



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,

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