC WUTC Radio Station	Complete
2020	UTM OVC Student Assistance Fund	Complete
2020	UTM Chancellor	Complete
2020	UTM Cash Controls	Complete
2020	UTIA AgResearch Highland Rim COI	Complete
2020	IPS IT Security Tennessee Language Center	Complete

Cancelled Projects		Status
Prior Year	UTK MABE Dept Foreign vendor equipment purchase	Cancelled
Prior Year	UTC Office of Financial Aid	Cancelled
2020	System Clery	Cancelled
2020	System IT Security Parking Services	Cancelled
2020	System Background Checks for Existing Employees	Cancelled *
2020	System International Travel	Cancelled *
2020	HSC Management Services Agreements	Cancelled
2020	HSC Intellectual Property	Cancelled *
2020	HSC Office of Sponsored Programs	Cancelled *
2020	HSC Export Controls	Cancelled *
2020	UTC Vendor Insurance	Cancelled *
2020	UTM Office of Sponsored Programs	Cancelled *
2020	UTIA Export Controls	Cancelled *
2020	UTIA Sponsored Projects Accounting	Cancelled *

* - Projects deferred to the 2021 audit plan

**THE UNIVERSITY OF TENNESSEE
OUTSTANDING AUDIT ISSUES
As of January 31, 2021**

Audit	Issue*	Report Date	Estimated Implementation Date	Revised Implementation Date	Status **
System Phishing Security Controls	Workstation Administrative Access	11/30/2017	7/2/2018	12/31/2021	1
System General & Application Controls (K@TE)	System Administrator Authentication	11/18/2019	6/1/2020	6/1/2021	1
UTM Camp Administration Processes	Cash Receipts for Unidentified Campers	11/21/2019	8/31/2020	8/31/2021	1
UTK Division of Student Life IT Security	Division IT Security Program Plan	3/24/2020	6/30/2020	6/30/2021	1
UTK Division of Student Life IT Security	Privileged Accounts	3/24/2020	6/30/2020	6/30/2021	1
IPS TN Language Center	Translator Payment Processing	9/3/2020	12/31/2020	6/30/2021	1
UTK Export Controls	Training Program Completion and Tracking	9/16/2020	12/15/2020	4/1/2021	1
UTK Export Controls	UT Statement of Commitment Notice	9/16/2020	1/15/2021	3/1/2021	1
UTK Export Controls	UTK Export Control Policies	9/16/2020	1/15/2021	6/1/2021	1
UTK Export Controls	Research Website Resources	9/16/2020	12/15/2020	3/31/2021	1
System Effort Reporting	Charging Effort to Non-sponsored Projects	11/18/2020	4/30/2021	N/A	2
System Effort Reporting	Timely Review and Approval of Effort	11/18/2020	4/30/2021	N/A	2
System Controller Office IT Security	Access Control	1/27/2021	7/31/2021	N/A	2

*This report contains issues auditors considered high risk.

** Status:

- 1 For projects with estimated implementation dates on or before January 31, 2021, auditors have discussed with management all actions taken thus far, determined that satisfactory progress toward implementing agreed-upon action plans has been made, and identified a revised implementation date and/or a time for auditors to follow up for verification that the issue has been satisfactorily addressed.
- 2 Auditors will follow up with management soon after the estimated implementation date to confirm status.

Summary of Outstanding Audit Issues

The table below shows high-risk audit issue activity from August 31, 2021 (as reported in the October 22nd Audit and Compliance Committee meeting) through January 31, 2021:

Time Period	Number of Issues
Outstanding Audit Issues as of August 31, 2020	9
Issues Added as of January 31, 2021	8
Issues Implemented from September 1 through January 31	4
Remaining Outstanding Audit Issues as of January 31, 2021	13



THE UNIVERSITY OF TENNESSEE SYSTEM

FINANCE AND ADMINISTRATION

DAVID L. MILLER

Senior Vice President and Chief Financial Officer

MEMORANDUM

TO: Audit and Compliance Committee
Mr. John Compton, Chair of the Board of Trustees
Ms. Amy Miles, Chair, Audit and Compliance Committee
Mr. Bill Rhodes, Chair, Finance and Administration Committee

FROM: Mr. David Miller *David L. Miller*

DATE: February 8, 2020

SUBJECT: Travel Exception Report

The Board of Trustees's policy on travel requires the university to report to the Audit and Compliance Committee any travel exceptions approved on behalf of the President, employees in the President's Office, senior-level administrators, or the Sr. Vice President and Chief Financial Officer. For the quarter ended December 31, 2020 there were no exceptions requested or approved in accordance with the Board's policy.

If you have any questions, please let me know.

c: Mr. Randy Boyd
Mr. Brian Daniels
Ms. Cindy Moore
Mr. Mark Paganelli

Clery Act Compliance Update

Christina A. Moradian, J.D., M.B.A.

System Clery and Deputy Title IX Compliance Coordinator

Overview of the Clery Act

- Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) signed into law in 1990
- Aims to provide transparency around crime on campus
- All higher education institutions that receive federal funding are obligated to comply with the Clery Act
- Clery regulations are one aspect of campus security and safety



Created Clery Audit Dashboard

Recap of Recently Completed System Clery Initiatives

Campus Audit Dashboard	Recommendation	Source	Status	Response
UTM	Ensure crime statistics reported in the 2019 ASR and other ASRs agree with the crime statistics reported in the Department of Education's database	UT Audit	COMPLETED	Clery Coordinator provided documentation confirming that ASR statistics agreed with DOE data survey on January 14, 2020.
UTM	Maintain accurate and complete list of CSAs	UT Audit	COMPLETED	Clery Coordinator collaborated with HR to develop a list of CSAs based on the recommended list in the Clery Handbook. CSAs are coded into IRIS and tracked through that system. All new positions are evaluated for CSA responsibilities by the Clery Coordinator.
UTM	Track attendance or completion of CSA training and enforce training	UT Audit	COMPLETED	System developed CSA training for UTM. Training was uploaded into K@TE and launched on September 1, 2020. 100% training completion achieved and attendance is tracked through K@TE and the Clery Coordinator.

Developed CSA training video

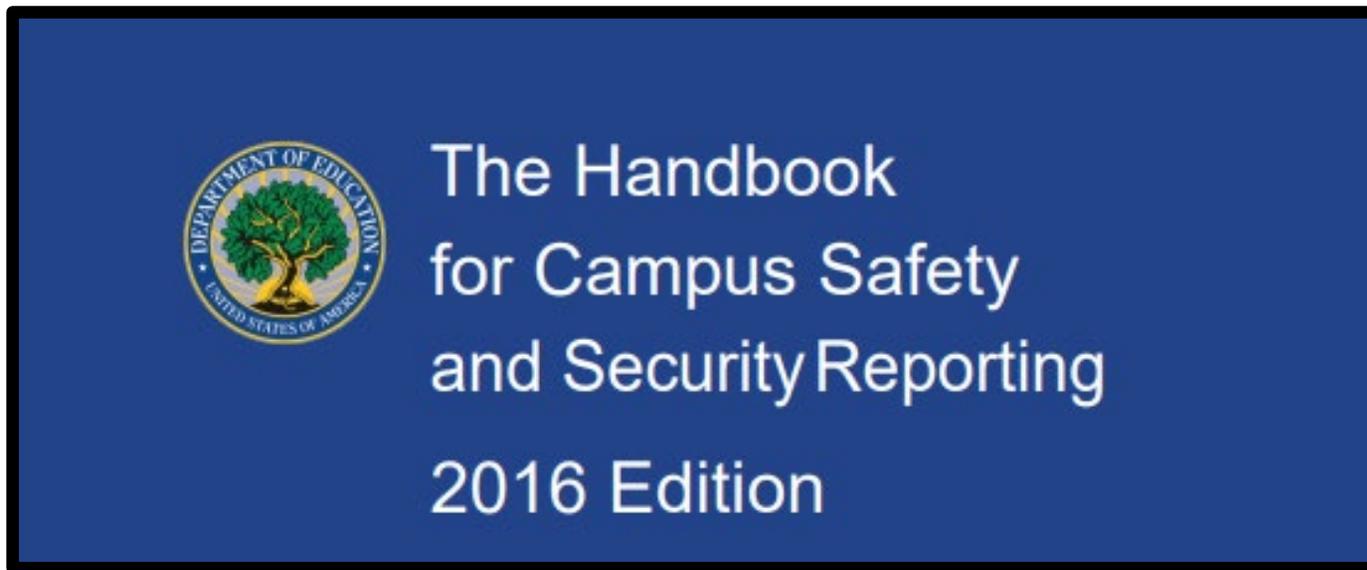
Recap of Recently Completed System Clery Initiatives

The screenshot displays a learning management system interface. On the left, a circular progress indicator shows 100% completion for 'CURRICULUM PROGRESS'. The main content area is titled '2020 UTM Campus Security Authority (CSA) Training' and includes an 'Options' dropdown menu. A note states: 'Expired training is not included in section or curriculum progress percentage calculations'. Below this, two training items are listed:

- 2020 UTM Campus Security Authority (CSA) Training video**
Status: Completed | Due: No Due Date | Training Hours: 15 min | Action: Launch
- 2020 UTM Campus Security Authority (CSA) Training quiz**
Status: Completed | Due: No Due Date | Training Hours: 15 min | Action: Review

Drafted System Clery Policy

Recap of Recently Completed System Clery Initiatives

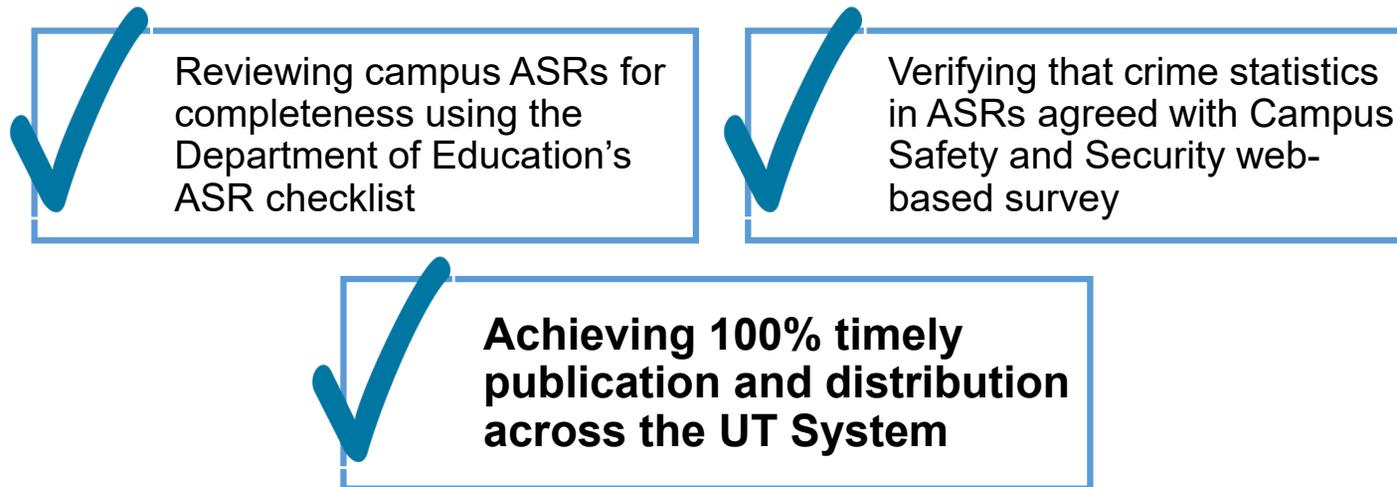


Additional Completed Initiatives

- ✓ Established monthly system-wide Clery Coordinator meetings to provide compliance guidance, legal updates, shared resources, and best practices
- ✓ Developed shared resources including Clery Act program review summaries, recordkeeping documents, crime log maintenance guidance, VAWA program requirement checklists, and peer group benchmarks
- ✓ Developed Annual Security Report timelines and checklists to facilitate campus compliance with regulation deadlines and requirements
- ✓ Established an interdisciplinary team at UTHSC that works to reconcile crime information and evaluate campus policies and programs around safety
- ✓ Identified UTHSC's properties and leases and evaluated each location to determine Clery Act geography designation
- ✓ Reviewed UTHSC's crime statistics in preparation for 2020 Annual Security Report publication
- ✓ Conducted 3 day in-person audit of UTM crime statistics in preparation for 2020 Annual Security Report publication

Ensuring Compliance with the ASR

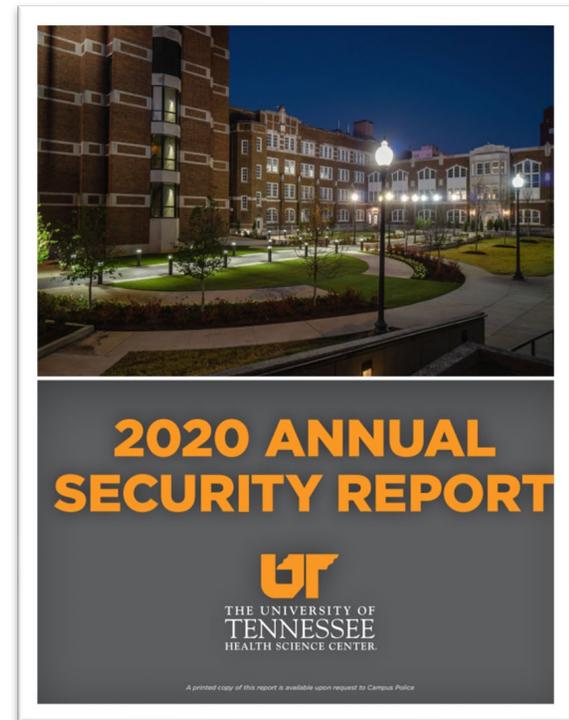
The number one priority for System Clery Compliance in 2020 was to support the accurate and timely publication of Annual Security Reports by:



Supporting the “Transparent UT” Initiative

Centralized access to campus Annual Security Reports on the Transparent UT website

- [UT Knoxville \(2020\)](#)
- [UT Chattanooga \(2020\)](#)
- [UT Martin \(2020\)](#)
- [UT Health Science Center \(2020\)](#)
- [UT Space Institute \(2020\)](#)



Crime and Fire Statistics for the Past 3 Years are Located in Each Campus' ASR

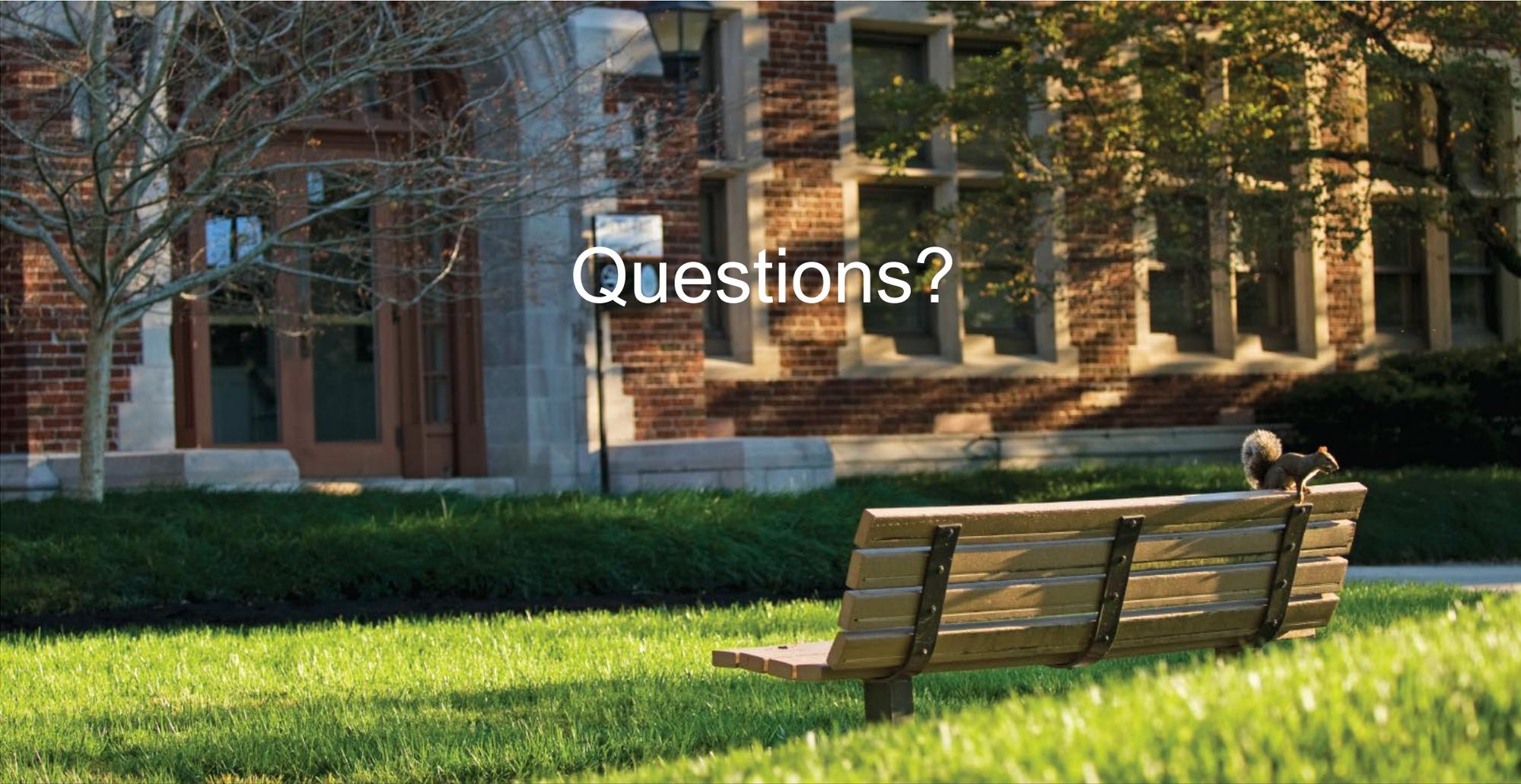
CRIME STATISTICS FOR 2017 - 2019						
Type of Offense	Year	On-Campus	Non-Campus	Public Property	TOTAL	On-Campus Residential Facility
Murder and Non-Negligent Manslaughter	2017	0	0	0	0	0
	2018	0	0	0	0	0
	2019	0	0	0	0	0
Negligent Manslaughter	2017	0	0	0	0	0
	2018	0	0	0	0	0
	2019	0	0	0	0	0

Housing Facility	Total Fires in the Housing Facility			Cause of Fire			Number of Injuries that Required Treatment at a Medical Facility			Number of Deaths Related to a Fire			Value of Property Damage Caused by Fire		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Hess Hall, 1720 Melrose Place	0	1	0	N/A	Unintentional/Debris under stoveop burner	N/A	N/A	0	N/A	N/A	0	N/A	N/A	\$0	N/A
Humes Hall, 1911 Andy Holt Avenue	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Laurel Hall, 1615 Laurel Avenue	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

2021 Goals for System Clery

- Continue to implement audit recommendations
- Finalize System-wide Clery Act Policy
- Monitor regulatory landscape and the potential effect on Clery compliance
- Support best practice initiatives across all campuses





UT THE UNIVERSITY OF TENNESSEE SYSTEM



JASON E. MUMPOWER
Comptroller

January 15, 2021

Mr. Randy Boyd, President
The University of Tennessee

Dear Mr. Boyd:

Transmitted herewith is the report on the results of certain agreed-upon procedures applied to the statements of revenues and expenses of the intercollegiate athletics programs at the University of Tennessee.

Sincerely,

Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit

cc: Ms. Amy Miles
Chairman of the Audit Committee

Mr. Brian Daniels
Chief Audit and Compliance Officer
Office of Audit and Compliance



JASON E. MUMPOWER
Comptroller

Independent Accountants’ Report on the Application of Agreed-upon Procedures

Mr. Randy Boyd, President
The University of Tennessee

We have performed the procedures enumerated below, which were agreed to by institution management, solely to assist you in evaluating whether the accompanying statements of revenues and expenses of the University of Tennessee’s Intercollegiate Athletics Programs are in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.17 for the year ended June 30, 2020. The institution’s management is responsible for the statements of revenues and expenses (statements) and the statements’ compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the management of the institution. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Exceptions totaling the lesser of \$50,000 or 10% of the line item total to which an agreed-upon procedure has been applied have not been reported. The procedures that we performed and our findings are as follows:

Agreed-upon Procedures Related to the Statements of Revenues and Expenses

Procedure	Results
<ul style="list-style-type: none"> • Obtain the summary of revenues and expenses for or on behalf of intercollegiate athletics programs for affiliated and outside organizations prepared by the institution. Recalculate the addition of the amounts on the summary and compare the summary information with the amounts on the statement. 	<p>There were no material reported revenues or expenses for or on behalf of university athletic departments at affiliated or outside organizations.</p>

- Obtain the statements of revenues and expenses of the athletic programs and related notes for the year ended June 30, 2020, as prepared by management. Compare the amounts reported on the statements with the institution’s general ledger. No exceptions noted.

Revenues

- Compare and agree each operating revenue category reported in the statements during the reporting period to supporting schedules provided by the institution. If a specific reporting category is less than 4% of the total revenues at that campus, no other procedures were performed for that specific category. No exceptions noted.
- Compare and agree a sample of operating revenue receipts from the operating revenue supporting schedules to adequate supporting documentation. No exceptions noted.
- At each campus, compare each major revenue account over 10% of the total revenues to prior-period amounts. Obtain and document management’s explanation for any variations greater than 10%. Report the analysis as a supplement to the final Agreed-upon Procedures Report. No exceptions noted. See the supplements to this report.
- At Chattanooga, compare tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the institution in the statement and the related attendance figures and recalculate totals. At Knoxville, review the home football and basketball ticket reports prepared by an independent CPA firm and compare amounts in the reports to the campus statement. No exceptions noted. At Martin, since ticket revenue was less than 4% of campus revenues, this procedure was not performed.
- Compare and agree student fees reported by the institution in the statements to student enrollments during the same reporting period and recalculate totals. No exceptions noted. At Knoxville, since student fees were less than 4% of campus revenues, this procedure was not performed.

- If the athletics department is reporting that an allocation of student fees should be countable as generated revenue, recalculate the totals of the department's methodology for supporting that it is able to count each sport. Agree the calculation to supporting documents such as seat manifests, ticket sales reports, and student fee totals.

The institution does not report in this manner; therefore, this step was not performed.
- Compare direct state or other governmental support recorded by the institution during the reporting period with state appropriations, institutional authorizations, and/or other corroborative supporting documentation and recalculate totals.

As the institution does not receive direct state or other governmental support, this step was not applicable.
- Compare the direct institutional support recorded by the institution during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculate totals.

No exceptions noted. At Knoxville, since there was no direct institutional support, this procedure was not performed.
- Compare the transfers back to institution with permanent transfers back to institution from the athletics department and recalculate totals.

Since no transfers back to institution exceeded 4% of revenues at any campus, this procedure was not performed.
- Compare the indirect institutional support recorded by the institution during the reporting period with expense payments, cost allocation detail, and other corroborative supporting documentation and recalculate totals.

At Knoxville, no indirect institutional support (line items 6 and 36 on the statement) was reported by the university, as university management determined that most other Southeastern Conference member institutions do not report in this category, and they wanted their statement to be comparable. Chattanooga and Martin decided to report in the same manner. The NCAA agreed-upon procedures handbook states that the university should "input [the] value of costs covered and services provided by the institution to athletics but not charged to athletics including: administrative services provided by the university to

- athletics, but not charged such as Human Resources, Accounting, and Information Technology; facilities maintenance; security; risk management; and utilities.”

 - Select a sample of settlement reports for away games during the reporting period and agree each selection to the institution’s general ledger and/or the statements and recalculate totals.

No exceptions noted. At Knoxville and Chattanooga, since guarantee revenues were less than 4% of campus revenues, this procedure was not performed.
 - Select a sample of contractual agreements pertaining to revenues derived from guaranteed contests (including payments received due to game cancellations) during the reporting period and compare and agree each selection to the institution’s general ledger and/or the statement and recalculate totals.

No exceptions noted. At Knoxville and Chattanooga, since guarantee revenues were less than 4% of campus revenues, this procedure was not performed.
 - Any contributions of moneys, goods, or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency, or group of individuals (two or more) not included elsewhere (e.g., contributions by corporate sponsors) that constitutes 10% or more in aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting periods shall be disclosed in the notes to the statement of athletics department revenue and expenses. Obtain and review supporting documentation for each contribution and recalculate totals.

There were no contributions that met this criterion at Knoxville. At Chattanooga, necessary disclosure was made, and no exceptions were noted. There were no contributions that met this criterion at Martin. At Martin, in-kind gifts of \$270,000 (line item 9) were incorrectly reported as contributions (line item 8). The statement was corrected.
 - Compare the in-kind contributions recorded by the institution during the reporting period with a schedule of in-kind donations and recalculate the totals.

Since in-kind contributions were less than 4% of revenues at Knoxville and Chattanooga, this procedure was not performed. As noted directly above, at Martin, in-kind gifts of \$270,000 (line item 9) were incorrectly reported as contributions (line item 8). The statement was corrected.

- Obtain and inspect agreements for the institution's total media rights as reported in the statements. Compare and agree the media rights revenues to a summary statement of all media rights identified, if applicable, and the institution's general ledger and recalculate the totals. Ledger totals may be different for total conference distributions if media rights are not broken out separately.

No exceptions noted. Only Knoxville had media rights revenue that exceeded 4% of total revenues. This procedure was therefore not performed at Chattanooga and Martin.
- Compare the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculate totals.

Since NCAA distributions were less than 4% of revenues at each campus, this procedure was not performed.
- Obtain and inspect agreements related to the institution's conference distributions and participation in revenues from tournaments during the reporting period. Compare and agree the related revenues to the institution's general ledger and/or statements and recalculate totals.

No exceptions noted. At Chattanooga and Martin, since conference distributions were less than 4% of campus revenues, this procedure was not performed.
- Compare the amount recorded in the revenue reporting category to a general ledger detail of program sales, concessions, novelty sales, and parking as well as any other corroborative supporting documents and recalculate totals.

No exceptions noted at Knoxville. At Chattanooga and Martin, since program sales, concessions, novelty sales, and parking revenues were less than 4% of campus revenues, this procedure was not performed.
- Obtain and inspect agreements related to the institution's participation in revenues from royalties, licensing, advertisements, and sponsorships during the reporting period. Compare and agree the related revenues to the institution's general ledger and/or the statements and recalculate totals.

No exceptions noted at Knoxville. At Chattanooga and Martin, since revenues from royalties, licensing, advertisements, and sponsorships were less than 4% of campus revenues, this procedure was not performed.
- Inspect sports camp contract(s) between the institution and person(s) conducting institution sports camps or clinics during the reporting period. Obtain schedules of camp participants and select a sample of individual camp participant cash receipts from the schedule of sports camp participants. Agree each selection

Since sports camp revenues were less than 4% of revenues at each campus, this procedure was not performed.

with the institution's general ledger and/or the statements and recalculate totals.

- Obtain and inspect the institution's endowment agreements. Compare the classification and use of endowment and investment income reported in the statements during the reporting period to the uses of income defined within the related endowment agreement and recalculate totals.
- Obtain and inspect agreements related to the institution's revenues from post-season bowl participation during the reporting period. Compare and agree the related revenues to the institution's general ledger and/or the statement and recalculate totals.

Since endowment income was less than 4% of revenues at each campus, this procedure was not performed

Since bowl revenues were less than 4% of revenues at Knoxville and the other schools did not participate in bowls, this procedure was not performed.

Expenses

- Compare and agree each operating expense category reported in the statement during the reporting period to supporting schedules provided by the institution. If a specific reporting category is less than 4% of the total expenses, no other procedures were performed for that specific category.
- Compare and agree a sample of expenses from the operating expense supporting schedules to adequate supporting documentation.
- At each campus, compare each major expense account over 10% of the total expenses to prior-period amounts. Obtain and document management's explanation for any variations greater than 10%. Report the analysis as a supplement to the final Agreed-upon Procedures Report.
- Select a sample of students from the listing of institutional student aid recipients during the reporting period. Data should be captured by the institution through the creation of a squad/eligibility list for each sponsored sport. Obtain individual student-account detail for each selection and compare total aid in the institution's student system to the student's

No exceptions noted.

No exceptions noted.

No exceptions noted. See the supplements to this report.

No exceptions noted.

detail in Compliance Assistance (CA) or the institution report that ties directly to the NCAA Membership Financial Reporting System. Confirm information for each student selected was reported accurately in either the NCAA's CA software or entered directly into the NCAA Membership Financial Reporting System using the appropriate criteria. Recalculate totals.

- Obtain and inspect visiting institutions' away-game settlement reports received by the institution during the reporting period and agree related expenses to the institution's general ledger and/or the statements. Recalculate totals. Obtain and inspect contractual agreements pertaining to expenses recorded by the institution from guaranteed contests (including payments made due to game cancellations) during the reporting period. Compare and agree related amounts expensed by the institution to the institution's general ledger and/or statement. Recalculate totals.

- Obtain and inspect a listing of coaches employed by the institution and related entities during the reporting period. Select a sample of coaches' contracts that must include football and men's and women's basketball from the listing. Compare and agree the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the institution and related entities in the statements during the reporting period. Obtain and inspect payroll summary registers for the reporting year for each selection. Compare and agree payroll summary registers from the reporting period to the related coaching salaries, benefits and bonuses paid by the institution and related entities expense recorded by the institution in the statements during the reporting period. Compare and agree the totals recorded to any employment contracts executed for the sample selected and recalculate totals.

Since guarantee expenses were less than 4% of expenses at each campus, this procedure was not performed.

No exceptions noted.

- Obtain and inspect a listing of coaches employed by third parties during the reporting period. Select a sample of coaches' contracts that must include football and men's and women's basketball from the listing. Compare and agree the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third party and recorded by the institution in the statement during the reporting period. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary register to the coaching other compensation and benefits paid by third-party expenses recorded by the institution in the statements during the reporting period. Recalculate totals.

No employees were employed by third parties during the reporting period; therefore, this step was not performed.
- Select a sample of support staff/administrative personnel employed by the institution and related entities during the reporting period. Obtain and inspect reporting period summary payroll registers for each selection. Compare and agree related summary payroll register to the related support staff/administrative salaries, benefits and bonuses paid by the institution and related entities expense recorded by the institution in the statements during the reporting period. Recalculate totals.

No exceptions noted.
- Select a sample of support staff/administrative personnel employed by third parties during the reporting period. Obtain and inspect reporting period payroll summary registers to the related support staff/administrative other compensation and benefits expense recorded by the institution in the statements during the reporting period. Recalculate totals.

No employees were employed by third parties during the reporting period; therefore, this step was not applicable.
- Select a sample of employees receiving severance payments by the institution during the reporting period and agree each severance payment to the related termination letter or employment contract and recalculate totals.

No severance payments were reported during the reporting period; therefore, this step was not applicable.

- Compare and agree the institution’s recruiting policies to existing institutional- and NCAA-related policies. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.

Since recruiting expenses were less than 4% of expenses at each campus, this procedure was not performed.
- Compare and agree the institution’s team travel policies to existing institutional- and NCAA-related policies. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.

No exceptions noted.
- Obtain a listing of debt service schedules, lease payments, and rental fees for athletics facilities for the reporting year. Compare a sample of facility payments including the top two highest facility payments to additional supporting documentation (e.g., debt financing agreements, leases, rental agreements). Compare amounts recorded to amounts listed in the general ledger detail and recalculate totals.

At Chattanooga, since these expenses were less than 4% of campus expenses, this procedure was not performed. At Martin, debt service payments funded by the college and not charged to the athletic department (line items 34 and 6a) were understated by \$200,444.62. The statement was corrected. At Knoxville, debt service payments funded by the college and not charged to the athletic department (line items 34 and 6a) were understated by \$280,749.57. Interest on revolving credit facility debt related to athletic department assets was not reported. The statement was not corrected.

Additional agreed-upon procedures

- At each campus, compare and agree the sports sponsored as reported in the NCAA Membership Financial Reporting System to the Calculation of Revenue Distribution Equivalencies Report from Compliance Assistance or equivalent supporting equivalency calculations from the institution. Compare current year Grants-in-Aid revenue distribution equivalencies to prior year reported equivalencies.

No exceptions noted.
- At each campus, obtain the institution’s Sports Sponsorship and Demographics Forms Report for the reporting year. Validate that the countable sports reported met the minimum

No exceptions noted.

requirement as set forth in the bylaws. Once countable sports have been confirmed, ensure that the institution has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System. Compare current year number of Sponsored Sports to prior year reported total.

- At each campus, for Pell grants, agree the total number of Division I student-athletes who, during the academic year, received a Pell grant award and the total value of these Pell grants reported in the NCAA Membership Financial Reporting System to a report, generated out of the institution’s financial aid records, of all student-athlete Pell Grants. Compare current year Pell Grants total to prior year reported total.

No reportable exceptions noted.

Other reporting items

- Obtain general ledger detail and compare to the total expenses reported as excess transfers to institution or conference realignment expenses. Select a sample of transactions to validate the existence of the transaction and accuracy of recording. Recalculate totals.
- Obtain repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. Recalculate annual maturities (consisting of principal and interest) provided in the schedules obtained. Agree the total annual maturities and total outstanding athletic debt to supporting documentation and the institution’s general ledger, as applicable.
- Agree the total outstanding institutional debt to supporting documentation and the institution’s audited financial statements (if available), or the institution’s general ledger.
- Obtain a schedule of all athletics-dedicated endowments maintained by athletics, the institution, and affiliated organizations. Agree the fair value in the schedules to supporting

No exceptions noted at Knoxville. These categories were not reported at Chattanooga or Martin; therefore, this step was not applicable.

No exceptions noted.

No exceptions noted.

No exceptions noted.

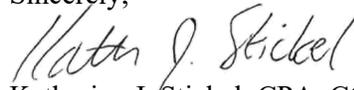
documentation, the general ledger, and audited financial statements, if available.

- Agree the total fair value of institutional endowments to supporting documentation, the institution's general ledger, and audited financial statements, if available.) No exceptions noted.
- Obtain a schedule of athletics-related capital expenses made by athletics, the institution, and affiliated organizations during the reporting period. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate the existence of the transaction and accuracy of recording. Recalculate the totals. No exceptions noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying statements of revenues and expenses of the University of Tennessee's Intercollegiate Athletics Programs for the year ended June 30, 2020. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the institution's management, and is not intended to be and should not be used by anyone other than the institution's management.

Sincerely,



Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
January 15, 2021

The University of Tennessee at Knoxville
 Department of Intercollegiate Athletics
 Statement of Revenues and Expenses
 For the Year Ended June 30, 2020

Revenues		
1 Ticket sales		\$ 35,541,922
2 Direct state or other government support		-
3 Student fees		1,000,000
4 Direct institutional support		-
5 Less: transfers to institution		(1,000,000)
6 Indirect institutional support		-
6a Indirect institutional support -athletic facilities debt service, lease and rental fees		-
7 Guarantees		-
8 Contributions		26,310,433
9 In-kind		2,704,462
10 Compensation and benefits provided by a third party		-
11 Media rights		37,013,266
12 NCAA distributions		737,623
13 Conference distributions (non-media and non-bowl)		2,364,969
13a Conference distributions of bowl generated revenue		9,134,602
14 Program, novelty, parking, and concession sales		6,211,891
15 Royalties, licensing, advertisement, and sponsorships		14,128,030
16 Sports camp revenues		995,697
17 Athletics restricted endowment and investments income		2,232,972
18 Other operating revenue		1,646,587
19 Bowl revenues		1,313,316
Subtotal operating revenues		140,335,770
Expenses		
20 Athletic student aid		15,317,708
21 Guarantees		3,807,550
22 Coaching salaries, benefits, and bonuses paid by the university and related entities		25,808,413
23 Coaching salaries, benefits, and bonuses paid by a third party		-
24 Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities		27,434,013
25 Support staff/administrative compensation, benefits, and bonuses paid by a third party		-
26 Severance payments		-
27 Recruiting		2,962,606
28 Team travel		6,378,029
29 Sports equipment, uniforms, and supplies		3,565,272
30 Game expenses		6,391,388
31 Fund raising, marketing, and promotion		5,039,907
32 Sports camp expenses		299,458
33 Spirit groups		554,299
34 Athletic facilities, debt service, leases, and rental fees		16,887,239
35 Direct overhead and administrative expenses		13,493,315
36 Indirect institutional support		-
37 Medical expenses and insurance		2,069,682
38 Memberships and dues		93,557
39 Student-athlete meals (non-travel)		2,746,506
40 Other operating expenses		5,620,747
41 Bowl expenses		1,573,011
41a Bowl expenses - coaching compensation/bonuses		781,924
Subtotal operating expenses		140,824,624
Excess (deficiency) of revenues over (under) expenses		\$ (488,854)

The accompanying notes are an integral part of this statement.

Other reporting items:

50 Excess transfers to institution	\$	78,000
51 Conference realignment expenses	\$	-
52 Total athletics related debt	\$	103,468,846
53 Total institutional debt	\$	714,217,812
54 Value of athletics dedicated endowments	\$	46,703,737
55 Value of institutional endowments	\$	645,951,822
56 Total athletics related capital expenditures	\$	5,870,570

The University of Tennessee at Chattanooga
 Department of Intercollegiate Athletics
 Statement of Revenues and Expenses
 For the Year Ended June 30, 2020

Revenues	
1 Ticket sales	\$ 771,295.86
2 Direct state or other government support	-
3 Student fees	5,581,228.85
4 Direct institutional support	8,515,119.49
5 Less: transfers to institution	-
6 Indirect institutional support	-
6a Indirect institutional support -athletic facilities debt service, lease and rental fees	-
7 Guarantees	677,293.44
8 Contributions	1,548,204.72
9 In-kind	242,722.00
10 Compensation and benefits provided by a third party	-
11 Media rights	3,905.00
12 NCAA distributions	337,159.00
13 Conference distributions (non-media and non-bowl)	52,121.00
13a Conference distributions of bowl generated revenue	-
14 Program, novelty, parking, and concession sales	54,776.22
15 Royalties, licensing, advertisement, and sponsorships	607,182.76
16 Sports camp revenues	268,943.13
17 Athletics restricted endowment and investments income	115,505.00
18 Other operating revenue	70,953.57
19 Bowl revenues	-
Subtotal operating revenues	18,846,410.04
Expenses	
20 Athletic student aid	5,413,980.28
21 Guarantees	7,500.00
22 Coaching salaries, benefits, and bonuses paid by the university and related entities	4,031,424.42
23 Coaching salaries, benefits, and bonuses paid by a third party	-
24 Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	3,339,296.49
25 Support staff/administrative compensation, benefits, and bonuses paid by a third party	-
26 Severance payments	-
27 Recruiting	248,092.26
28 Team travel	863,063.56
29 Sports equipment, uniforms, and supplies	673,403.87
30 Game expenses	462,896.49
31 Fund raising, marketing, and promotion	782,310.74
32 Sports camp expenses	205,977.40
33 Spirit groups	339,611.03
34 Athletic facilities, debt service, leases, and rental fees	321,086.33
35 Direct overhead and administrative expenses	424,181.44
36 Indirect institutional support	-
37 Medical expenses and insurance	86,792.23
38 Memberships and dues	50,616.00
39 Student-athlete meals (non-travel)	60,273.67
40 Other operating expenses	1,535,903.83
41 Bowl expenses	-
41a Bowl expenses - coaching compensation/bonuses	-
Subtotal operating expenses	18,846,410.04
Excess (deficiency) of revenues over (under) expenses	\$ -

The accompanying notes are an integral part of this statement.

Other reporting items:	
50 Excess transfers to institution	\$ -
51 Conference realignment expenses	\$ -
52 Total athletics related debt	\$ 1,142,567.00
53 Total institutional debt	\$ 100,790,059.37
54 Value of athletics dedicated endowments	\$ 4,415,917.19
55 Value of institutional endowments	\$ 162,410,793.59
56 Total athletics related capital expenditures	\$ 18,078.00

The University of Tennessee at Martin
 Department of Intercollegiate Athletics
 Statement of Revenues and Expenses
 For the Year Ended June 30, 2020

Revenues	
1 Ticket sales	\$ 155,254.50
2 Direct state or other government support	-
3 Student fees	2,215,904.75
4 Direct institutional support	6,468,963.40
5 Less: transfers to institution	-
6 Indirect institutional support	-
6a Indirect institutional support -athletic facilities debt service, lease and rental fees	316,673.62
7 Guarantees	1,319,147.55
8 Contributions	565,123.21
9 In-kind	702,332.97
10 Compensation and benefits provided by a third party	-
11 Media rights	72,909.79
12 NCAA distributions	372,675.65
13 Conference distributions (non-media and non-bowl)	101,333.33
13a Conference distributions of bowl generated revenue	-
14 Program, novelty, parking, and concession sales	119,417.32
15 Royalties, licensing, advertisement, and sponsorships	241,428.63
16 Sports camp revenues	-
17 Athletics restricted endowment and investments income	90,817.68
18 Other operating revenue	-
19 Bowl revenues	-
Subtotal operating revenues	12,741,982.40
Expenses	
20 Athletic student aid	4,496,694.40
21 Guarantees	9,901.97
22 Coaching salaries, benefits, and bonuses paid by the university and related entities	2,735,306.33
23 Coaching salaries, benefits, and bonuses paid by a third party	-
24 Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	1,719,690.53
25 Support staff/administrative compensation, benefits, and bonuses paid by a third party	-
26 Severance payments	-
27 Recruiting	149,849.41
28 Team travel	783,169.96
29 Sports equipment, uniforms, and supplies	1,102,165.26
30 Game expenses	169,638.02
31 Fund raising, marketing, and promotion	46,149.41
32 Sports camp expenses	-
33 Spirit groups	63,784.66
34 Athletic facilities, debt service, leases, and rental fees	316,673.62
35 Direct overhead and administrative expenses	33,805.18
36 Indirect institutional support	-
37 Medical expenses and insurance	302,786.39
38 Memberships and dues	21,620.61
39 Student-athlete meals (non-travel)	103,217.22
40 Other operating expenses	687,529.43
41 Bowl expenses	-
41a Bowl expenses - coaching compensation/bonuses	-
Subtotal operating expenses	12,741,982.40
Excess (deficiency) of revenues over (under) expenses	\$ -
The accompanying notes are an integral part of this statement.	
Other reporting items:	
50 Excess transfers to institution	\$ -
51 Conference realignment expenses	\$ -
52 Total athletics related debt	\$ 4,135,971.64
53 Total institutional debt	\$ 55,540,771.04
54 Value of athletics dedicated endowments	\$ 3,220,508.36
55 Value of institutional endowments	\$ 35,074,446.32
56 Total athletics related capital expenditures	\$ 21,887.00

**THE UNIVERSITY OF TENNESSEE
INTERCOLLEGIATE ATHLETIC DEPARTMENTS
NOTES TO THE STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1. CAPITAL ASSETS

The intercollegiate athletic departments at Knoxville, Chattanooga, and Martin are required to follow all University of Tennessee policies and procedures for acquiring, approving, and disposing of capital assets as set forth by the Board of Trustees. A university purchase order must be issued for purchases of \$10,000 or more. These purchases shall be based upon the principle of competitive bidding. Requisitioning and approving of purchases will begin in the respective athletic department and will then be forwarded to the purchasing department for bidding and the issuance of a purchase order.

Capital assets, which include property, plant, equipment, software, and library holdings, are reported in the statement of net position at historical cost or at acquisition value at date of donation, less accumulated depreciation/amortization. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' useful lives are not capitalized.

A capitalization threshold of \$100,000 is used for buildings, land improvements, and infrastructure. Equipment and software are capitalized when the unit acquisition cost is \$5,000 or greater and the estimated useful life is one year or more. The capitalization threshold for additions and improvements to infrastructure and land improvements is also \$100,000. The capitalization threshold for additions and improvements to buildings is \$100,000, provided that amount exceeds 20% of the book value of the building.

These assets, with the exception of land, are depreciated/amortized using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years.

NOTE 2. LONG-TERM DEBT**Knoxville**

Long-term debt activity related to athletic department assets, for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Long-term debt:				
Bonds	\$113,363,870.98	\$ -	\$11,624,955.07	\$101,738,915.91
Revolving credit facility	1,729,929.66	-	-	1,729,929.66
Total TSSBA indebtedness	\$115,093,800.64	\$ -	\$11,624,955.07	\$103,468,845.57

**THE UNIVERSITY OF TENNESSEE
INTERCOLLEGIATE ATHLETIC DEPARTMENTS
NOTES TO THE STATEMENTS OF REVENUES AND EXPENSES (CONT.)
FOR THE YEAR ENDED JUNE 30, 2020**

Debt service requirements to maturity for bonds payable at June 30, 2020, for athletic related debt, are as follows:

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 6,614,425.83	\$ 4,827,729.98
2022	6,902,074.48	4,495,708.62
2023	7,292,640.40	4,149,697.38
2024	6,412,409.76	3,822,508.95
2025	7,966,087.14	3,478,907.20
2026-2030	37,621,116.25	11,834,857.23
2031-2035	20,527,353.69	4,634,805.70
2036-2040	<u>8,402,808.36</u>	<u>692,917.97</u>
	<u>\$101,738,915.91</u>	<u>\$37,937,133.03</u>

Chattanooga

Long-term debt activity related to athletic department assets, for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Long-term debt:				
Bonds	\$1,267,543.00	\$ -	\$124,976.00	\$1,142,567.00
Total TSSBA indebtedness	<u>\$1,267,543.00</u>	<u>\$ -</u>	<u>\$124,976.00</u>	<u>\$1,142,567.00</u>

Debt service requirements to maturity for bonds payable at June 30, 2020, for athletic related debt, are as follows:

**THE UNIVERSITY OF TENNESSEE
INTERCOLLEGIATE ATHLETIC DEPARTMENTS
NOTES TO THE STATEMENTS OF REVENUES AND EXPENSES (CONT.)
FOR THE YEAR ENDED JUNE 30, 2020**

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 128,886.00	\$ 33,873.85
2022	131,827.00	30,627.59
2023	135,295.00	27,137.77
2024	139,365.00	23,279.96
2025-2028	607,194.00	47,076.69
	<u>\$1,142,567.00</u>	<u>\$161,995.86</u>

Martin

Long-term debt activity related to athletic department assets, for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Long-term debt:				
Bonds	\$4,280,587.46	\$ -	\$144,615.82	\$4,135,971.64
Total TSSBA indebtedness	<u>\$4,280,587.46</u>	<u>\$ -</u>	<u>\$144,615.82</u>	<u>\$4,135,971.64</u>

Debt service requirements to maturity for bonds payable at June 30, 2020, for athletic related debt, are as follows:

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 148,874.37	\$ 167,535.57
2022	152,509.43	163,552.19
2023	151,496.41	157,457.39
2024	157,140.09	151,523.50
2025	163,783.80	145,248.70
2026-2030	932,817.19	618,473.02
2031-2035	814,683.69	414,951.89
2036-2040	724,431.37	265,959.13
2041-2045	890,235.29	96,725.52
	<u>\$4,135,971.64</u>	<u>\$2,181,426.91</u>

**THE UNIVERSITY OF TENNESSEE
INTERCOLLEGIATE ATHLETIC DEPARTMENTS
NOTES TO THE STATEMENTS OF REVENUES AND EXPENSES (CONT.)
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 3. CONTRIBUTIONS

No single donor or small group of donors gave more than 10% of the reported contributions at the University of Tennessee at Knoxville campus. At the University of Tennessee at Chattanooga campus, a single donor gave \$166,667.67 to help fund the Wolford Athletics Training Facility. This represented more than 10% of the reported contributions at the University of Tennessee at Chattanooga campus. No single donor or small group of donors gave more than 10% of the reported contributions at the University of Tennessee at Martin campus.

**The University of Tennessee at Knoxville
Supplementary Information
Analysis of Current to Prior-Year Expenses**

	2020	2019	\$ Difference	% Difference	
	Actual	Actual			
Operating revenues:					
Ticket sales	\$ 35,541,922	\$ 36,159,453	\$ (617,531)	-1.7%	
Contributions	26,310,433	31,285,720	(4,975,287)	-15.9%	(1)
Media rights	37,013,266	34,892,703	2,120,563	6.1%	
Royalties, licensing, advertisement, and sponsorships	14,128,030	13,544,222	583,808	4.3%	
10% of Revenues	\$ 14,033,577				
Operating expenses:					
Athletic student aid	\$ 15,317,708	\$ 15,322,641	\$ (4,933)	0.0%	
Coaching salaries, benefits, and bonuses paid by the university and related entities	25,808,413	24,636,613	1,171,800	4.8%	
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	27,434,013	26,335,531	1,098,482	4.2%	
Athletic facilities, debt service, leases, and rental fees	16,887,239	16,934,050	(46,811)	-0.3%	
10% of Expenses	\$ 14,082,462				

- (1) The variance of \$4,975,287 for contributions is primarily attributed to the fact that there was not a capital gift transfer to offset debt service in the 2020 fiscal year. In the 2019 fiscal year, capital gifts utilized to offset debt service were reported in the contributions line-item. The total amount of capital gifts transferred in the 2019 fiscal year was \$4,265,238, which accounts for 86% of the variance. Additionally, annual giving to the Tennessee Fund was down approximately \$500,000 from fiscal year 2019 to fiscal year 2020, given the uncertainty created by COVID-19 in the spring of 2020. These two factors explain the majority of the variance between years.

The University of Tennessee at Chattanooga
 Supplementary Information
 Analysis of Current to Prior-Year Expenses

	2020 Actual	2019 Actual	\$ Difference	% Difference	
Operating revenues:					
Student fees	\$ 5,581,228.85	\$ 5,078,867.81	\$ 502,361.04	9.9%	
Direct institutional support	8,515,119.49	7,469,785.84	1,045,333.65	14.0%	(1)
10% of Revenues	\$ 1,884,641.00				
Operating expenses:					
Athletic student aid	\$ 5,413,980.28	\$ 5,363,669.53	\$ 50,310.75	0.9%	
Coaching salaries, benefits, and bonuses paid by the university and related entities	4,031,424.42	4,141,487.50	(110,063.08)	-2.7%	
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	3,339,296.49	3,336,209.01	3,087.48	0.1%	
10% of Expenses	\$ 1,884,641.00				

(1) Direct institutional support represents operating expense amounts funded by the university that were not funded by other athletic department revenues. Other athletic department revenues decreased by \$392, 215.52, and total athletic department expenses increased by \$653,118.13.

**The University of Tennessee at Martin
Supplementary Information
Analysis of Current to Prior-Year Expenses**

	2020 Actual	2019 Actual	\$ Difference	% Difference	
Operating revenues:					
Student fees	\$ 2,215,904.75	\$ 2,053,250.40	\$ 162,654.35	7.9%	
Direct institutional support	6,468,963.40	6,965,710.33	(496,746.93)	-7.1%	
Guarantees	1,319,147.55	1,181,000.00	138,147.55	11.7%	(1)
10% of Revenues	\$ 1,274,198.24				
Operating expenses:					
Athletic student aid	\$ 4,496,694.40	\$ 4,503,988.58	\$ (7,294.18)	-0.2%	
Coaching salaries, benefits, and bonuses paid by the university and related entities	2,753,306.33	2,682,169.19	71,137.14	2.7%	
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	1,719,690.53	1,636,251.69	83,438.84	5.1%	
10% of Expenses	\$ 1,274,198.24				

(1) Guarantee revenues increased mainly due to increased guarantees for football games.

University of Tennessee Institutional Compliance February 2021 Report

This report provides a synopsis of the accomplishments of the Office of Institutional Compliance for 2020. In addition, the Attachment provides a summary of the significant compliance risks that have been identified at the campuses and institutes and the progress that has been made to mitigate those risks.

Table of Contents

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Summary of goals and accomplishments for 2020	page 3
Attachment- Campus and institute compliance risk heat maps and accomplishments.	
• UT System Administration	page 5
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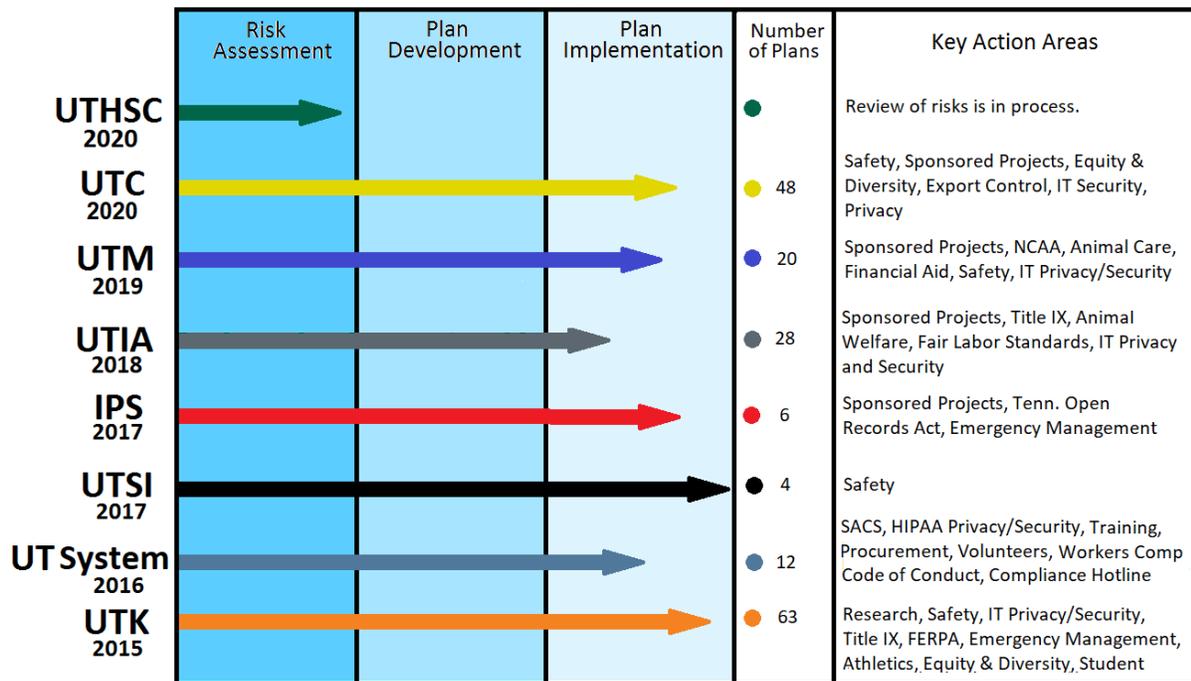
University of Tennessee Institutional Compliance February 2021 Report

Executive Summary

Institutional Compliance Key Accomplishments for 2020

- The UT System Institutional Compliance Committee expanded its membership and has begun addressing the strategic compliance risks for the full university system. A key issue being currently reviewed is the oversight of privacy regulations at the System level.
- UT Chattanooga has completed its comprehensive compliance risk assessment scheduled for 2020. 48 risk mitigation plans have been developed to address significant compliance risks. Key areas include: sponsored projects, Clery Act, export control, civil rights, human subjects, animal care, radiation safety, FISMA (IT security), and scientific misconduct.
- UT Knoxville performed a Compliance Coordination Project that consolidated mandatory training and improved registration and record keeping. This has resulted in improved participation.
- UT Health Science Center is using the UT System process for their 2020 risk assessment. Applicable regulatory areas have been identified, compliance officers have completed their risks assessments, and risks are being reviewed by the campus compliance committee.
- The graph below summarizes the progress on risk assessments at the campuses/institutes.
- The **Attachment** provides risk heat maps and accomplishments for the campuses and institutes.
[To streamline reporting in the future, the Attachment will be included in only the year-end report.]

Compliance Risk Management Progress



The Office of Institutional Compliance 2020 Objectives and Accomplishments

Strategic Compliance Oversight

1. *Streamline and refocus the risk assessment process to enable strategic identification and prioritization of top compliance risks.*
 - Six additional members from various functional areas have been added to the System Institutional Compliance Committee in order to provide more comprehensive representation and expertise in identifying system-wide risk. The newly organized committee held its first meeting in June. The committee expanded its responsibilities to include identifying and addressing the strategic compliance risks for the full university system and has started reviewing the global issue of oversight of privacy regulations.
 - The UT System Administrative Council (composed of members of the President's staff) has been engaged in addressing the privacy issue for the university system. Analysis is being conducted to consider a System-level privacy officer who would have oversight responsibilities for the University System.

Collaboration

1. *Expand opportunities for sharing leading practices across the System.*
 - A System-wide Roundtable of campus/institute compliance committee chairs was conducted on October 29, 2020. Agenda items included managing and coordinating mandatory training at the campus level, privacy regulation oversight, and changes in policy oversight and management.

Monitoring

1. *Implementation of a feedback loop to monitor the effectiveness of the system-wide compliance program (e.g., survey or interviews with compliance program stakeholders).*
 - Feedback processes are already in place for all key stakeholders except for the supervisors of compliance officers. Campus institutional compliance committees have proposed that supervisors should be surveyed following the development of risk mitigation plans. The first campus to implement this methodology will be UT Knoxville in 2021.
2. *Fully implement and refine an automated procurement card monitoring process.*
 - Automating the procurement card data analytics process is under development.

Compliance Risk Assessments and Risk Mitigation Plans

1. *Perform a compliance risk assessment at UT Chattanooga (UTC) and UT Knoxville (UTK).*
 - UT Chattanooga has completed its comprehensive compliance risk assessment scheduled for 2020. 48 Risk mitigation plans have been developed to address significant compliance risks.
 - UT Knoxville originally planned to conduct its compliance risk assessment in the fall of 2020. Due to the uncertainties of COVID, however, the UTK Institutional Compliance Committee decided to postpone the risk assessment to later in the year. The preliminary steps of the risk assessment began in December 2020. The risk assessment will be completed in 2021.
2. *Track implementation of risk mitigation plans at other campuses and institutes.*
 - The progress of implementing risk mitigation plans is provided in the **Attachment**.

Promote an Ethical Culture

1. *Promote the UT Compliance Hotline and Code of Conduct.*
 - Articles promoting the Code of Conduct were published in System and campus HR newsletters.

The Office of Institutional Compliance 2020 Objectives and Accomplishments

2. *Promote the Code of Conduct training module to campuses/institutes and encourage them to require training. (UTC, UTHSC, UTIA)*
 - UTHSC has developed and promoted Code of Conduct training. Code of Conduct training has been discussed by the UTC and UTIA institutional compliance committees, and implementation is under consideration.

Streamline Reporting

1. *Streamline the reporting to the Board of Trustees Audit and Compliance Committee.*
 - The reporting for the June and October meetings will be in dashboard format and contain only the most significant compliance developments. The February report will summarize the accomplishments of the various campuses for the previous year in relation to the Institutional Compliance workplan.

Campus/Institute Risks and Risk Mitigation Plans

Attachment

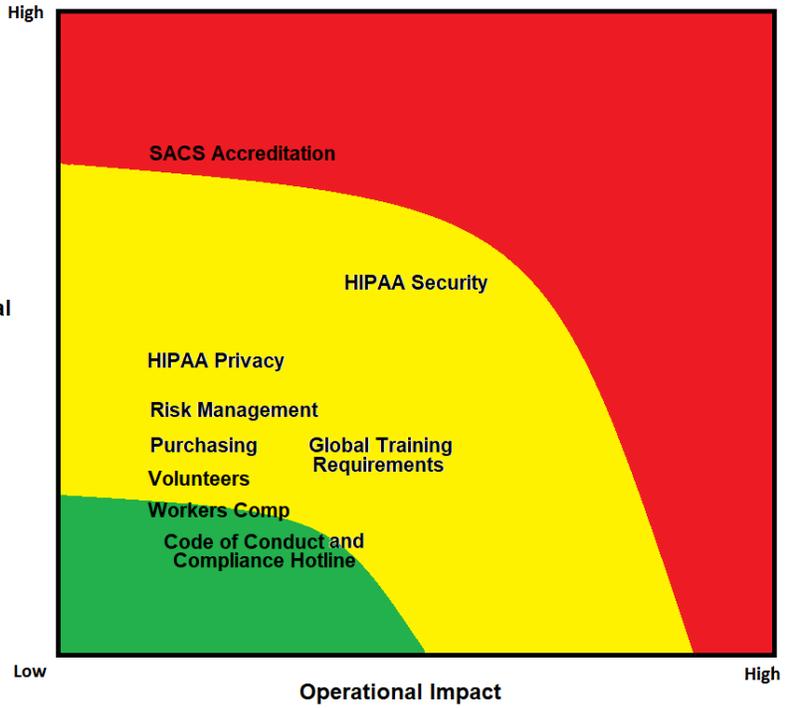
UT System

2016 Risk Assessment

Residual Risk Heat Map for Risk Mitigation Plans

Financial Impact

These are the areas of concern being addressed with risk mitigation plans.



Administrative Area	Compliance Area	Plans in Process	Plans Implemented
Academic Affairs	SACS Accreditation		1
Audit and Compliance	Global Training Requirements	1	
	Code of Conduct	1	
	Compliance Hotline		1
Finance	Volunteer Liability		1
	Worker's Comp		1
	Purchasing		1
	HIPAA Security	2	
	HIPAA Privacy	2	1
	Total	6	6

Campus/Institute Risks and Risk Mitigation Plans

Attachment

University of Tennessee System (UTS)

UTS Institutional Compliance Committee 2020 Objectives

Objective 1: Restructure the risk assessment process to involve executive management in the strategic identification and prioritization of top compliance risks.

- Six additional members from various functional areas have been added to the committee in order to provide more comprehensive representation and expertise. The responsibilities of the UT System Institutional Compliance Committee have been expanded to include responsibility for identifying and addressing the strategic compliance risks for the full university system. The new expanded committee held its first meeting in June, 2020, and discussed the global issue of privacy and the difficulty of coordinating efforts among the various privacy laws.
- The UT System Administrative Council has been engaged in addressing the privacy issue for the university system. Analysis is being conducted to consider a System-level privacy officer who would have oversight responsibilities for the University System.

Objective 2: Monitor the implementation of risk mitigation plans.

Six of 12 plans to improve controls have been fully implemented. Six plans are still in progress in the following compliance areas.

- Compliance training: A System-wide Training Advisory Group is being re-established to address compliance training (including Code of Conduct training).
- HIPAA Privacy: A revised HIPAA policy has been approved, but has not been published. HIPAA privacy rule compliance annual monitoring has been expanded to include the non-UT Health Science Center locations.
- HIPAA Security: An oversight plan has been developed, and are in the process of reviewing procedures at the various entities.

Objective 3: Implement a feedback loop for monitoring the effectiveness of the compliance program.

The UTS Institutional Compliance Committee has identified the key stakeholders (compliance officers, compliance officer supervisors, committee members, and executive management). Feedback has been collected from all key stakeholders except for compliance officer supervisors, who will be surveyed following their risk assessments in 2021.

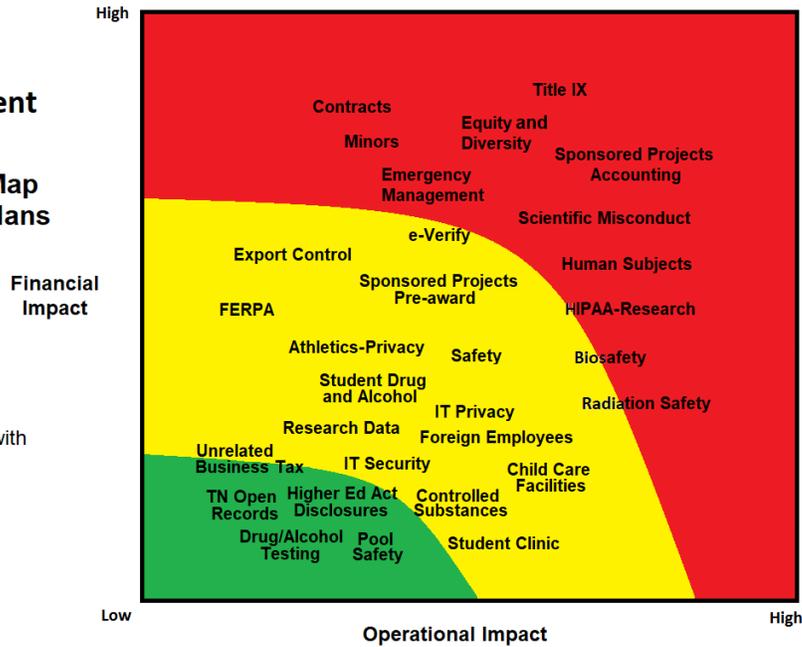
Campus/Institute Risks and Risk Mitigation Plans

Attachment

UTK

2015 Risk Assessment

Residual Risk Heat Map for Risk Mitigation Plans



These are the areas of concern being addressed with risk mitigation plans.

Administrative Area	Compliance Area	Plans in Process	Plans Implemented
Athletics	Athletics - Privacy		1
Communications	TN Open Records		1
Equity and Diversity	Equity and Diversity		6
Finance and Adm.	Biosafety		3
	Contracts		1
	Emergency Management	2	1
	FERPA		1
	IT Privacy and Security	3	1
	Minors		1
	Radiation Safety		4
	Safety		13
	Sponsored Projects Accounting		3
	Unrelated Business Tax		1
Human Resources	Drug/Alcohol Testing		1
	E-Verify		1
Provost	Child Care Facilities		1
	Foreign Employees		1
	Pool Safety		1
Research	Controlled Substances		1
	Export Control		1
	HIPAA - Research		1
	Human Subjects	1	1
	Research Data		1
	Scientific Misconduct		1
	Sponsored Projects Pre-Award		4
Student	Higher Ed Act - Disclosures		1
	Student Clinic		1
	Student Drug and Alcohol		2
	Title IX		1
	Total	6	57

Campus/Institute Risks and Risk Mitigation Plans

Attachment

University of Tennessee, Knoxville (UTK)

UTK Institutional Compliance Committee 2020 Objectives

Objective 1: Monitor the implementation of risk mitigation plans developed from the 2015 risk assessment.

Fifty-seven of the 63 plans to improve controls have been fully implemented.

- In 2020, a risk mitigation plan has been implemented to address late re-certifications of effort and pay funding changes for sponsored projects.
- Six risk mitigation plans are in the process of being implemented in the following three basic areas.
 1. Emergency management
 2. IT privacy and security
 3. Human subjects

Objective 2: Perform a new comprehensive compliance risk assessment for 2020.

Due to the uncertainties of COVID-19, the new comprehensive compliance risk assessment was rescheduled to the end of 2020. Preliminary steps have started and the risk assessment will be completed in 2021.

Objective 3: Follow up on the policy gap analysis to ensure UTK procedures that are required by University policies are developed or revised where needed.

The UTK Institutional Compliance Committee performed an analysis of UTK procedures that are required by UT System policy. Campus procedures have been developed or revised in the following areas:

1. Programs for Minors
2. Sponsored projects- cost sharing
3. Fleet management
4. Personnel files and release of information

Procedures need to be developed in three Human Resources policy areas and one Student Life area. The committee will follow up on corrective actions in these areas.

Objective 4: Address the issue of required compliance training for the campus.

- UTK formed a Compliance Coordination Project that consolidated mandatory training and improved registration and record keeping. This has led to improved participation in training.
- UTK personnel are participating in the System-wide Training Advisory Group.

Objective 5: Implement a feedback loop for monitoring the effectiveness of the compliance program.

The UTK Institutional Compliance Committee has identified the key stakeholders (compliance officers, compliance officer supervisors, committee members, and executive management). Feedback has been collected from all key stakeholders except for compliance officer supervisors, who will be surveyed following the next compliance risk assessment that will be completed in 2021.

Objective 6: The UTK Institutional Compliance Committee will communicate compliance issues and priorities to UTK executive management for their verification of the risks and obtain their input on strategic priorities.

In June 2020, the UTK Institutional Compliance Committee chair and UT System Administration Institutional Compliance representative presented priorities and accomplishments from the 2015 risk assessment to UTK executive management. In addition, steps will be taken to engage UTK executive management in verifying and prioritizing the risks identified in the 2021 UTK comprehensive compliance risk assessment.

Campus/Institute Risks and Risk Mitigation Plans

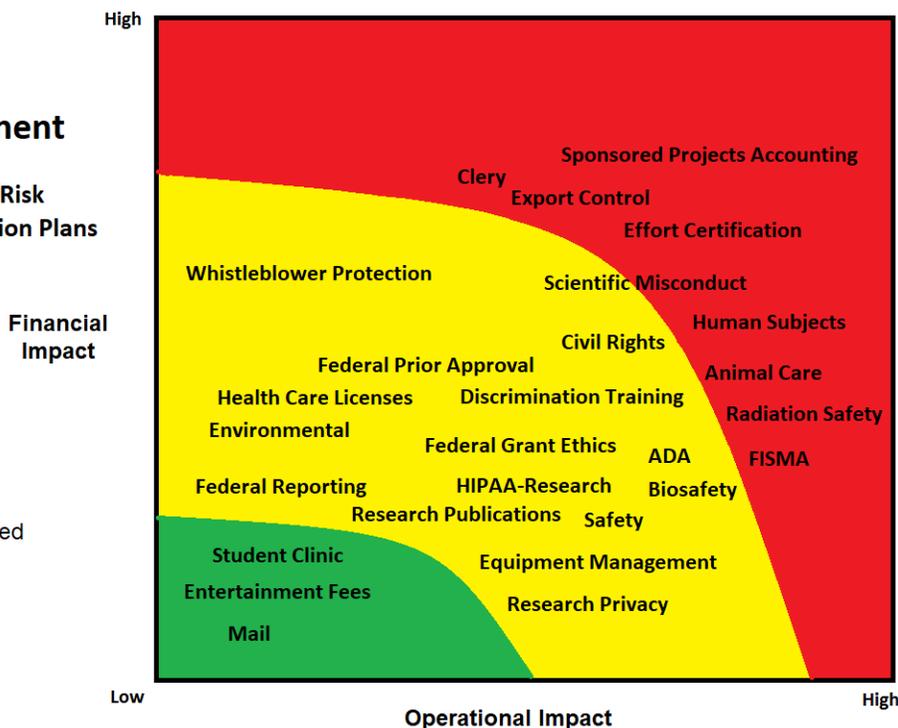
Attachment

UTC

2020 Risk Assessment

UTC Compliance Residual Risk Heat Map for Risk Mitigation Plans

These are the areas of concern being addressed with plans of action.



Administrative Area	Compliance Area	Plans in Progress	Plans Implemented
Human Resources	ADA		1
	Discrimination Training		1
	Civil Rights Act		2
Research	Animal Care		2
	Export Control		2
	FAR- Ethics Training and Reporting		2
	Federal – Prior Approval Rules	2	
	Federal Reporting		1
	HIPAA		1
	Radiation Safety		5
	Research IT Security		1
	Research Privacy		1
	Research Publication Restrictions		1
	Scientific Misconduct		1
Human Subjects		3	
Academic	Health Care Licenses		1
Finance and Administration	Environmental		1
	Entertainment Licenses		1
	Equipment		1
	Effort Certification	1	
	Sponsored Project Accounting	3	
	Student Clinic		2
	Clery		1
	Mail		1
	Safety	2	4
	Biosafety	3	
	Whistleblower Protection		1
	Total	11	37

Campus/Institute Risks and Risk Mitigation Plans

Attachment

University of Tennessee, Chattanooga (UTC)

UTC Institutional Compliance Committee 2021 Objectives

Objective 1: Objective 1: Monitor the progress of the risk mitigation plans.

37 out of 48 plans to improve controls have been fully implemented in 2020. These plans are in the following compliance areas:

1. Export Controls - Technology Control Plan training was developed and is required for all applicable personnel.
2. Human Subjects - Verification of consent is done in post-approval monitoring including audits and violations are reported. Confidentiality training is required and completion is documented.
3. Research IT Security – Post-approval monitoring including audits is performed to ensure compliance.
4. Federal Research Whistleblower Protection – All personnel working on federal awards are notified of whistleblower protections.
5. Federal project publishing – All personnel on DFAR projects are trained regarding the Federal restrictions.
6. Federal Technical Reporting – All personnel on an award are notified of the requirements.
7. Equipment Management - Incoming faculty are asked to disclose any equipment brought for tagging by the university and academic deans are asked to update the list annually.
8. Licenses and Registrations for Health Care Practitioners – The new medical director has been updated on the procedures to ensure all licenses and registrations are valid.
9. Mailing Permits – Procedures have been updated and the billing contact person was changed to ensure the fee is received.
10. Radiation Safety – Lab and equipment inspections are documented and lab personnel are trained.
11. Business Ethics Policy Requirements - Controls were introduced to comply with System policy.
12. HIPAA: Research data security - Additional monitoring was implemented for studies with personal health information.
13. Security of personally identifiable information collected for research – Physical and electronic data is protected including enforcement of the data destruction schedule.
14. Scientific misconduct – Controls were introduced to comply with UT System policy.
15. Environmental (Spill control emergency response) – Emergency contact information, spill kits and fire suppression devices have been distributed.
16. Clery Act emergency procedures – The UTC Annual Security Report includes emergency procedure information.
17. Safety – Training was improved for off-campus first aid and housekeeping in construction areas. Clery Act emergency procedures are included in annual safety report. Equipment and supplies were obtained for spill control emergency response.
18. Research Animal Welfare – Procedures implemented to ensure all appropriate personnel receive training regarding animal care and research protocol
19. Student Clinic- Procedures implemented to ensure all required reporting is completed
20. Discrimination training- Additional discrimination training is being offered along with a new online training option
21. ADA training- Combined ADA and FMLA training for supervisors was developed and implemented
22. Civil Rights Act of 1964 – Complaint procedures were formalized and distributed to all employees

Campus/Institute Risks and Risk Mitigation Plans

Attachment

University of Tennessee, Chattanooga (UTC)

UTC Institutional Compliance Committee 2021 Objectives

23. Title VI Enforcement – A survey of contractors was developed and implemented to enforce compliance

Objective 2: Perform a policy gap analysis of UTC procedures required by University policies.

A Policy Review Committee has been established on campus. UT System policies have been distributed to their UTC campus owners to determine whether UTC procedures exist and are sufficient.

Objective 3: Address the issue of required compliance training for the campus.

- The UTC Institutional Compliance Committee is developing a preliminary list of compliance areas that need to be considered for training. A review of required training by peer institutions has been completed.
- UTC personnel are participating in the System-wide Training Advisory Group, which is addressing compliance training.

Objective 4: The UTC Institutional Compliance Committee will communicate compliance issues and priorities to UTC executive management for their verification of the risks and obtain their input on strategic priorities.

The UTC Institutional Compliance Committee and UT System Administration Institutional Compliance representatives plan to engage UTC executive management in verifying and prioritizing the risks identified in the 2020 UTC comprehensive compliance risk assessment following a review of the risk mitigation plans by the committee.

Campus/Institute Risks and Risk Mitigation Plans

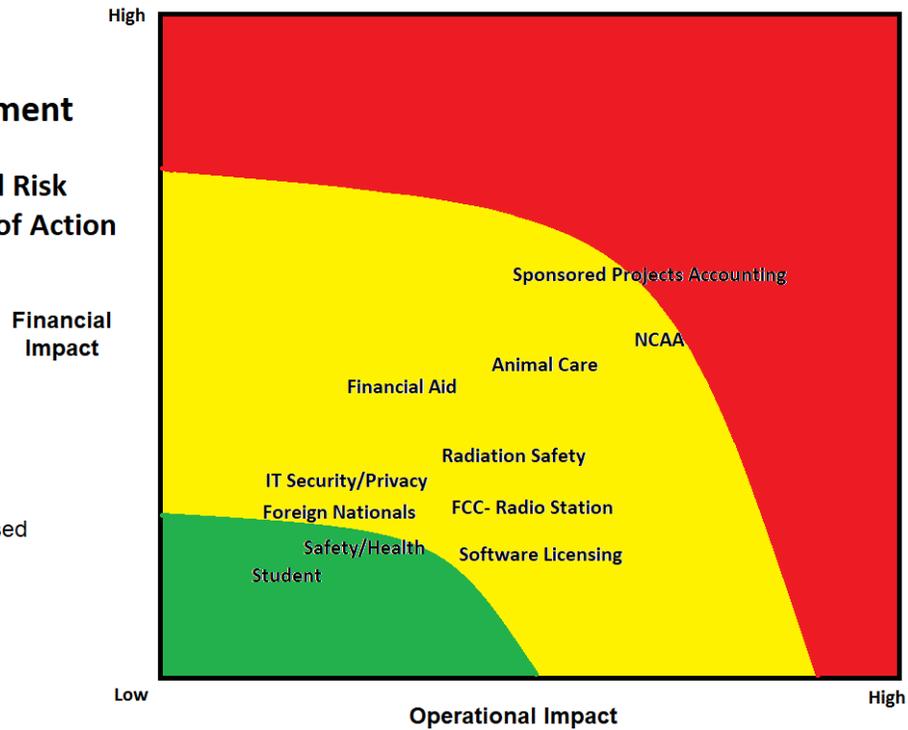
Attachment

UTM

2019 Risk Assessment

Compliance Residual Risk Heat Map for Plans of Action

These are the areas of concern being addressed with plans of action.



Administrative Area	Compliance Area	Plans in Progress	Plans Implemented
Academic Affairs	Animal Care		1
	Financial Aid		1
	Foreign Nationals		1
	Radiation Safety		1
	Registrar/Academic Records	2*	
	Student Radio		1
	Sponsored Projects- Pre-Award	2*	
Athletics	NCAA		1
Finance and Administration	Human Resources	2*	
	Safety/Health		1
	Sponsored Projects Accounting		3
Information Technology Services	IT Privacy		1
	Software Licensing and Copyright Law		1
Student Affairs	Student – Voter Registration		1
	Drug Free Schools	1*	1
	Total	7*	13

*These risk mitigation plans were developed in 2020 to improve areas with low controls, but do not present significant compliance risk. Refer to Objective 1.

Campus/Institute Risks and Risk Mitigation Plans

Attachment

University of Tennessee, Martin (UTM)

UTM Institutional Compliance Committee 2020 Objectives

Objective 1: Review the adequacy of controls for risks that were originally identified by compliance officers as not being significant risks in the 2019 compliance risk assessment.

The UTM Institutional Compliance Committee identified and reviewed 74 compliance areas with low controls and worked with the compliance officers to document the justification for the low levels of control. Committee members are now working with compliance officers to obtain Chancellor's Cabinet level approval for seven risk mitigation plans to strengthen controls in the following four basic areas.

- Academic records – Employee FERPA training and providing textbook information at student registration.
- Drug-Free Schools – Review of Drug and Alcohol programs for required reporting.
- Human Recourses – Improved training on FLSA, FMLA, registration of volunteers, and registration of foreign students and workers.
- Sponsored Projects, pre-award – Provide improved sponsored project training and better tracking for Responsible Conduct in Research training requirement

[Note: UTM has fully implemented all thirteen risk mitigation plans that were developed to address significant risks originally identified in the 2019 risk assessment.]

Objective 2: Establish campus-level guidelines and procedures as required by University policies.

UTM management is reviewing the UTM procedures that are approaching a two-year review deadline.

Objective 3: Communicate the assignment of responsibility for regulations up the full chain of command.

The UTM Institutional Compliance Committee communicated the assignment of responsibility for regulations to all supervisors in the chain of command in September 2020.

Objective 4: Implement a feedback loop for monitoring the effectiveness of the compliance program.

The UTM Institutional Compliance Committee has identified the key stakeholders (compliance officers, compliance officer supervisors, committee members, and executive management). Feedback has been collected from all key stakeholders. Direct supervisors of compliance officers reviewed and confirmed their assignment of responsibility in October 2020.

Objective 5: The UTM Institutional Compliance Committee will communicate compliance issues and priorities to UTM executive management for their verification of the risks and obtain their input on strategic priorities.

The UTM Institutional Compliance Committee Chair and UT System Administration Institutional Compliance representatives presented the results of the review of risks with low controls to the Chancellor's Cabinet in September 2020 for their verification and prioritization.

Objective 6: Address the issue of mandatory compliance training for the campus.

By July 2020, all employees completed the UT Code of Conduct training and all new employees are required to complete the training. In addition, UTM personnel are participating in the System-wide Training Advisory Group, which is addressing compliance training.

Campus/Institute Risks and Risk Mitigation Plans

Attachment

UT Health Science Center

UTHSC Institutional Compliance Committee 2021 Objectives

Objective 1: Review Risks from the 2020/2021 UTHSC Risk Assessment in Collaboration with the University of Tennessee Office of Audit and Compliance (“OAC”) (Currently underway – expected completion Spring 2021):

The UTHSC Office of Institutional Compliance (“OIC”) started the 2020 risk assessment process in fall 2020. At the December 2020 Institutional Compliance Committee (“ICC”) meeting, OIC reviewed risks from the assessment with the ICC. 244 risks have been found thus far with the risk assessment. 55 out of the 244 risks were “flagged” by subject matter experts (“SMEs”) as having some sort of compliance concern (e.g. lack of controls in place, etc). The flagged risks will receive priority whenever the ICC starts drafting risk mitigation plans.

Objective 2: Complete the 2020/2021 Risk Assessment and Work on Next Steps in the Process:

Once the ICC has reviewed the risks from the assessment, the next step in the process is crafting work plans to address risks.

Area	High Risk Plans	Total Plans	Plans Implemented	Plans Yet to be Implemented
Academic/Student Affairs	0	0	0	0
Safety	0	0	0	0
Finance and Operations	4	4	4	0
Research	2	2	2	0
ITS	0	0	0	0
Campus Police	0	0	0	0
Human Resources/OED	1	1	1	0
Library Services	0	0	0	0
Total	7	7	7	0

*This chart contains the 2019 risk assessment data and will be updated when data from the 2020/2021 assessment becomes available.

Objective 3: Review and approve all compliance training modules and coordinate the campus wide roll out. (Ongoing process):

UTHSC OIC has purchased a new HIPAA training system and will begin utilizing the system in early 2021 for new hires. The new system will eventually be used to provide HIPAA training to every employee that requires the training.

Campus/Institute Risks and Risk Mitigation Plans

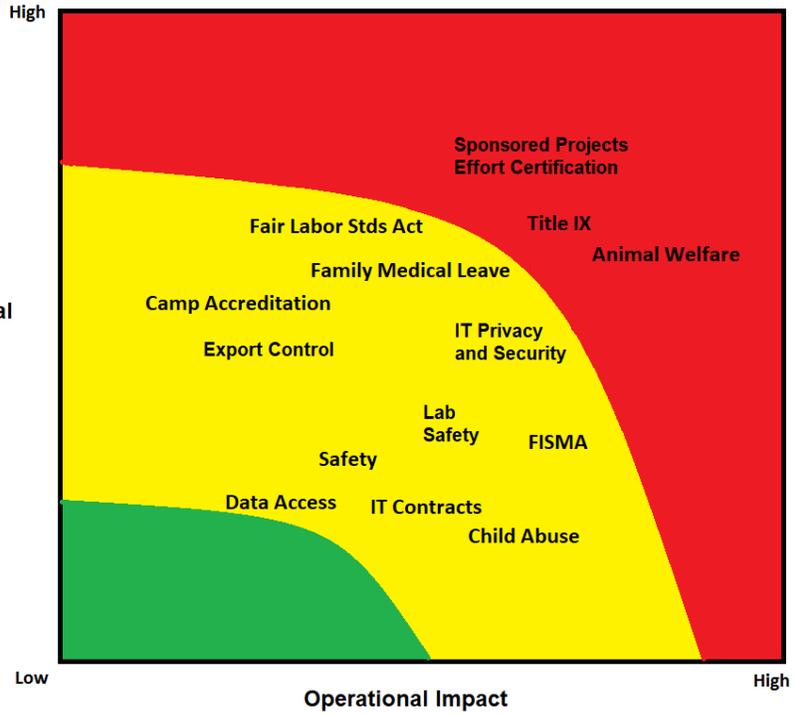
Attachment

UT Institute of Agriculture

2018 Risk Assessment
Residual Risk Heat Map
for Risk Mitigation Plans

Financial Impact

These are the areas of concern being addressed with risk mitigation plans.



Administrative Area	Compliance Area	Plans in Progress	Plans Implemented
4-H	Camp Accreditation	1	
Human Resources	Child Abuse	1	
	Fair Labor Standards Act		1
	Family Medical Leave		1
	Title IX	1	
Information Technology	FISMA	1	
	IT Contracts		1
	IT Privacy/Security	1	1
Research	Animal Welfare		1
	Data Access	1	
	Export Control	1	
	Sponsored Projects- Effort Certification	2	2
Safety	General Safety	10	1
	Lab Safety	1	
	Total	20	8

Campus/Institute Risks and Risk Mitigation Plans
UT Institute of Agriculture (UTIA)
UTIA Institutional Compliance Committee 2020 Objectives

Attachment

Objective 1: Monitor the progress of the risk mitigation plans.

Eight of the 28 plans to improve controls have been fully implemented. Six plans in the following areas were fully implemented in 2020.

1. Family Medical Leave- Process developed for distributing information to leadership.
2. Fair Labor Standards Act - Process developed to distribute information to leadership as needed.
3. IT physical protection of personal information- Improved procedures for identifying personal information.
4. Animal welfare- Improved procedures for disseminating policies to animal users.
5. Off-campus inspection of Fire-Extinguishers - Has been included in site inspection checklist.
6. OMB Uniform Guidance Effort Certification – Process developed to annually ensure policy is reviewed and affirmation of compliance is required

Objective 2: Communicate compliance issues and priorities to UTIA executive management for their verification of the risks and obtain their input on strategic priorities.

Dr. David White, Associate Dean for Ag Research, was named the new chair of the UTIA Institutional Compliance Committee in July, replacing Dr. Michael McEntee. UTIA is in the second year of implementing risk mitigations plans from the 2018 risk assessment and there were no significant new compliance issues or obstacles to report to executive management. A meeting on the progress of plans will be held with UTIA executive management in 2021.

Objective 3: Continue feedback loop for monitoring the effectiveness of the compliance program.

The UTIA Institutional Compliance Committee has identified the key stakeholders (compliance officers, compliance officer supervisors, committee members, and executive management). The UTIA Institutional Compliance Committee members were surveyed in January 2020.

Campus/Institute Risks and Risk Mitigation Plans

Attachment

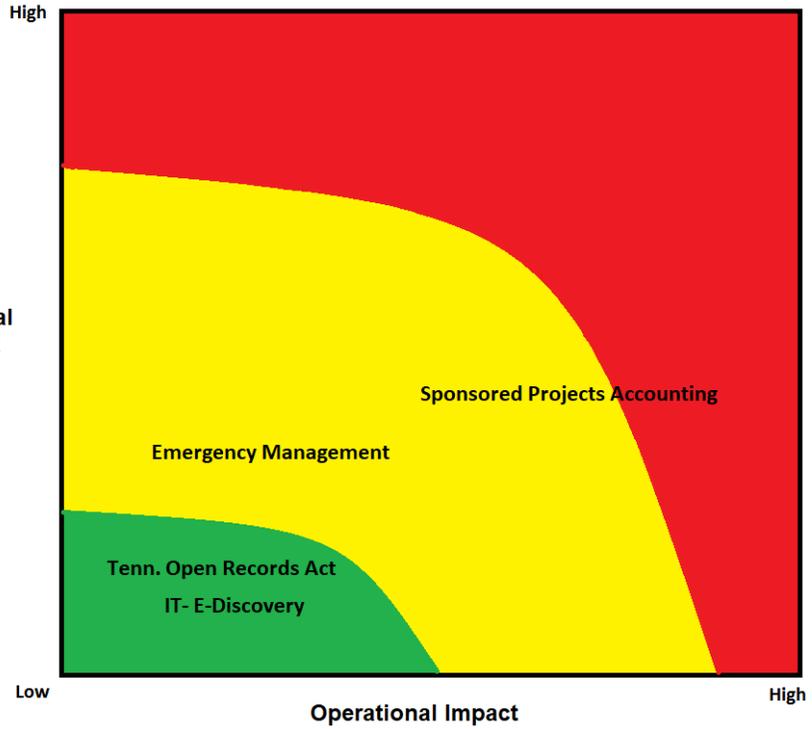
Institute for Public Service

2017 Risk Assessment

Residual Risk Heat Map for Risk Mitigation Plans

Financial Impact

These are the areas of concern being addressed with risk mitigation plans.



Administrative Area	Compliance Area	Plans in Progress	Plans Implemented
Research	Sponsored Projects Accounting		3
Information Technology	E-Discovery		1
Human Resources	Emergency Management		1
IPS Administration	Tennessee Open Records Act		1
	Total		6

Campus/Institute Risks and Risk Mitigation Plans

Attachment

Institute of Public Service (IPS)

IPS Institutional Compliance Committee 2020 Objectives

Objective 1: Monitor the implementation of risk mitigation plans.

All six risk mitigation plans have been completed. In 2020, training for sponsored projects accounting was implemented using training materials obtained from UTK.

Objective 2: Integrate the new Tennessee Language Center (TLC) into the institutional compliance program.

The TLC management team has received an orientation on the UT Institutional Compliance Program. In 2020, TLC identified applicable regulations and assigned responsibility to TLC compliance officers. The next compliance risk assessment is scheduled for 2022, and TLC will conduct its first risk assessment at that time.

Objective 3: Implement a feedback loop for monitoring the effectiveness of the compliance program.

The IPS Institutional Compliance Committee has identified key stakeholders and the appropriate methodology for collecting feedback. The IPS Institutional Compliance Committee members were surveyed in January 2020.

Objective 4: The IPS Institutional Compliance Committee will communicate compliance issues and priorities to IPS executive management for their verification of the risks and obtain their input on strategic priorities.

The IPS Institutional Compliance Committee and UT System Administration Institutional Compliance representatives will engage IPS executive management on the progress being made on the remaining risk mitigation plans in progress and any new risks that are identified.

Campus/Institute Risks and Risk Mitigation Plans

Attachment

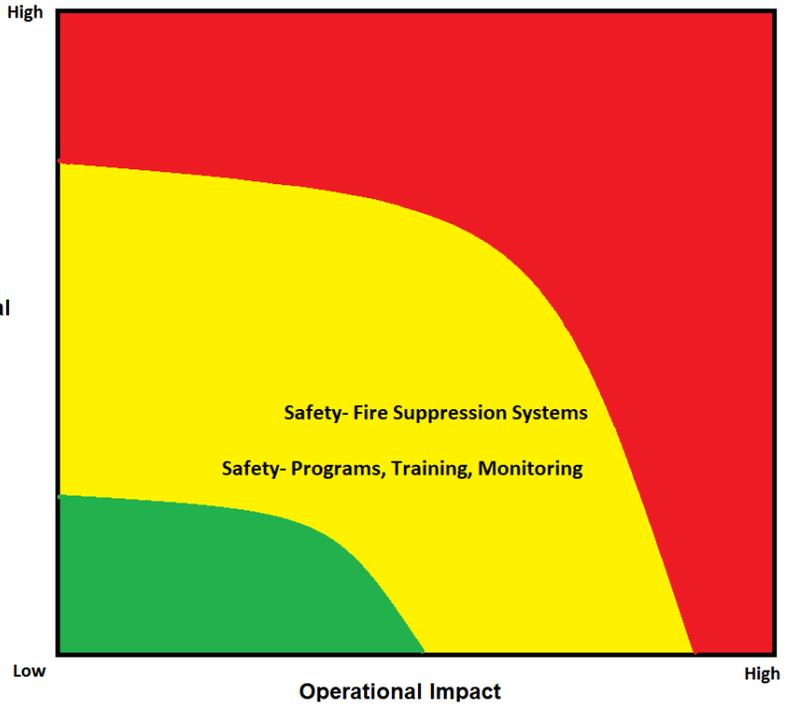
UT Space Institute

2017 Risk Assessment

Residual Risk Heat Map for Risk Mitigation Plans

Financial Impact

These are the areas of concern being addressed with risk mitigation plans.



Administrative Area	Compliance Area	Plans in Progress	Plans Implemented
Safety	Fire Suppression Systems		1
	Programs, Training, Monitoring		3
	Total		4

Campus/Institute Risks and Risk Mitigation Plans

Attachment

UT Space Institute (UTSI)

UTSI Institutional Compliance Committee 2020 Objectives

Objective 1: Track implementation of risk mitigation plans.

All four plans to improve controls have been implemented. In 2020, plans were implemented in the following areas:

- Safety training.
- Written building safety plans.

Objective 2: Establish campus-level guidelines and procedures as required by University policies.

All UTSI information technology and human resources procedures were completed. UTSI recently published their smoking campus policy. By March 2021, the UTSI Institutional Compliance Committee plans to complete the development of the remaining campus-level procedures in the following areas:

- Facilities
- Finance
- Research
- Safety

Objective 3: Address the issue of mandatory compliance training for the campus.

UTSI has joined the UTK Compliance Coordination initiative for training to coordinate and track mandatory training in KATE.

Objective 4: Communicate the assignment of responsibility for regulations up the full chain of command.

The UTSI Institutional Compliance Committee identified the supervisors of compliance officers in 2020 and communicated the assignment of responsibility for regulations up the full chain of command in October 2020.

Objective 5: Implement a feedback loop for monitoring the effectiveness of the compliance program.

The UTSI Institutional Compliance Committee reviewed the results of the 2019 survey of UTSI Institutional Compliance Committee members and did not have any changes to the current process. All key stakeholders reviewed their assignments of responsibility by October 2020.

Objective 6: The UTSI Institutional Compliance Committee will communicate compliance issues and priorities to UTSI executive management for their verification of the risks and obtain their input on strategic priorities.

The UTSI Institutional Compliance Committee Chair and UT System Administration Institutional Compliance representatives communicated the progress of the risk mitigation plans to the UTSI executive director in November 2020.



THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

AGENDA ITEM SUMMARY

Meeting Date: February 25, 2021

Committee: Audit and Compliance

Item: **Internal Audit Charter**

Type: Action

Presenter: Brian Daniels, Chief Audit and Compliance Officer

Background Information

The Office of Audit and Compliance is presenting proposed changes to the Internal Audit Charter. This charter was last updated in 2016, prior to revised guidance provided by the Institute of Internal Auditors (IIA) that was provided in 2017. In addition, Tennessee Code Annotated section 4-3-304 (9) requires that IIA standards are followed by Internal Audit functions.

In addition to updating the charter to reflect current guidance, other terminology has been updated to be consistent with accepted industry terminology in a way that is consistent with other activities of the office. Descriptions were added to indicate the scope of the activities of the Institutional Compliance Program as well as the system Title IX program.

An updated version of the charter as well as a redline version of the previous charter can be found in the following materials.

Committee Action

The Committee Chair will call for a motion to recommend approval of the Internal Audit Charter as presented in the meeting materials by the Audit and Compliance Committee.



Internal Audit Charter

(Statement of Purpose, Authority, and Responsibility)

Purpose and Scope

The Office of Audit and Compliance at the University of Tennessee includes three functions: Internal Audit, Institutional Compliance, and Title IX coordination. Internal Audit helps the university achieve its mission by providing objective and independent assurance to add value, reduce risk, and improve operations as a service to management and the University of Tennessee Board of Trustees. Internal auditors assist management in effectively carrying out their duties and responsibilities by reviewing and advising management on financial and operational internal controls, information technology controls, and compliance with university policies, procedures, and applicable laws and regulations. Additionally, the Office of Audit and Compliance administers the UT Compliance Hotline and Internal Audit, in conjunction with Institutional Compliance, perform independent investigations of fraud, waste, and abuse allegations. Internal Audit and investigation work is discussed and coordinated with the State of Tennessee Comptroller's Office.

Institutional Compliance provides independent oversight of the University of Tennessee's compliance programs to assure that the University is compliant with federal, state, and local laws and regulations as well as University policies. The office was established in 2008 to continue the University's commitment to meeting the highest standards of ethics, integrity, and responsibility.

The University of Tennessee systemwide Title IX Office, established in 2017, collaborates with UT campus Title IX officials in developing and evaluating policy, measuring program effectiveness, and identifying optimal training, prevention, and awareness-building efforts and resources for their implementation. The office is also responsible for tracking best practices and legal developments and for annual reporting on the frequency and nature of incidents and complaints.

Internal Audit Standards

In accordance with *Tennessee Code Annotated* section 4-3-304 (9), internal audit adheres to mandatory guidance prescribed by The Institute of Internal Auditors (IIA), including the Definition of Internal Auditing, the Code of Ethics, the Core Principles for the Professional Practice of Internal Auditing, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The IIA defines internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. This function helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.



Authority and Responsibility

Internal auditors are authorized full and complete access to all university records (either manual or electronic), physical properties, and personnel relevant to a review. Correspondingly, internal auditors must handle documents and information obtained during an engagement in the same prudent manner as by those employees normally responsible for them.

Internal auditing provides assurance, consulting, and management advisory services. Assurance services include reviewing the adequacy or effectiveness of governance, risk management, and controls. Consulting services include reviewing for efficiency or effectiveness to assist management with improvements to operations or advising management on a variety of topics, such as implementation of procedures to comply with policies or best business practices. The internal audit activity also provides management advisory services, e.g., providing training, participating in committees, and coordinating projects.

In fulfilling their responsibilities, internal auditors:

- Develop and implement risk-based internal audit plans and programs;
- Make recommendations regarding policies and procedures where appropriate;
- Provide internal audit reports that identify observations for improvements in internal controls, policies, and/or procedures and also make recommendations to mitigate identified risks;
- Follow up with management to facilitate the resolution of audit observations with administrators who have direct involvement and accountability;
- Maintain a quality and assurance improvement program, consistent with the *Standards* promulgated by The Institute of Internal Auditors to ensure the effectiveness and quality of the internal audit effort; and
- Investigate allegations involving fraud, waste, or abuse of University assets or resources.

In their staff functions, internal auditors have no direct responsibility or authority over any of the operating activities examined, and their review shall not relieve others of their responsibilities. Furthermore, the independence of the internal auditors should not be compromised by their implementing procedures, preparing records, or engaging in activities that internal auditors would normally review.

When requested, internal auditors may attend senior-level staff meetings and serve on various university committees. Their role at such meetings should be limited to rendering advice and staying abreast of strategic, governance, and risk issues.

Reporting Structure

The Chief Audit and Compliance Officer oversees the internal audit function and reports directly to the Chair of the Audit and Compliance Committee of the University of Tennessee Board of Trustees with administrative responsibilities to the UT System chief financial officer. All internal auditors, including auditors located at campuses or institutes, are members of the UT System Office of Audit and Compliance.



Reporting

At the conclusion of each audit, the Office of Audit and Compliance issues timely reports to audited parties, senior management, the State of Tennessee Division of Internal Audit, and the Audit and Compliance Committee of the University of Tennessee Board of Trustees.

Approval

Initially approved by the Audit Committee on March 3, 2004.

Current revision approved by the Audit and Compliance Committee on December 15, 2016.

Proposed revision presented for approval on February 25, 2021.



Redline Version to follow:



Internal Audit Charter

(Statement of Purpose, Authority, and Responsibility)

Purpose and Scope

Internal auditing at the University of Tennessee is an independent appraisal activity established to examine and evaluate the activities of the university as a service to management and the Board of Trustees. The Office of Audit and Compliance at the University of Tennessee includes three functions: Internal Audit, Institutional Compliance, and Title IX coordination. Internal Audit helps the university achieve its mission by providing objective and independent evaluations assurance to add value, reduce risk, and improve operations. Internal audit is one of two functions in the office, the other being compliance, as a service to management and the University of Tennessee Board of Trustees. Internal auditors assist management in effectively carrying out their duties and responsibilities by examining reviewing and advising management on financial and operational internal control systems, including administrative controls, information systems, to evaluate the extent that:

- Financial, property, and information assets are safeguarded;
- Information is accurate technology controls, and reliable;
- compliance with university policies, procedures, and external applicable laws and regulations are followed;
- Resources are employed efficiently. Additionally, the Office of Audit and economically; Compliance administers the UT Compliance Hotline and

Operations Internal Audit, in conjunction with Institutional Compliance, perform independent investigations of fraud, waste, and programs are being carried out as planned and their results are consistent with university objectives abuse allegations. Internal Audit and investigation work is discussed and coordinated with the State of Tennessee Comptroller's Office.

Institutional Compliance provides independent oversight of the University of Tennessee's compliance programs to assure that the University is compliant with federal, state, and local laws and regulations as well as University policies. The office was established in 2008 to continue the University's commitment to meeting the highest standards of ethics, integrity, and responsibility.

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The IIA defines internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. This function helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Authority and Responsibility

Internal auditors ~~shall be~~ authorized full and complete access to all university records (either manual or electronic), physical properties, and personnel relevant to a review. ~~The corresponding responsibility of~~ Correspondingly, internal auditors ~~is to~~ must handle documents and information obtained during a review an engagement in the same prudent manner as by those employees normally responsible for them.

Internal auditing provides assurance, consulting, and management advisory services. Assurance services include reviewing the adequacy or effectiveness of governance, risk management, and controls. Consulting services include reviewing for efficiency or effectiveness to assist management with improvements to operations or advising management on a variety of topics, such as implementation of procedures to comply with policies or sound best business practices. The ~~auditing~~ internal audit activity also provides management advisory services, e.g., providing training, participating in committees, and coordinating projects.

In fulfilling their responsibilities, internal auditors ~~will~~:

- Develop and implement risk-based internal audit plans and programs ~~that respond to both risk and cost-effectiveness criteria~~;
- ~~Suggest~~ Make recommendations regarding policies and procedures where appropriate;
- Provide internal audit reports that identify ~~internal control issues (among others)~~ observations for improvements in internal controls, policies, and/or procedures and also make ~~cost-effective~~ recommendations to mitigate identified risks;
- ~~Follow up with management to strengthen controls~~;
- facilitate the resolution of audit ~~issues~~ observations with administrators who have ~~the most~~ direct involvement and accountability;



- Maintain a quality and assurance improvement program, consistent with the *Standards* promulgated by The Institute of Internal Auditors, ~~Inc.~~, to ensure the effectiveness and quality of the internal audit effort; and
- Investigate allegations involving ~~theft~~fraud, waste, or misuse~~abuse~~ of University assets. or resources.

In their staff functions, internal auditors have no direct responsibility or authority over any of the operating activities examined, and their review shall not relieve others of their responsibilities. Furthermore, the independence of the internal auditors should not be compromised by their implementing procedures, preparing records, or engaging in activities that internal auditors would normally review.

When requested, internal auditors may attend senior-level staff meetings and serve on various university committees. Their role at such meetings should be limited to rendering advice and staying abreast of strategic, governance, and risk issues.

Reporting Structure

The Chief Audit and Compliance Officer oversees the internal audit function and reports directly to the Chair of the Audit and Compliance Committee of the University of Tennessee Board of Trustees with supporting administrative responsibilities to the UT System chief financial officer. All internal auditors, including auditors located at campuses or institutes, are members of the UT System Office of Audit and Compliance.

Reporting

At the conclusion of each audit, the Office of Audit and Compliance will issue~~issues~~ timely reports to audited parties, senior management, the State of Tennessee Division of Internal Audit, and the Audit and Compliance Committee. of the University of Tennessee Board of Trustees.

Approval

Initially approved by the Audit Committee on March 3, 2004.

Current revision approved by the Audit and Compliance Committee on December 15, 2016.

Proposed revision presented for approval on February 25, 2021.



THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

AGENDA ITEM SUMMARY

Meeting Date: February 25, 2021

Committee: Audit and Compliance

Item: **2021 Internal Audit Plan**

Type: Action

Presenter: Brian Daniels, Chief Audit and Compliance Officer

Background Information

The Office of Audit and Compliance is presenting the proposed 2021 Internal Audit Plan for approval as required by the Committee Charter of the Audit and Compliance Committee.

The comprehensive plan includes new audit projects as well as ongoing projects carried over from the approved 2020 audit plan, and is intended to be reflective of the current risk environment, compliance topics, and a variety of engagements that are required by policy or statute, all in manner that is intended to add value to the organization and its governance structure.

The 2021 Internal Audit Plan follows this summary.

Committee Action

The Committee Chair will call for a motion to recommend approval of the 2021 Internal Audit Plan as presented in the meeting materials by the Audit and Compliance Committee.

Office of Audit and Compliance

2021 Annual Internal Audit Plan

 THE UNIVERSITY OF TENNESSEE SYSTEM



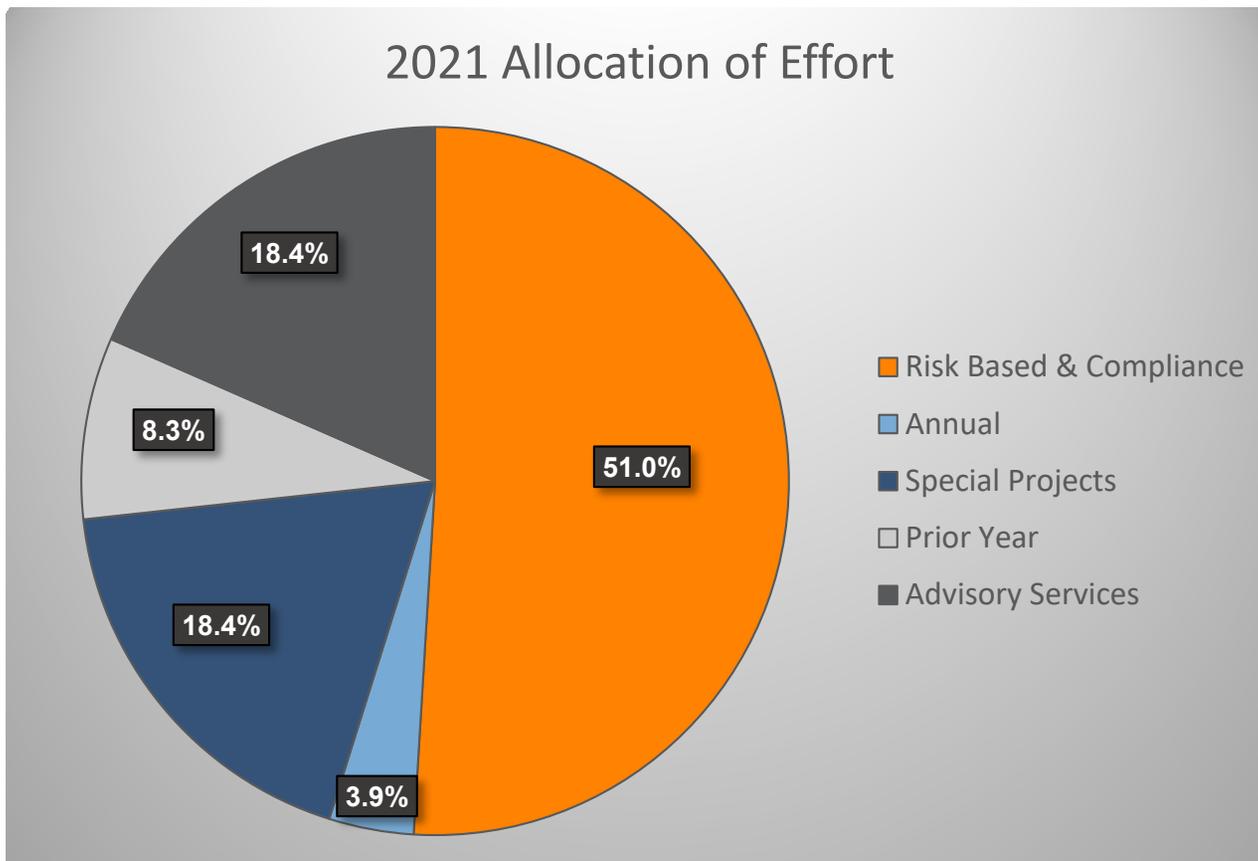
Overview

The annual plan includes five categories of work:

	Category	Description
1	Risk-Based & Compliance	Planned engagements based on our risk assessment
2	Annual	Audits required by statute, administrative policy, or agreements with management
3	Special Projects	Special projects and FWA investigations
4	Prior Year	Audits in progress on January 1 st
5	Advisory Service	Value-added work and consulting



Effort





Effort by Entity

Entity	Hours
UT System-Wide	14,300
UTK+UTIA	2,500
UTHSC	2,240
UTC	1,280
UTM	1,080
IPS	300
Grand Total	21,700



2021 Risk-Based Audits

Risk-Based Audit	Entity	Risk-Based Audit	Entity
I-9 Compliance	System-Wide	Office of Research and Sponsored Prog.	UTM
IT: Ransomware Prevention and Response	System-Wide	Cash Controls	UTHSC
IT: Security - Web Applications	System-Wide	Office of Sponsored Programs	UTHSC
Background Checks	System-Wide	Export Controls	UTHSC
IT Security - Remote Access Solutions*	System-Wide	Intellectual Property	UTHSC
Remote Work Personnel Management*	System-Wide	College of Dentistry	UTHSC
IT: Department Managed Systems	System-Wide	COVID-19 Lab Quality Control*	UTHSC
IT: Security - Payroll Department	System-Wide	Vendor Management Program	UTHSC
IT: Access Life Cycle Audit	System-Wide	Export Controls	UTIA
Vendor Insurance	UTC	Research and Education Centers	UTIA
Cash Controls	UTC	COVID-19 Impact on Operations*	UTK
Athletics	UTC	Student Fees	UTK
Cash Controls	UTM	Lab Safety	UTK
Athletics	UTM	Athletics	UTK
*Includes focus on COVID-19 impact			28 Total Projects



Policy Compliance Audits

Audit Entity <i>(selected each year)</i>	2021	2022
UTC Administrative Division		X
UTC Academic Division	X	
UTK Administrative Division		X
UTK Academic Division	X	
UTM Administrative Division		X
UTM Academic Division	X	
UTHSC Administrative Division		X
UTHSC Academic Division	X	
IPS or Other Institute	X	
UTSA Division		X



Annual Audits

Annual Audit	Entity
2021 Complete College Tennessee Act	UTSA
President's Office	UTSA
UTK Chancellor	UTK
Ohio Valley Conference Special Assistance Funds	UTM
UTHSC Chancellor	UTHSC
5 Total Projects	



Advisory Service Projects

Advisory Service Projects	Entity
IT Security Assessment	System-Wide
UT Southern Consulting	System-Wide
Business Manager's Guide Refresh	System-Wide
Self-Assessment of Controls	System-Wide
Quality Assurance Review - OAC	System-Wide
UTC Police Accreditation	UTC
WUTC Radio Station	UTC
Emergency Management Accreditation	UTC
The Hub - Business Process Review	UTHSC



THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

AGENDA ITEM SUMMARY

Meeting Date: February 25, 2021

Committee: Audit and Compliance

Item: **2021 Institutional Compliance Workplan**

Type: Action

Presenter: Brian Daniels, Chief Audit and Compliance Officer

Background Information

The Office of Audit and Compliance is presenting the proposed 2021 Institutional Compliance Workplan for approval as required by the Committee Charter of the Audit and Compliance Committee.

The comprehensive plan is reflective of ongoing compliance initiatives at the various campuses, institutes, and system levels. The plan can be found in the following materials.

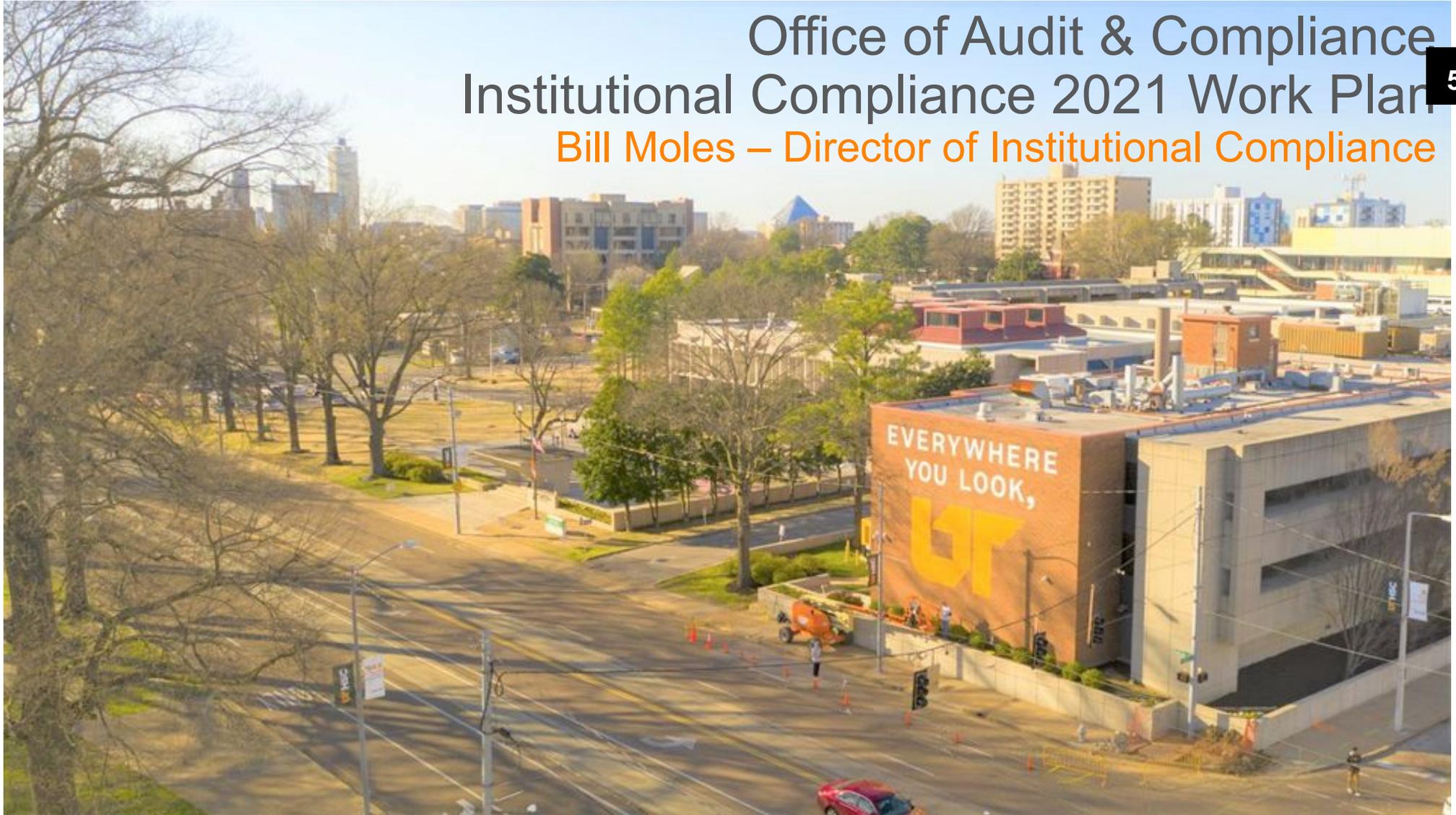
Committee Action

The Committee Chair will call for a motion to recommend approval of the 2021 Institutional Compliance Workplan as presented in the meeting materials by the Audit and Compliance Committee.

Office of Audit & Compliance Institutional Compliance 2021 Work Plan

Bill Moles – Director of Institutional Compliance

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2021 Areas of Focus

Compliance Risk Assessments and Risk Mitigation Plans

- Comprehensive compliance risk assessments:
 - UT Knoxville
 - UT System
- Assist in developing and implementing risk mitigation plans at other campuses and institutes

2021 Areas of Focus

Streamline Reporting to Audit and Compliance Committee

- Issue summary report only at year end
- Use dashboard format for major issues and accomplishments for other Audit and Compliance Committee meetings

2021 Areas of Focus

Promote an Ethical Culture

- Improve Code of Conduct training
 - Develop “test out” option for annual training
 - Update current basic Code of Conduct training
- Improve Compliance Hotline accessibility
 - Implement phone capability using QR code
 - Promote the Hotline and new phone capability

2021 Areas of Focus

Data Analytics Support

- Refine the procurement card analytics process
- Increase data analysis support for internal audits

2021 Areas of Focus

Privacy Oversight

- Assist in the development of the UT System privacy oversight function

2021 Areas of Focus

UT Southern Integration into UT Institutional Compliance Program

- Introduction of program to Chancellor's staff
- Establishment of campus compliance committee
- Identify applicable regulations and assigned compliance officers
- Integrate following the implementation of UT policies and major IT systems

2021 Areas of Focus

Collaboration

- Expand opportunities for sharing leading practices across the System
 - New regulations and policy changes
 - Identified risks
 - Best practices
 - Compliance leader roundtable

UT Information Security Update

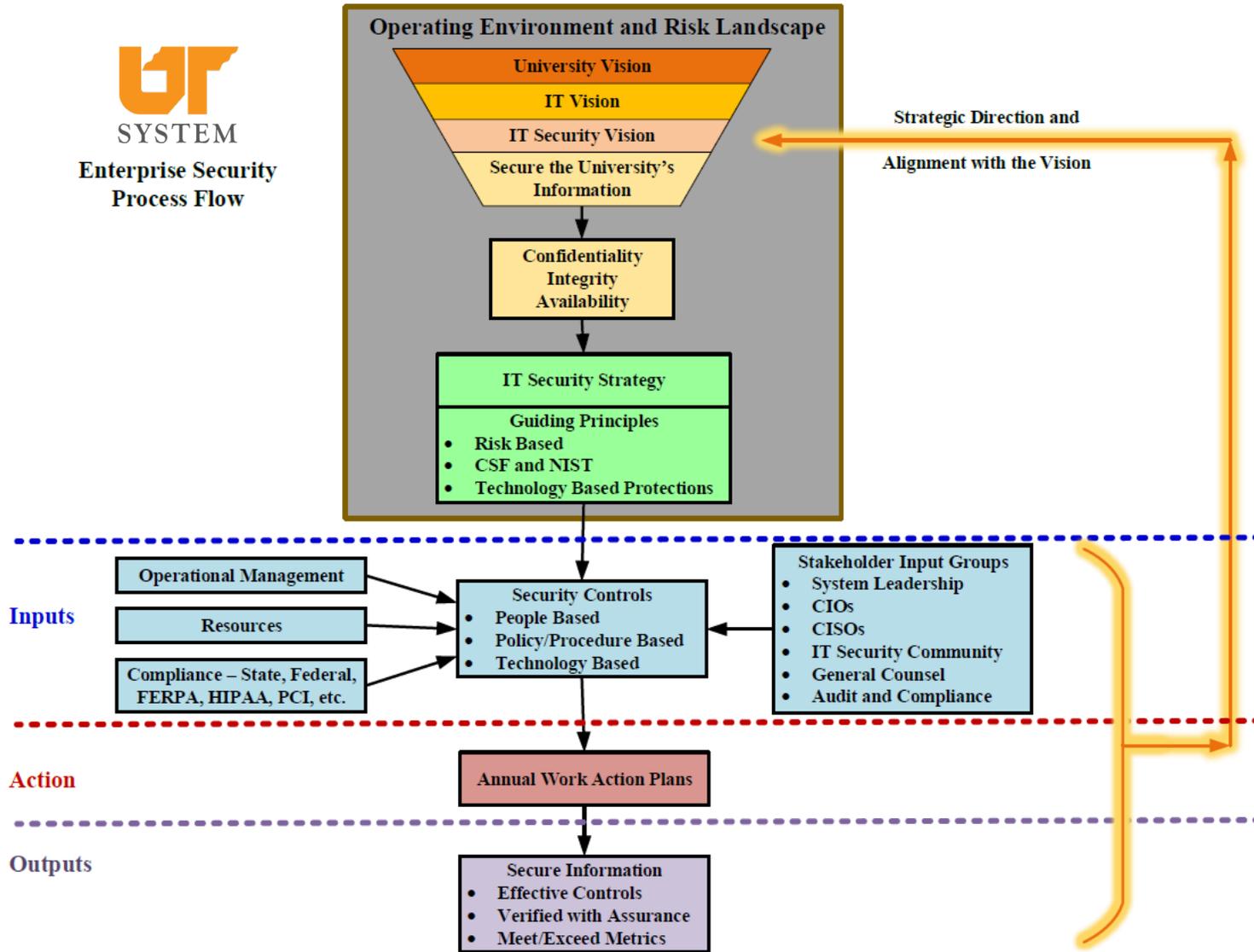
Ramon Padilla, Jr.

UT System Chief Information Officer

6

UT THE UNIVERSITY OF TENNESSEE SYSTEM

UT
SYSTEM
Enterprise Security
Process Flow





THE INCREDIBLE EIGHT

Enterprise Security Foundational Elements

6

IT Risk Management
Information and System Inventory and Classification
Vulnerability Management
Controlled Use of Access Privileges



THE INCREDIBLE EIGHT

Enterprise Security Foundational Elements

6

Application Security
Secure Network Engineering
Detection and Incident Response
PCI Compliance



THE UNIVERSITY OF TENNESSEE SYSTEM

OFFICE OF THE PRESIDENT

RANDY BOYD
President

December 15, 2020

Mr. Butch Eley, Commissioner
Department of Finance and
Administration
State Capitol Building
Nashville, TN 37243

The Honorable Justin P. Wilson
Comptroller of the Treasury
State Capitol Building
Nashville, TN 37243

Dear Mr. Eley and Mr. Wilson:

This annual report regarding the University of Tennessee’s risk management and internal control activities is submitted in compliance with *Tennessee Code Annotated (TCA)* §9-18-101, known as the Tennessee Financial Integrity Act, as amended.

The enclosed document describes the key activities undertaken to address the requirements specified in §9-18-102 of the Act and in the document issued by the Tennessee Department of Finance and Administration in October 2016 entitled “Management’s Guide for Enterprise Risk Management and Internal Control.”

We understand this guide requires all state agencies’ risk management and internal control functions to align with the Committee of Sponsoring Organizations of the Treadway Commission’s (COSO) enterprise risk management framework and the federal government’s adaptation of COSO’s *Internal Control—Integrated Framework* (2013) titled *Standards for Internal Control in the Federal Government*.

As head of the University, I attest that we have performed risk assessments that conforms to these requirements, and I acknowledge the responsibility for establishing, implementing, and maintaining an adequate internal control system and assessing its effectiveness. The results of our risk assessment and control activities have been documented and retained.

Mr. Butch Eley and Mr. Justin Wilson

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December 15, 2020

The results of our risk assessment and the various means of monitoring internal controls have given me reasonable assurance that the University of Tennessee's internal controls adequately safeguard assets from fraud, waste, and abuse and provide proper financial reporting; compliance with applicable laws, regulations, rules, contracts, and grant agreements; operational effectiveness and efficiency; and the achievement of objectives.

I am not aware of any material weaknesses or lack of compliance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Randy Boyd', with a stylized flourish at the end.

Randy Boyd
President

Enclosure

c: Ms. Carrie Allen
Ms. Judith A. Burns
Mr. Brian J. Daniels
Mr. Bob Hunter
Mr. David L. Miller
Ms. Kathy Stickel
Ms. Tammy Worley
Audit and Compliance Committee

The University of Tennessee Risk Management and Control Activities Calendar Year 2020

The purpose of this document is to describe the risk management and control activities conducted at the University of Tennessee (UT) during calendar year 2020 that provide the basis for the annual reporting required by the Tennessee Financial Integrity Act of 1983 (TFIA) as described in *Tennessee Code Annotated* §9-18-104.

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Background

The University's approach is based on the October 2016 document, "Management's Guide for Enterprise Risk Management and Internal Control," issued by the Tennessee Department of Finance and Administration (TN F&A). The document sets out the requirements for how state agencies and higher education institutions must comply with TFIA.

The management guide requires all risk management and internal control functions to align with two nationally recognized frameworks:

- 1) The Committee of Sponsoring Organizations of the Treadway Commission's (COSO's) enterprise risk management (ERM) framework (UT's approach is based on COSO's ERM document, *Enterprise Risk Management—Integrating with Strategy and Performance* issued in 2017) and
- 2) The federal government's adaptation of COSO's *Internal Control—Integrated Framework* (2013) titled *Standards for Internal Control in the Federal Government* (commonly known as "the Green Book").

In June 2020, the ERM function transitioned to the Senior Vice President and Chief Operating Officer's office, and an Enterprise Risk Officer (ERO) was appointed to lead the function. Since the 1980s, the TFIA compliance process was managed by the UT System Office of Audit and Compliance (OAC). With TN F&A's revised guidance, OAC developed a new approach and recommended the ERM function be managed by a member of the University's executive leadership.

2020 Risk Assessment and Monitoring Process

At the time of the ERM function's transition in June 2020, the University was in the midst of responding to the COVID-19 pandemic, efforts to assess the potential impacts having begun in late February. The UT president, consulting with the campus's chancellors, announced in March that all campuses would move to online instruction until further notice. Each campus quickly pivoted to virtual learning and

remote work for research, administrative, and support functions wherever possible. In May the University announced plans to welcome students back to each of its campuses for fall semester 2020 while protecting the health and safety of students, faculty, and staff.

Throughout the spring, the UT System led efforts to support the University's fulfillment of its core missions of education, discovery, outreach, and public service. In April, a systemwide task force—chartered by the president, led by the chair of infectious diseases at the UT Health Science Center, and appointed with UT experts in safety and health—was created to advise the campuses on policies and procedures to prioritize safety and wellbeing.

The task force's report, "Best Practices for Re-opening University of Tennessee Campuses," was released in May and provided guidance, recommendations, and best practices for the re-opening of campuses in the fall. Campuses created their own task forces to develop guidelines to address their individual needs. The chair of the systemwide task force, which continued to meet throughout the fall semester, worked with each campus to create "a new normal where we must manage through the risks."

At their June meeting, the UT Board of Trustees approved a set of "UT Systemwide Directives to Mitigate Impact of COVID-19." These requirements for the 2020-21 academic year were issued to help ensure the quality of the educational experience and the health of students, faculty, staff, and communities. They covered use of masks, social distancing, COVID testing protocols, contact tracing, travel, cleaning, visitors, and events. During the meeting, the trustees also approved the University's ability to require flu and COVID vaccines (when available) for students, faculty, and staff.

2020 Focus on COVID-19

Because of the tremendous effort and focus required to achieve UT's goal of re-opening campuses in the fall, the newly appointed ERO determined that 2020 risk management efforts would focus on managing the risks COVID-19 presented.

This approach complies with the guidance from TN F&A to always assess risks "in light of setting and achieving an agency's objectives" and linking the risks to the entity's objectives, thus focusing the risk management process on risks that matter, i.e., those "related to mission delivery."

The process identified by the ERO consisted of four phases: 1) risk identification and assessment, 2) development of mitigation activities, 3) monitoring mitigation efforts and communicating the results, and 4) responding to the results of the monitoring.

Risk Identification and Mitigation. The first two phases were accomplished by asking leaders and key staff at each of the campuses to complete the “Self-Assessment Calculator for Higher Education” developed by the Johns Hopkins Center for Health Security, a leading authority on COVID, and other partners.

The purpose of the calculator—an interactive spreadsheet that calculates a score for answers to a questionnaire—is to help institutions identify and understand the risks associated with reopening in-person operations and the actions that can be taken to mitigate those risks. The broad-ranging questionnaire covers key topics such as public health and safety measures, academics, housing, dining, and communication.

Because UT campuses had already made significant preparations for fall, the calculator served as a readiness assessment, allowing for a gap analysis between campus activities and those recommended by national experts. The calculator was completed during the summer (before fall semester) by those who had broad knowledge of the campus’s activities and then was reviewed and approved by campus leadership.

As shown in the table below, the calculator results in an overall risk score ranging from very low to very high (shown in the color-coded boxes), which is based on both the rating from the risk assessment questionnaire and the rating from the mitigation questionnaire.

Decision Matrix

Risk Rating	Mitigation Rating			
	Very Prepared to Mitigate COVID-19 Impacts (76%-100%)	Somewhat Prepared to Mitigate COVID-19 Impacts (51%-75%)	Somewhat Unprepared to Mitigate COVID-19 Impacts (26%-50%)	Very Unprepared to Mitigate COVID-19 Impacts (0%-25%)
Very Low	VERY LOW	VERY LOW	LOW	LOW
Low	VERY LOW	LOW	LOW	MODERATE
Moderate	LOW	MODERATE	MODERATE	HIGH
High	MODERATE	HIGH	HIGH	VERY HIGH
Very High	HIGH	VERY HIGH	VERY HIGH	VERY HIGH

The results for UT’s four campuses are in the table below (specific campus names, along with the detailed calculator completions are available in the ERO’s office):

	Campus 1	Campus 2	Campus 3	Campus 4
Risk Rating	High	Moderate	Moderate	Moderate
Mitigation Rating	Very Prepared	Very Prepared	Very Prepared	Very Prepared
OVERALL	Moderate	Low	Low	Low

The key result of the assessment was that all campuses scored as “Very Prepared” for the fall semester. The risk ratings were determined by the level of risk inherent in each campus’s activities. While campuses identified a few areas in the calculator that their teams had not yet considered or wanted to review, they had already considered and addressed most areas during their spring and summer preparations.

Monitoring and Responding. The third and fourth phases of the risk management process were assessed through a series of meetings between the ERO and campus leaders and others directly involved in the COVID mitigation activities. The ERO posed the following questions:

- How has the campus monitored its COVID-19 mitigation efforts during the fall semester?
- How have the results been communicated to the campus leadership and/or other group (e.g., EOC policy group) for making changes to policy and practices related to the mitigation efforts?
- What has the monitoring revealed about the effectiveness of the mitigation efforts?
- What changes have occurred to the mitigation efforts during the semester?
- What changes to fall semester policies and practices will be implemented for spring semester? What is the reason for those changes?

Each campus developed its own procedures for monitoring, communicating, and making decisions regarding changes in operations. Some of the common methods in among the campuses include the following (detailed reports for each campus are available in the ERO’s office):

	Methods
Monitoring Methods	<ul style="list-style-type: none"> • Detailed tracking of cases involving students, faculty, staff, and contractors. • Self-check questionnaires for those coming on campuses. • Self-isolation reporting forms for those with a diagnosis, symptoms, or close contact with a case. • COVID testing for symptomatic and asymptomatic individuals.
Communicating Results to Leadership	<ul style="list-style-type: none"> • Daily reports on case counts and related information (e.g., number of isolations and quarantines). • Leadership team meetings and/or Emergency Operations teams to discuss cases and other mitigation measures. • Chancellor Q&A sessions for the campus community.

Effectiveness	<ul style="list-style-type: none"> • Little to no transmission on campuses in classrooms or offices. Contact tracing shows prime source of infections is social gatherings, primarily off campus. • The low number of reported instances of noncompliance have shown that the majority of students, faculty, and staff have complied with guidelines. Processes were in place at each campus for addressing noncompliance.
Changes During Fall 2020	<ul style="list-style-type: none"> • Restrictions at the three undergraduate campuses were loosened somewhat once cases numbers stabilized after a spike at the beginning of fall semester—although all adhered to the core actions of masking, social distancing, hand hygiene, etc.
Changes for Spring 2021	<ul style="list-style-type: none"> • No major changes are planned for the Spring semester at any location: the policies and procedures will remain the same, the academic calendar will be compressed, teaching modalities will remain fairly stable—with a slight increase in hybrid courses.

The above shows commonalities; differences by campus existed, depending on campus resources. Some unique methods for mitigating the spread of COVID include the following:

- Wastewater and pooled saliva testing for residence halls, to be expanded to commuter students for Spring semester.
- Contracting for off-campus isolation and quarantine housing, especially for beginning of the semester spikes.
- Implementation of software systems for tracking and reporting cases and related data.
- Automatic notification of service departments—such as, Facilities, Housing, Dining—whenever a completed self-isolation form is submitted.
- Periodic inspections by trained staff to document and report instances of compliance/noncompliance in departments and labs.
- Removal of keycard access to campus buildings for those who test positive.

Assessment of the University’s COVID Risk Management Efforts

The 2020 COVID risk management process described in this document illustrates the care and thoroughness with which the University worked to preserve the health and safety of students, faculty, staff, while fulfilling the missions of education, discovery, outreach, and public service. These efforts resulted in few cases attributable to campuses’ operations.

In addition to this internal assessment, during the summer planning, the Tennessee Higher Education Commission and the Tennessee Emergency Management Agency

held tabletop exercises at each campus to allow for assessment and feedback of the plans. After-action sessions were held at the end of the Fall semester. Overall, the conclusion was that UT had sound plans and good execution, which resulted in effective results—few cases on campuses.

Throughout 2020, the UT administration has kept the Board of Trustees informed of its COVID-19 activities. The Board has been satisfied with the planning and results.

The results of the campuses' COVID risk management efforts, along with a description of the assessment process, will be presented to the Audit and Compliance Committee of the UT Board of Trustees to fulfill the requirement in the committee's charter to "review management's risk assessment."

Ongoing Risk Assessments, Monitoring and Testing of Controls

In addition to the activities described above specific to COVID-19, the University of Tennessee has multiple methods for the ongoing monitoring and testing of controls. Three of the key system-level approaches are the annual self-assessment of internal controls, internal audits, and the institutional compliance program.

Self-Assessment of Internal Controls. The annual self-assessment of internal controls, managed by the UT System Office of Audit and Compliance (OAC), tests controls at an operational level. All departments in the UT System (approximately 550) are required to conduct a self-assessment of controls for selected major business processes by completing a web-based questionnaire. In a decentralized organization, such as a university, many controls for administrative functions are located at the department level. This process was initially conceived as a means of complying with TFIA.

Each year the questionnaire covers one or two major processes. Over a multi-year cycle, the questionnaires cover over 175 key internal controls for eight major processes, including human resources/payroll, money handling, computer usage, inventories for resale, accounts receivable, equipment, sponsored projects, and procurement. These processes are determined through a risk assessment process, targeting the areas considered to be key to sound departmental management.

A material weakness is identified when a significant number (20 percent or more) of departments at a campus or institute have not implemented a particular control. A corrective action is taken for each control weakness identified in the self-assessment, whether or not it is deemed material. For 2020, the human resources/payroll functions were assessed, and no material weaknesses were identified.

The chief business officer of each campus and institute reviews the results of the self-assessment and attests to his or her knowledge of the deficiencies identified and the corrective actions taken to address those deficiencies. The results of the self-assessment are issued to the president, with copies to the chief financial officer, the treasurer, and the UT Board's Audit and Compliance Committee.

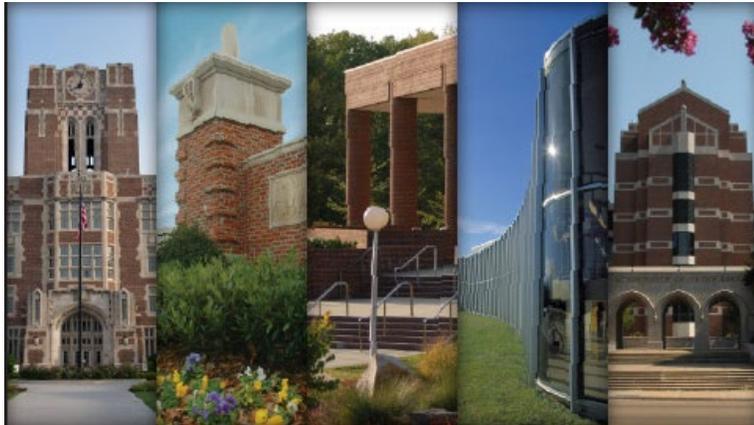
Risk-Based Internal Audits. A second means of testing controls for effectiveness is through in-depth internal audits identified in OAC's risk assessment performed in its annual audit planning. University management and Board members also ask OAC to examine areas of concern. One of the office's primary roles is to reduce risk and improve operations. The department conducts numerous types of audits: state-mandated audits (such as those of the chief executive officers of UT campuses and the Complete College Tennessee Act), compliance audits (in such high-risk areas as the Health Insurance Portability and Accountability Act and National Collegiate Athletic Association), risk-based audits (such as business process audits in departments with significant financial activity), information technology audits (such as those for business continuity planning and disaster recovery and firewalls), and investigations into allegations of fraud, waste, and abuse (often resulting in recommendations for improving internal controls).

Institutional Compliance. The third means of monitoring controls is the Office of Institutional Compliance, established within OAC, which is responsible for designing, implementing, and monitoring the UT system-wide compliance program. The basis for the program is the *Federal Sentencing Guidelines for Organizations*, which defines the standards for effective compliance programs. Among the office's responsibilities are developing and implementing the University's compliance risk assessment process, recommending improved controls in various compliance functional areas, and collaborating with officials at the campuses and institutes to develop innovative and effective ways to mitigate compliance risk.

Conclusion

UT is committed to implementing and refining a comprehensive risk management and control monitoring system that meets the requirements of TFIA. Because COVID-19 will continue to present challenges for the University throughout the next calendar year, the ERO will continue to monitor the risk management activities discussed above and focus on the following:

- Updating information on monitoring and responding to COVID mitigation efforts,
- Creating an educational website for ERM,
- Conducting a self-assessment on the maturity of UT's ERM activities, and
- Meeting with key management groups to identify strategic risks.



Tennessee Financial Integrity Act & Enterprise Risk Management Report

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Presented to the Audit and Compliance Committee of the UT Board of Trustees

February 25, 2021

UT THE UNIVERSITY OF TENNESSEE SYSTEM

Agenda

- ERM at UT
- 2020 TFIA Report
- Fraud Risk
- 2021 ERM Plan



ERM at UT

- Enterprise Risk Officer appointed June 2020
- Reports to Sr VP and CFO
- *Goal:* Consider risks when making decisions to increase the odds of achieving mission, goals, and objectives



State of TN Requirement

- Tennessee Financial Integrity Act of 1983
 - Risks and Controls
- Tennessee Department of Finance and Administration
 - October 2016 guidance
- Compliance with two national frameworks
 - COSO's *Enterprise Risk Management—Aligning Risk with Strategy and Performance* (2017)
 - GAO's *Standards of Internal Control in the Federal Government* (2014)/COSO's *Internal Control—Integrated Framework* (2013)



2020 ERM Activities

- Focus on COVID-19
- 4 Phase Process
 - Risk Analysis
 - Mitigation Plans
 - Monitoring and Communicating
 - Responding to Results
- Reporting





Risk and Mitigation

7

- Self-Assessment Calculator
 - Johns Hopkins Center for Health Security
 - Gap Analysis
- Results
 - Moderate to High Risk
 - “Very Prepared”



Monitor and Respond

7

- Interviews
- Actions:
 - Monitored cases
 - Provided testing
 - Reported to leaders
 - Adjusted restrictions
 - Planned to maintain
- Results:
 - Low transmission

Assessment



- Effective response: UT on-campus population had lower infection rate than statewide in that age group
- Campus resources vary
- Good model for managing risks that can be applied to other situations

Fraud Risk Management

- Annual risk-based audit planning
- Engagement-level audit risk assessments
- Self-assessment of key business process controls
- Enterprise risk assessments
- UT hotline reports
- Comptroller's hotline reports
- Investigative updates to ACC



2021 ERM Activities: UT System Focus

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- System Strategic Plan
- Acquisition Strategy
- ERP Reimagining Administrative Processes

Questions

