



THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE AUDIT AND COMPLIANCE COMMITTEE

February 25, 2021
Knoxville, Tennessee

The Audit and Compliance Committee of The University of Tennessee Board of Trustees met at 8:30 a.m. (EST) on Thursday, February 25, 2021. 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; and Decosta E. Jenkins. In addition, the following trustees were in attendance: Leighton Chappell (Student Trustee); William (Bill) C. Rhodes III; Donald J. Smith; Alan D. Wilson; and Jamie R. Woodson.

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; Mark Paganelli, Treasurer; Chancellor Donde Plowman; Ramon Padilla, Jr., UT System Chief Information Officer; Judy Burns, Enterprise Risk Officer; staff members from the Office of Audit and Compliance; 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 October 22, 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. She noted that the items presented are informational in nature and would not be discussed, unless there was a request to remove an item from the Consent Agenda. Committee Chair Miles highlighted the Annual Safety Report, included under Tab 2.4 of the meeting materials. She explained that, given the significance of the report, it was placed on the agenda for the full Board of Trustees meeting later in the day. There were no requests to remove any of the information items from the Consent Agenda for discussion. (A complete list of the Consent Agenda items appears at the end of these minutes.)

V. Internal Audit Charter

Brian Daniels, Chief Audit and Compliance Officer, presented the proposed revisions to the Internal Audit Charter (Charter) for the Office of Audit and Compliance (OAC). He informed the members of the Committee that the Charter was last revised in 2016. Since then, revised guidance has been issued by the Institute of Internal Auditors (IIA). Certain revisions are recommended to bring the Charter into alignment with the IIA standards, including updated terminology. Additionally, other revisions are proposed to reflect the full scope of the activities of the OAC, incorporating both Institutional Compliance and Title IX coordination.

Committee Chair Miles reminded the Committee members that the periodic review of the Charter is one of the items identified on the work plan for the Committee. Mr. Daniels stated that the Committee's charter will be reviewed and discussed at the upcoming June Committee meeting. Trustee Decosta Jenkins expressed his support for the updated Charter. He recommended that the team review the document to ensure that certain terms (i.e., University, UT System, UT System Administration, system-wide) are being used appropriately and consistently throughout the Charter.

Upon motion duly made and seconded, a roll call vote was taken, and the Committee approved the revised Charter (as set forth in Tab 3 of the meeting materials). A copy of the approved Charter is attached to these minutes.



VI. 2021 Internal Audit Plan

Mr. Daniels provided an overview of the proposed 2021 Internal Audit Plan, as required by the Committee's charter. He explained that the internal audit plan encompasses the following five categories: Risk-Based and Compliance; Annual; Special Projects; Prior Year; and Advisory Service.

Mr. Daniels discussed each of the areas in detail, noting that risk-based efforts (current and prior year) account for approximately 60% of the total effort. The presentation also addressed anticipated effort by University entity (system, campus, and institute). In addition, Mr. Daniels highlighted certain audits and projects contemplated for the year.

In response to questions from the members of the Committee, Mr. Daniels advised that there is an internal audit presence on each campus and that these individuals are members of the OAC. Mr. Padilla, UT System Chief Information Officer, confirmed that institutions of higher education (primarily smaller and private institutions) have been the victims of ransomware attacks. Mr. Ryan Stinnett, General Counsel, noted that cyber insurance is available through the State of Tennessee for attacks, but that the coverage is limited. Mr. Daniels advised that proactive prevention and other mitigation efforts are important for reducing the University's risk exposure. Mr. Daniels also confirmed that the state auditors serve in a capacity that is similar to the role of "external auditors" with respect to corporate entities. The Division of State Audit's report, for the period ended June 30, 2020, was recently completed and will be presented to the Committee at the upcoming June meeting.

Upon motion duly made and seconded, a roll call vote was taken, and the Committee approved the 2021 Internal Audit Plan (as set forth in Tab 4 of the meeting materials). A copy of the approved 2021 Internal Audit Plan is attached to these minutes.

VII. 2021 Institutional Compliance Workplan

William A. Moles II, Director of Institutional Compliance, reviewed the proposed 2021 Institutional Compliance Workplan. The areas of focus contained within the workplan include:

- Compliance Risk Assessments and Risk Mitigation Plans;
- Streamline Reporting to the Audit & Compliance Committee;
- Promote an Ethical Culture;
- Data Analytics Support;
- Privacy Oversight;
- UT Southern Integration into UT Institutional Compliance Program (subject to Board approval); and
- Collaboration.



In response to questions from the Committee members, Mr. Moles addressed efforts to standardize compliance efforts across the UT System, especially in the areas of policies, procedures, and training. He also confirmed that the University has made progress against the recommendations set forth in the 2019 Baker Tilly report on Compliance, but stated that more work remains to be done in the area of mandating certain training requirements.

Upon motion duly made and seconded, a roll call vote was taken, and the Committee approved the 2021 Institutional Compliance Workplan (as set forth in Tab 5 of the meeting materials). A copy of the approved 2021 Institutional Compliance Workplan is attached to these minutes.

VIII. UT System Information Security Update

Mr. Padilla, who began his role with the University in November 2020, began his remarks by sharing his general philosophy regarding enterprise information technology (IT) security, which is based on the operating environment and risk landscape. He stressed that IT security does not exist in a vacuum and that, to be effective, it must function in a continuous loop.

Mr. Padilla reviewed the primary goals (confidentiality, integrity, and availability), along with the guiding principles for the security strategy (risk-based, industry standards, and technology-based protections). He highlighted the University's enterprise security framework, which will encompass the following areas: (i) IT Risk Management; (ii) Information and System Inventory and Classification; (iii) Vulnerability Management; (iv) Controlled Use of Access Privileges; (v) Application Security; (vi) Secure Network Engineering; (vii) Detection and Incident Response; and (viii) PCI Compliance (collectively, the "Incredible Eight"). He concluded his remarks by noting that his office will be focusing most of its efforts on the Incredible Eight, utilizing a risk-based approach.

Committee Chair Miles thanked Mr. Padilla for the presentation and indicated that he would be invited back to provide periodic updates in this important area.

IX. Tennessee Financial Integrity Act Report

Judy Burns, Enterprise Risk Officer, provided an overview of the requirements of the Tennessee Financial Integrity Act. For calendar year 2020, the annual report regarding the University's risk management and internal control activities was focused on the University's efforts in managing the risks associated with the COVID-19 pandemic in connection with the planned return to in-person instruction for Fall 2020. Ms. Burns discussed the overall framework established, the assessment tool, the gap analysis performed, and the findings.

Ms. Burns presentation also highlighted the University's efforts with respect to fraud risk management and the 2021 Enterprise Risk Management Plan, which plan will have a UT



System focus (UT System Strategic Plan, Acquisition Strategy, and Enterprise Resource Planning).

Trustee Jenkins raised two questions with respect to the form of the attestation. He noted that the letter signed by President Boyd does not specifically reference the date of the last report/audit. Further, with respect to the last sentence set forth in the attestation, he inquired whether the reference to "lack of compliance" should be qualified as to materiality. Committee Chair Miles thanked Trustee Jenkins for his questions regarding the form of the letter and requested that Mr. Daniels follow-up on both of these items.

X. Other Business

None.

XI. Adjournment

Committee Chair Miles thanked the members of the Committee and the staff for their participation in the meeting. 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
- Outstanding Audit Issues
- Travel Exception Report
- Annual Safety Report Update
- NCAA Agreed Upon Procedures Report
- Compliance Program Update

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

- Internal Audit Charter
- 2021 Internal Audit Plan
- 2021 Institutional Compliance Workplan
- Presentations:
 - UT Information Security Update
 - Tennessee Financial Integrity Act and Enterprise Risk Management Report