



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

AUDIT AND COMPLIANCE COMMITTEE	
Thursday, February 23, 2023	University Center, UT Chattanooga
4:15 p.m. (EST)/3:15 p.m. (CST)	615 McCallie Avenue, Chattanooga, TN

## AGENDA

### Public Session

- I. Call to Order and Roll Call
- II. Opening Remarks of the Committee Chair
- III. [Approval of Minutes from Last Meeting](#) - Action..... Tab 1
- IV. [Code of Conduct - Update](#)..... Tab 2
- V. [2023 Internal Audit Plan – Action](#)..... Tab 3
- VI. 2023 Institutional Compliance Program - Update
- VII. [Annual Safety Report – Update](#) ..... Tab 4
- VIII. [Consent Agenda](#)..... Tab 5
  - Information Items
  - A. [2022 Audit Plan Update](#)..... Tab 5.1
  - B. [Outstanding Audit Issues](#)..... Tab 5.2
  - C. [Travel Exception Report](#) ..... Tab 5.3
  - D. [NCAA Agreed Upon Procedures Report](#)..... Tab 5.4
  - E. [Tennessee Financial Integrity Act Report](#)..... Tab 5.5
  - F. [Compliance Program Update](#) ..... Tab 5.6
  - G. [External Audit Management Letter](#) ..... Tab 5.7
- IX. 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 or Board Secretary before the meeting.]*
- X. Adjournment



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## **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:

- Audits
- Investigations
- Litigation



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## MINUTES OF THE AUDIT AND COMPLIANCE COMMITTEE October 28, 2022

The Audit and Compliance Committee of The University of Tennessee Board of Trustees met at 8:00 a.m. (CDT) on Friday, October 28, 2022. The meeting was held in the Duncan Ballroom of the Boling University Center located at the University of Tennessee at Martin, in Martin, Tennessee.

Committee Members Present: Decosta E. Jenkins, Committee Chair; John C. Compton, Board Chair; and Bradford D. Box.

### Others in Attendance:

Trustees: Hayden Galloway (Student Trustee); Charles Hatcher, Commissioner, Tennessee Department of Agriculture; Shanea A. McKinney; Christopher L. Patterson; William (Bill) C. Rhodes III; Donald J. Smith; David N. Watson; and Jamie R. Woodson.

University Administration: President Randy Boyd; Brian Daniels, Chief Audit and Compliance Officer; David Miller, Senior Vice President and Chief Financial Officer; Cynthia Moore, Board Secretary and Special Counsel; C. Ryan Stinnett, General Counsel; Chancellor Peter Buckley (UT Health Science Center); Chancellor Keith Carver (UT Martin); Interim Chancellor Linda C. Martin (UT Southern); and Chancellor Donde Plowman (UT Knoxville). In addition, other members of the University staff were present.

Ms. Moore announced the presence of a quorum. The meeting was webcast for the convenience of the University community, the general public, and the media.

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### **Opening Remarks of the Chairperson**

Committee Chair Jenkins welcomed everyone to the meeting. He expressed his gratitude to Trustee Amy Miles for the work she did to lead the Audit and Compliance Committee over the past few years and thanked Board Chair John Compton and other members of the Committee for entrusting him to serve as Chair of the Committee.

### **Approval of the Minutes**

Committee Chair Jenkins noted that the minutes of the June 23, 2022, meeting were included in the meeting materials (Tab 1). He asked for any corrections to the minutes. Hearing none, the minutes were approved.

## **Business Continuity Planning Engagement Update**

Brian Daniels, Chief Audit and Compliance Officer, called upon Ramon Padilla Jr., Chief Information Officer, to provide the Committee with an update on business continuity planning engagement (Tab 2). Mr. Padilla began his presentation by explaining that business continuity planning is the process of understanding potential threats to normal operations and creating a program whereby leadership can react quickly to any interruptions in order to keep operations running. An important part of business continuity planning also involves prioritization of those operations and services which must be immediately put back online. Examples of business interruptions include the COVID-19 pandemic, natural disasters, and ransomware attacks.

Mr. Padilla reported that the University conducted a request for proposals and has engaged B. Riley Advisory Services. The engagement – which will be done over the course of approximately six months will include: (a) risk assessment; (ii) business impact analysis; and (iii) service availability strategy. Mr. Padilla explained that, through the assistance of the consultant to undertake this review on behalf of the UT System Administration and UT Knoxville, the University will be better positioned to assess and update the business continuity plans for all of its campuses and institutions.

In response to a question raised by Committee Chair Jenkins, Board Secretary Cynthia Moore confirmed that the details of business continuity plans are confidential and would be presented to the Committee in a non-public, executive session as permitted by state law.

## **Campus Annual Safety Report Update**

### *UT System Emergency Management Annual Report (FY 2021-22)*

Michael Gregory, Director of Special Events and Emergency Management Services, shared with the members of the Committee a copy of the UT System Emergency Management Annual Report for fiscal year 2021-22. The report provides an overview of certain emergency events, training exercises, achievements during the year, and identified priorities for the upcoming fiscal year for the UT System and its campuses.

Mr. Gregory reported that, while there were no major safety incidents over the past fiscal year, the safety officials across the UT System continuously work to monitor and mitigate potential risks. Those efforts include annual tabletop exercises to assess responses to a number of scenarios and identify any gaps in planning and response efforts. Annual tabletop exercises were held at the UT System's executive leadership retreat, as well as at each campus. Those exercises have identified the need for additional safety training, which will focus on: (i) shelter; (ii) evacuation; and (iii) active shooter response. It was also noted that future tabletop exercises will include testing of business continuity plans and procedures.

Clery Act Compliance Update

Kelly Mihalik, Special Projects Analyst and System Clery Compliance Coordinator, began her presentation (Tab 3) by reminding the Committee members that the Clery Act was signed into law in 1990. The Clery Act mandates that all colleges and universities report crime statistics and summaries of security policies to the U.S. Department of Education by October 1 of each year. Ms. Mihalik confirmed that each UT campus completed its annual safety report ("ASR") by the required deadline, and the ASRs are publicly available.

Ms. Mihalik highlighted several safety initiatives, including: (i) working with UT Knoxville's Division of Student Life to create the Drug Alcohol Abuse Prevention Program; (ii) merging and migrating existing training platforms to a comprehensive learning management system to provide Campus Security Authorities with easy access to required trainings; and (iii) updating the ASR links to the Transparent UT web page, which provides UT constituents with easier access to information for all of the University's institutions in a single location. She indicated that two pieces of federal legislation are being monitored that may result in amendments to the Clery Act, namely: (i) the Report and Educate About Campus Hazing ("REACH") Act, which would require hazing incidents to be reported and establish a definition of hazing to clarify what constitutes a reportable offense; and (ii) the College Operational Reporting of Emergencies Involving Teens and Young Adults ("COREY") Act, which would require the reporting of other types of instances resulting in serious harm or death.

Based on a recommendation made by Board Chair Compton, Committee Chair Jenkins requested that the administration provide a more in-depth review of data presented in the ASRs at the next meeting.

**Consent Agenda**

Committee Chair Jenkins called the attention of the Committee members to the information items included in the Consent Agenda (Tabs 4.1 through 4.5). No items were removed from the Consent Agenda for discussion. A complete list of the informational items included on the Consent Agenda appears at the end of these minutes.

**Other Business and Closing Remarks**

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

Respectfully Submitted,

/s/ Cynthia C. Moore  
Cynthia C. Moore  
Secretary and Special Counsel

Consent Agenda Items

- 2022 Audit Plan Update
- Outstanding Audit Issues
- Institutional Compliance Program Update
- Travel Exception Report
- Discretionary Expenditure Report

Materials Distributed to the Committee

- 2021-22 UT System Emergency Management Annual Report

# Code of Conduct Policy Revisions

Dr. Brian K. Dickens, CHRO  
Board of Trustees Meeting  
Audit Committee – February 2023



The image shows a stack of documents from The University of Tennessee System. The top document is titled "THE UNIVERSITY OF TENNESSEE" and "HB00580 - Code of Conduct". It includes a table of contents with sections like "General Principles", "Ethical and Professional Conduct", "Responsible Use of University Resources", and "Standards of Professionalism". The document also features an "Introduction" and "Policy" section. The stack of documents is fanned out, showing multiple copies of the same document.





**HROs requested revisions to HR 0580 to place more emphasis on the following:**

- Behaviors related to Bullying and retaliation
- Promptly reporting arrests and incidents
- Emphasis on compliance with the policy
- Alignment with BeOneUT Values

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**Includes a positive “spin” with aspirational behaviors**

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**Added a guidance document and moved prohibited behaviors to this separate document**

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**Mandatory reporting moved to a new policy HR 0585**

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**The old policy was split into three documents, but substantively the changes are minor**

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**The result is a policy that is better organized, easier to read, and more accessible for our employees  
We are updating our current learning and development Code of Conduct to reflect the new changes to the policy and procedures.**

An aerial photograph of a city skyline, likely Knoxville, Tennessee, with a large building in the foreground featuring the University of Tennessee logo. The image is overlaid with a semi-transparent dark grey rectangle containing the text "Questions?" and "Thank you!".

# Questions?

## Thank you!

# Audit and Compliance

## 2023 Annual Internal Audit Plan



 THE UNIVERSITY OF TENNESSEE SYSTEM



## Overview

- Modernizing 2023 audit plan approach
- Increasing audit efficiency
- Implementing new audit software
- Streamlining audit processes and procedures
- Focusing on top UT risks



## Overview

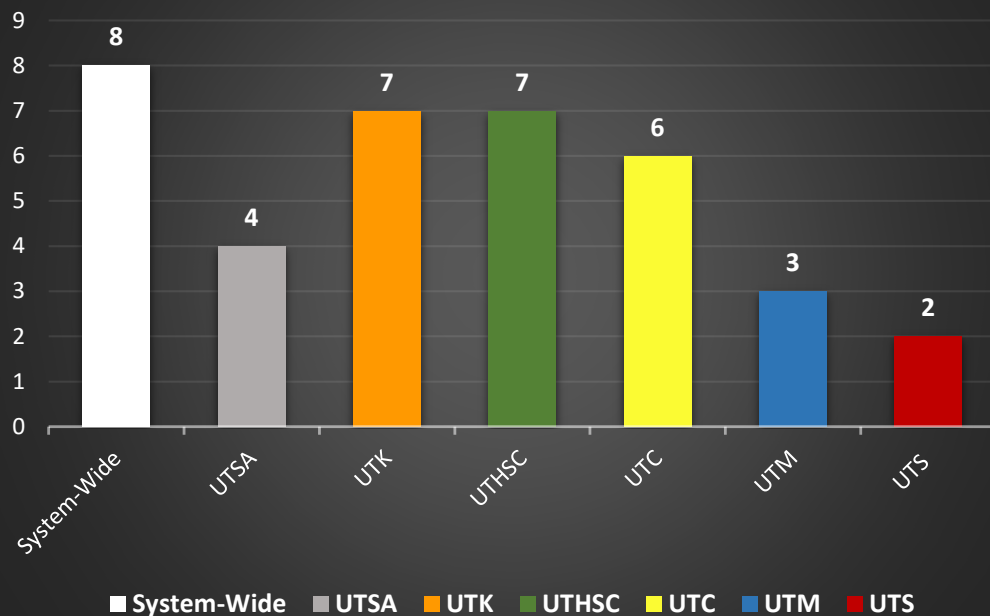
The annual plan includes four categories of work:

Type		Description
1	Audits	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	Advisory Service	Value-added work and consulting

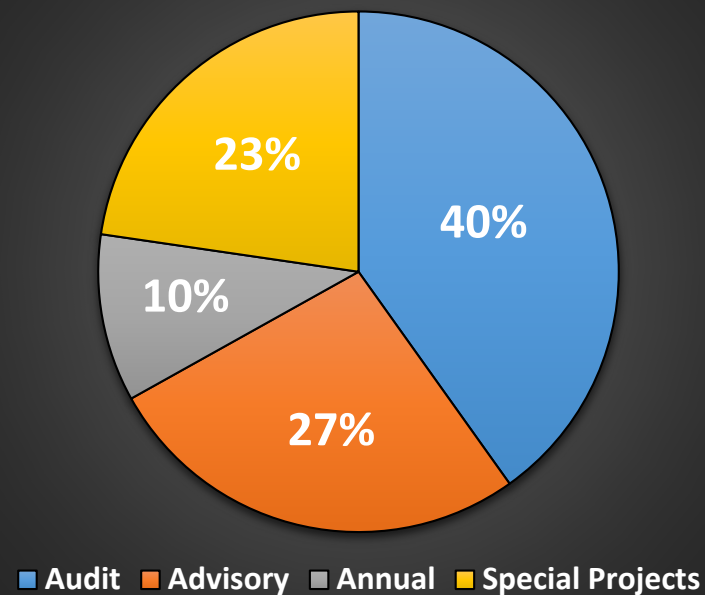


## Effort

### Audit Engagements by Campus



### Allocation of Effort by Type







# Risk-Based Approach

- Top Identified 2023 UT Risks:
  1. Safety & Security
  2. Shadow IT/Cybersecurity
  3. Research Security & Compliance
- Approximately half of our audit plan considers these risks



## Risk-Based Audits

Risk-Based Audits	Campus	Risk-Based Audits	Campus
Construction Costs – Outsourced	System-Wide	IT: Change Management	UTHSC
IT – Third Party Providers	System-Wide	Sponsored Programs – Pre-Award	UTHSC
Background Checks	System-Wide	Vendor Insurance	UTC
IT – Information Technology Policies	UTSA	Cash Controls	UTC
Physical Security	UTK	Student Athlete Wellness	UTC
Faculty Conflicts of Interest	UTK	Research Compliance	UTM
IT – Shadow IT	UTK	Scholarships and Financial Assistance	UTS
Dentistry – Controlled Substances & Cash	UTHSC	<b>15 Total Projects</b>	





## Policy Compliance Audits

Campus Entity	2022	2023	2024
UTC Administrative Division	x	x	
UTC Academic Division			
UTK Administrative Division			x
UTK Academic Division	x	x	
UTM Administrative Division			x
UTM Academic Division		x	
UTHSC Administrative Division	x		x
UTHSC Academic Division		x	
UTS Administrative Division	x		
UTS Academic Division			x
IPS or Other Institute			
UTSA Division			x
<b>4 Total Projects</b>			



## Annual Audits

Annual Audits	Campus
2023 Complete College Tennessee Act	System-Wide
Office of the President	UTSA
Office of the Chancellor	UTK
Office of the Chancellor	UTHSC
Ohio Valley Conference Special Assistance Funds	UTM
<b>5 Total Projects</b>	



## Advisory Service Projects

Advisory Service Projects	Campus
System-Wide Business Impact Analysis Assessment	System-Wide
Self-Assessment of Controls	System-Wide
Research Security and Compliance	System-Wide
NIL Policy Review	System-Wide
System-Wide DASH System Implementation Review	UTSA
Record Retention	UTSA
Lab Fee Utilization	UTC
Emergency Management Accreditation	UTC
CTN2 Program	UTHSC
College of Medicine Graduate Medical Education	UTHSC
UTIA Extension Training Program	UTK
Student Housing Policy Review	UTK
Safety and Security	UTS
<b>13 Total Projects</b>	



## Bench Projects

Projects	Campus	Type
Equity, Diversity, & Inclusion - Compliance Oversight	System-Wide	Audit
Contract Approval Process	System-Wide	Audit
Travel Policy	UTSA	Audit
Deferred Maintenance Process	UTK	Audit
Policy Compliance	UTC	Audit
Campus Safety	UTM	Audit
Athletics	UTM	Audit
Employee Retention and Succession Planning	System-Wide	Advisory
Student and Faculty Mental Health Resources	System-Wide	Advisory
Grant Oversight and Administration	System-Wide	Advisory
Student Housing Safety and Security	UTK	Advisory
Purchasing	UTK	Advisory
Cash Controls	UTHSC	Advisory
<b>13 Total Projects</b>		



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: February 23, 2023

Committee: Audit and Compliance

Item: **UT System Safety Update**

Type: Discussion

### **Background Information**

The important topic of safety and security across the UT System is brought forward for discussion. Annually, by October 1, each campus must publish certain crime reporting statistics according to the Clery Act. While the statistics listed within require contextual understanding to fully grasp the intent, this data does at least provide a three-year snapshot of certain reported crimes within the geography of a campus. The goal of this discussion is to provide an update along with the associated context.

# UT SYSTEM SAFETY UPDATE

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Board of Trustees Winter Meeting  
February 23 – 24, 2023

Kelly Mihalik, UT System Clery Compliance  
Coordinator

## Background Information on Statistics

- Provided statistics represent only Clery Act required crime categories
- Crime definitions come from the FBI Uniform Crime Reporting (UCR) program, state statute, and VAWA
- Statistics include all allegations of crimes reported to campus police, campus safety/security, local law enforcement, and Campus Security Authorities (CSAs)

## Background Information on Statistics

- An incident does not need to be investigated or reported to police to be included
- Incidents must be disclosed regardless of investigation status, and with or without a finding of guilt or responsibility
- Institutions must include statistics for all Clery Act crimes occurring on or within its Clery geography (on-campus property, non-campus properties, and public property)
- Clery statistics are just one of many required data sets relating to safety/security on campus



UTK			
Clery Crime Category	2019	2020	2021
Murder/Non-Negligent Manslaughter	0	0	0
Negligent Manslaughter	0	0	0
Robbery	3	4	3
Aggravated Assault	14	4	8
Motor Vehicle Theft	28	17	21
Arson	0	1	1
Burglary	32	22	15
Rape	14	27	20
Fondling	20	76	24
Incest	0	0	0
Statutory Rape	0	1	0
Liquor Law Arrests	56	36	51
Liquor Law Violations Referred for Disciplinary Referral	572	478	430
Drug Law Arrests	35	37	80
Drug Law Violations Referred for Disciplinary Referral	103	87	99
Weapons Law Violations Arrests	7	6	13
Weapons Law Violations Referred for Disciplinary Referral	3	2	0
Domestic Violence	32	20	22
Dating Violence	1	1	1
Stalking	48	21	36
Hate Crimes	0	0	3

University of Tennessee  
Knoxville  
Statistics include UT Space Institute

UTC			
Clery Crime Category	2019	2020	2021
Murder/Non-Negligent Manslaughter	0	0	0
Negligent Manslaughter	0	0	0
Robbery	1	3	1
Aggravated Assault	9	2	11
Motor Vehicle Theft	7	9	5
Arson	0	1	0
Burglary	17	16	16
Rape	9	8	8
Fondling	6	5	12
Incest	0	0	0
Statutory Rape	0	0	0
Liquor Law Arrests	1	4	2
Liquor Law Violations Referred for Disciplinary Referral	423	410	444
Drug Law Arrests	23	15	9
Drug Law Violations Referred for Disciplinary Referral	169	172	104
Weapons Law Violations Arrests	3	3	2
Weapons Law Violations Referred for Disciplinary Referral	1	1	0
Domestic Violence	13	6	0
Dating Violence	3	4	5
Stalking	30	7	12
Hate Crimes	0	0	0

University of Tennessee  
Chattanooga

UTS			
Clery Crime Category	2019	2020	2021
Murder/Non-Negligent Manslaughter	0	0	0
Negligent Manslaughter	0	0	0
Robbery	0	0	0
Aggravated Assault	0	0	0
Motor Vehicle Theft	0	1	0
Arson	0	0	0
Burglary	0	1	0
Rape	2	0	0
Fondling	0	0	0
Incest	0	0	0
Statutory Rape	0	0	0
Liquor Law Arrests	0	0	1
Liquor Law Violations Referred for Disciplinary Referral	3	0	0
Drug Law Arrests	9	0	0
Drug Law Violations Referred for Disciplinary Referral	2	0	0
Weapons Law Violations Arrests	0	0	0
Weapons Law Violations Referred for Disciplinary Referral	0	0	0
Domestic Violence	0	0	0
Dating Violence	0	0	0
Stalking	0	0	0
Hate Crimes	0	0	0

University of Tennessee  
Southern

UTM			
Clery Crime Category	2019	2020	2021
Murder/Non-Negligent Manslaughter	0	0	0
Negligent Manslaughter	0	0	0
Robbery	0	1	0
Aggravated Assault	2	0	1
Motor Vehicle Theft	2	1	2
Arson	0	0	0
Burglary	1	0	1
Rape	1	8	5
Fondling	2	2	4
Incest	0	0	0
Statutory Rape	3	0	0
Liquor Law Arrests	14	0	2
Liquor Law Violations Referred for Disciplinary Referral	27	29	34
Drug Law Arrests	18	4	5
Drug Law Violations Referred for Disciplinary Referral	38	23	19
Weapons Law Violations Arrests	0	0	0
Weapons Law Violations Referred for Disciplinary Referral	1	1	0
Domestic Violence	0	4	3
Dating Violence	3	0	0
Stalking	1	3	6
Hate Crimes	0	1	0

University of Tennessee Martin  
Statistics include Jackson, Parsons,  
Ripley, Selmer and Somerville Centers

UTHSC			
Clery Crime Category	2019	2020	2021
Murder/Non-Negligent Manslaughter	0	0	0
Negligent Manslaughter	0	0	0
Robbery	2	1	1
Aggravated Assault	7	1	6
Motor Vehicle Theft	4	2	4
Arson	0	1	0
Burglary	3	2	4
Rape	0	0	0
Fondling	1	0	1
Incest	0	0	0
Statutory Rape	0	0	1
Liquor Law Arrests	0	0	0
Liquor Law Violations Referred for Disciplinary Referral	0	0	0
Drug Law Arrests	7	12	21
Drug Law Violations Referred for Disciplinary Referral	0	3	0
Weapons Law Violations Arrests	0	0	11
Weapons Law Violations Referred for Disciplinary Referral	0	0	0
Domestic Violence	3	6	5
Dating Violence	0	0	0
Stalking	1	1	1
Hate Crimes	0	0	0

University of Tennessee Health  
Science Center

# Questions?



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

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Meeting Date: February 23, 2023

Committee: Audit and Compliance

Item: **Consent Agenda**

Type: Information

Presenter: Decosta Jenkins, 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 - December**  
**For the Year Ending December 31, 2022**

<b>Audit</b>	<b>Campus</b>	<b>Engagement</b>	<b>Status</b>
Prior Year	System	I-9 Compliance	Complete
Prior Year	System	IT - UTK Department Managed Systems	Complete
Prior Year	System	IT - Access Life Cycle	Complete
Prior Year	System	Background Checks	In Progress
Prior Year	System	Online Student Fees	Now Advisory
Prior Year	UTK	Lab Safety	Complete
Prior Year	UTK	Student Fees	Complete
Prior Year	UTC	Vivature Contract	Complete
Prior Year	UTC	Academic - College of Arts and Sciences	Complete
Prior Year	UTM	Athletics Concessions Operations	Complete
Prior Year	IPS	General Compliance	Complete
BOT Approved	System	President	Complete
BOT Approved	System	2022 Complete College Tennessee Act	Complete
BOT Approved	UTK	Faculty Conflicts of Interest	In Progress
BOT Approved	UTK	Academic Division - Haslem College	In Progress
BOT Approved	UTK/UTIA	Extension Offices - Western Region	Complete
BOT Approved	UTK/UTIA	Extension Money Handling	Now Advisory
BOT Approved	UTHSC	Dentistry - Controlled Substances & Cash	In Progress
BOT Approved	UTHSC	IT - Change Management	Now Advisory
BOT Approved	UTHSC	Cash Controls	Complete
BOT Approved	UTHSC	IT Services Policy Compliance	Complete
BOT Approved	UTHSC	Office of Research and Sponsored Programs	In Progress
BOT Approved	UTC	Chancellor	Complete
BOT Approved	UTC	Athletics	In Progress
BOT Approved	UTC	Vendor Insurance	In Progress
BOT Approved	UTC	Communications and Marketing Policy Compliance	In Progress
BOT Approved	UTM	Chancellor	Complete
BOT Approved	UTM	OVC Special Assistance Funds	Complete
BOT Approved	UTS	Chancellor	Complete
BOT Approved	UTS	Athletics	Now Advisory
Addition	UTS	Scholarships and Financial Assistance	In Progress
Subtraction	System	IT - Department Managed Systems	2023
Subtraction	System	IT - Vulnerability Management	2023
Subtraction	System	Capital Projects	2023
Subtraction	UTK	Athletics	2023
Subtraction	UTK	Physical Security	2023
Subtraction	UTC	Cash Controls	2023
Subtraction	UTM	Athletics	2023
Subtraction	UTM	Administrative Division	2023
Subtraction	UTS	Administrative Division	Cancelled

<b>Advisory</b>	<b>Campus</b>	<b>Engagement</b>	<b>Status</b>
Prior Year	System	Online Student Fees	Complete
BOT Approved	System	Business Impact Analysis	In Progress
BOT Approved	System	DASH System Implementation	In Progress
BOT Approved	System	Department Business Management Guide	Complete
BOT Approved	System	Self Assessment of Controls	Complete
BOT Approved	UTHSC	College of Medicine Graduate Medical Education	In Progress
BOT Approved	UTC	WUTC Radio Station	Complete
Addition	UTK/UTIA	Extension Money Handling	Complete
Addition	UTK/UTIA	Hiring Processes	Complete
Addition	UTHSC	IT - Change Management	In Progress
Addition	UTS	Athletics	Complete
Subtraction	UTK	Operational Efficiency	Cancelled
Subtraction	UTK	Purchasing	2023
Subtraction	UTC	Emergency Management Accreditation	2023
Subtraction	UTC	Lab Fee Utilization	2023
Subtraction	UTS	Safety and Security	2023





## Outstanding High-Priority Audit Issues

As of January 15, 2023

5.2

	Campus	Audit	Issue	Report Date	Expected Remediation Date*	Revised Remediation Date
1	System-wide	Ransomware Prevention & Response	Business Impact Analysis	10/1/2021	3/31/2023	N/A
2	UTSA	Ransomware Prevention & Response	Disaster Recovery Procedures	10/1/2021	3/31/2023	N/A
3	UTM	Athletic Concessions Operations	Cash Sales	5/5/2022	3/31/2023	N/A
4	UTM	Athletic Concessions Operations	Inventory Control	5/5/2022	3/31/2023	N/A
5	System-wide	I-9 Compliance	Initial I-9 Processing	6/27/2022	5/31/2023	N/A
6	System-wide	I-9 Compliance	Reverification	6/27/2022	5/31/2023	N/A
7	UTK	Lab Safety	Training Plan Monitoring	7/7/2022	3/20/2023	N/A
8	UTIA	Extension Western Region	Bank Statement Reconciliation	11/10/2022	5/31/2023	N/A

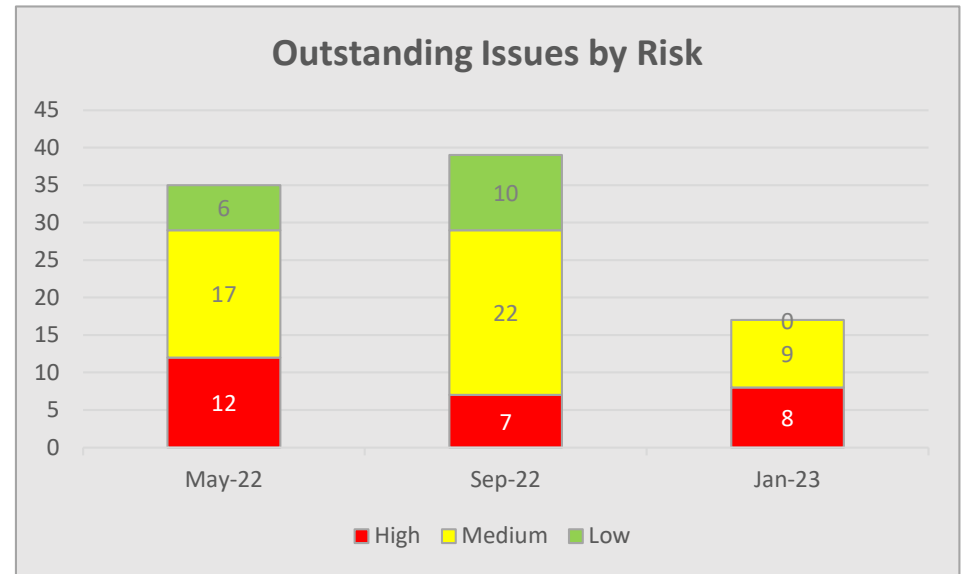
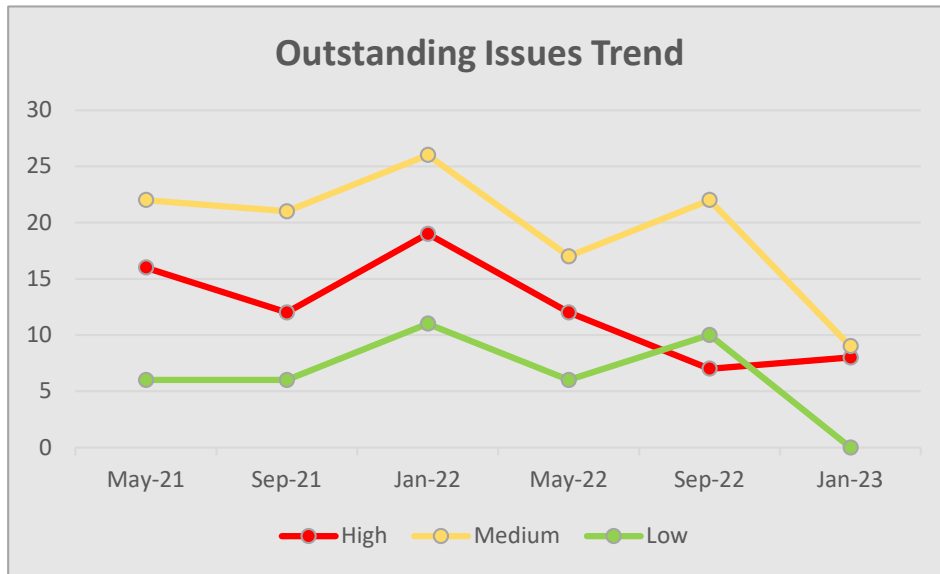
\*Internal Audit will follow up with management to confirm remediation status when due.



## Issues by Priority Rating

As of January 15, 2023

5.2





## MEMORANDUM

**TO:** Audit and Compliance Committee  
Mr. John Compton, Chair of the Board of Trustees  
Mr. Decosta Jenkins, Chair, Audit and Compliance Committee  
Mr. Bill Rhodes, Chair, Finance and Administration Committee

**FROM:** Mr. Luke Lybrand *LL*

**DATE:** January 30, 2023

**SUBJECT:** Travel Exception Report

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The Board of Trustee'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 ending December 31, 2022, 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. David Miller  
Mr. Brian Daniels  
Ms. Cindy Moore



JASON E. MUMPOWER  
*Comptroller*

5.4

January 18, 2023

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,

A handwritten signature in blue ink that reads "Katherine J. Stickel".

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

cc: Mr. Decosta Jenkins  
Chairman of the Audit Committee

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



JASON E. MUMPOWER  
Comptroller

5.4

### **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 on the accompanying statements of revenues and expenses of the University of Tennessee's Intercollegiate Athletics Programs for the year ended June 30, 2022. The institution's management is responsible for the statements of revenues and expenses and the statements' compliance with those requirements.

The University of Tennessee's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting 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, 2022. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Exceptions totaling no more than the lesser of \$75,000 or 10% of the line-item total to which an agreed-upon procedure has been applied are considered insignificant and 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**

- 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 statements.
- There were no material reported revenues or expenses for or on behalf of university athletic departments at affiliated or outside organizations.

**Procedure****Results**

- Obtain the statements of revenues and expenses of the athletic programs and related notes for the year ended June 30, 2022, 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, 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 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 Chattanooga and Martin, since ticket revenue was less than 4% of campus revenues, no procedures were 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

The institution does not report in this manner; therefore, this step was not performed.

is able to count each sport. Agree the calculation to supporting documents such as seat manifests, ticket sales reports, and student fee totals.

- 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.
- 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.
- Compare the transfers back to institution with permanent transfers back to institution from the athletics department and recalculate totals.
- 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.

Since direct state or other governmental support was less than 4% of campus revenues at each campus, this procedure was not performed.

No exceptions noted. At Knoxville, since there was no direct institutional support, this procedure was not performed.

Since no transfers back to institution exceeded 4% of revenues at any campus, this procedure was not performed.

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

- |   |   |
|---|---|
|   | <p>maintenance; security; risk management; and utilities.”</p>  |
| <ul style="list-style-type: none"> <li>• 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 statement and recalculate totals.</li> </ul>  | <p>Since guarantee revenues were less than 4% of campus revenues at each campus, this procedure was not performed.</p>  |
| <ul style="list-style-type: none"> <li>• 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.</li> </ul>   | <p>Since guarantee revenues were less than 4% of campus revenues at each campus, this procedure was not performed.</p>  |
| <ul style="list-style-type: none"> <li>• 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.</li> </ul> | <p>This procedure was performed at Martin without exception. There were no contributions that met this criterion at Chattanooga or Knoxville; therefore, this step was not performed.</p> |
| <ul style="list-style-type: none"> <li>• Compare the in-kind contributions recorded by the institution during the reporting period with a schedule of in-kind donations and recalculate the totals.</li> </ul>  | <p>No exceptions noted. Only Martin had in-kind contributions that exceeded 4% of total revenues. This procedure was therefore not performed at Chattanooga and Knoxville.</p>            |
| <ul style="list-style-type: none"> <li>• Obtain and inspect agreements for the institution’s total media rights as reported in the statement. 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</li> </ul>  | <p>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.</p>             |



conference distributions if media rights are not broken out separately.

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

No exceptions noted. Only Martin had NCAA distributions revenue that exceeded 4% of total revenues. This procedure was therefore not performed at Chattanooga and Knoxville.

No exceptions noted. At Chattanooga and Martin, since conference distributions were less than 4% of campus revenues, this procedure was not performed.

No exceptions noted. Only Knoxville had program sales, concessions, novelty sales, and parking revenue that exceeded 4% of total revenues. This procedure was therefore not performed at Chattanooga and Martin.

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.

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

- Obtain and inspect the institution's endowment agreements. Compare the classification and use of endowment and investment income reported in the statement 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 football 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 campus revenues at each campus, this procedure was not performed. Chattanooga and Martin did not participate in bowl games.

### 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 expense 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 detail in Compliance Assistance (CA) or the institution report that ties directly to the NCAA Membership Financial Reporting System.

No exceptions noted.

No exceptions noted.

No exceptions noted. See the supplements to this report.

At Chattanooga, two student -athletes were not given a border tuition discount on the Banner system that they should have received. This led to differences between the athletic grant amount on the Compliance Assistance system and the Banner system. On Compliance Assistance, the amount reported included the tuition discount. At Martin, two errors were noted on squad lists received from athletic

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.

department personnel: (1) for five students, total countable aid was calculated incorrectly and (2) seven individual sport squad lists had incorrect totals. In addition, at Martin, out of 58 student-athletes tested, the following four reporting errors were noted: (1) for one student, the athletic grant amount was reported incorrectly; (2) for a second student, the revenue distribution equivalent aid was reported incorrectly; (3) for a third student, the athletic grant amount and the total countable aid were reported incorrectly; (4) for the fourth student, the athletic grant amount, total countable aid, and the revenue distribution equivalent aid were reported incorrectly. Similar errors were reported at Martin last year.

- Obtain and inspect visiting institution's 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 statement. 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 statement during the reporting period. Obtain and inspect payroll summary registers

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

No exceptions noted.

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 statement during the reporting period. Compare and agree the totals recorded to any employment contracts executed for the sample selected and recalculate totals.

- 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 statement 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 statement 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

No employees were employed by third parties during the reporting period; therefore, this step was not performed.

and benefits expense recorded by the institution in the statement during the reporting period. Recalculate totals.

- 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.
- 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.
- 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.
- 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.

No severance payments were reported at any campus during the reporting period; therefore, this step was not performed.

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

No exceptions noted.

At Chattanooga and Martin, since these expenses were less than 4% of campus expenses, this procedure was not performed. At Knoxville, no exceptions were noted.

#### **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.
- At each campus, obtain the institution's Sports Sponsorship and Demographics Forms Report

No exceptions noted.

No exceptions noted.

for the reporting year. Validate that the countable sports reported met the minimum 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 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

These categories were not reported at any campus; therefore, this step was not applicable.

No exceptions noted.

No exceptions noted.

No exceptions noted.

institution, and affiliated organizations. Agree the fair value in the schedules to supporting 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.

We were engaged by the University of Tennessee management to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, 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, 2022. 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.

We are required to be independent of the University of Tennessee and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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 18, 2023

The University of Tennessee at Knoxville  
Department of Intercollegiate Athletics  
Statement of Revenues and Expenses  
For the Year Ended June 30, 2022

<b>Revenues</b>		
1 Ticket sales	\$	35,110,289
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		204,849
7 Guarantees		115,000
8 Contributions		32,718,373
9 In-kind		2,764,900
10 Compensation and benefits provided by a third party		-
11 Media rights		38,135,253
12 NCAA distributions		3,254,629
13 Conference distributions (non-media and non-bowl)		3,389,112
13a Conference distributions of bowl generated revenue		9,095,292
14 Program, novelty, parking, and concession sales		6,687,524
15 Royalties, licensing, advertisement, and sponsorships		17,750,733
16 Sports camp revenues		1,015,301
17 Athletics restricted endowment and investments income		2,160,281
18 Other operating revenue		868,580
19 Bowl revenues		1,296,820
<b>Subtotal operating revenues</b>		<b>154,566,935</b>
<b>Expenses</b>		
20 Athletic student aid		18,412,355
21 Guarantees		4,154,800
22 Coaching salaries, benefits, and bonuses paid by the university and related entities		29,275,136
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		32,582,974
25 Support staff/administrative compensation, benefits, and bonuses paid by a third party		-
26 Severance payments		-
27 Recruiting		4,332,770
28 Team travel		9,110,081
29 Sports equipment, uniforms, and supplies		4,610,845
30 Game expenses		6,297,903
31 Fund raising, marketing, and promotion		4,469,371
32 Sports camp expenses		1,015,683
33 Spirit groups		456,104
34 Athletic facilities, debt service, leases, and rental fees		10,469,411
35 Direct overhead and administrative expenses		14,842,858
36 Indirect institutional support		-
37 Medical expenses and insurance		1,888,930
38 Memberships and dues		53,508
39 Student-athlete meals (non-travel)		4,851,694
40 Other operating expenses		8,605,518
41 Bowl expenses		1,147,431
41a Bowl expenses - coaching compensation/bonuses		531,268
<b>Subtotal operating expenses</b>		<b>157,108,637</b>
<b>Excess (deficiency) of revenues over (under) expenses</b>	<b>\$</b>	<b>(2,541,702)</b>

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	\$	98,354,302
53 Total institutional debt	\$	755,120,136
54 Value of athletics dedicated endowments	\$	57,578,226
55 Value of institutional endowments	\$	862,573,293
56 Total athletics related capital expenditures	\$	29,870,381



The University of Tennessee at Chattanooga  
Department of Intercollegiate Athletics  
Statement of Revenues and Expenses  
For the Year Ended June 30, 2022

5.4

<b>Revenues</b>		
1 Ticket sales	\$	803,127.99
2 Direct state or other government support		566,681.00
3 Student fees		5,433,242.38
4 Direct institutional support		8,982,975.38
5 Less: transfers to institution		-
6 Indirect institutional support		-
6a Indirect institutional support -athletic facilities debt service, lease and rental fees		-
7 Guarantees		673,000.00
8 Contributions		2,314,420.03
9 In-kind		224,488.00
10 Compensation and benefits provided by a third party		-
11 Media rights		-
12 NCAA distributions		416,601.00
13 Conference distributions (non-media and non-bowl)		49,850.00
13a Conference distributions of bowl generated revenue		-
14 Program, novelty, parking, and concession sales		9,821.36
15 Royalties, licensing, advertisement, and sponsorships		628,754.17
16 Sports camp revenues		332,169.04
17 Athletics restricted endowment and investments income		98,814.74
18 Other operating revenue		517,182.12
19 Bowl revenues		-
<b>Subtotal operating revenues</b>		<b>21,051,127.21</b>
<b>Expenses</b>		
20 Athletic student aid		5,856,801.43
21 Guarantees		5,353.76
22 Coaching salaries, benefits, and bonuses paid by the university and related entities		4,652,478.10
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		3,426,675.47
25 Support staff/administrative compensation, benefits, and bonuses paid by a third party		-
26 Severance payments		-
27 Recruiting		314,552.88
28 Team travel		1,166,491.48
29 Sports equipment, uniforms, and supplies		996,459.75
30 Game expenses		450,384.48
31 Fund raising, marketing, and promotion		777,730.37
32 Sports camp expenses		186,385.84
33 Spirit groups		289,181.16
34 Athletic facilities, debt service, leases, and rental fees		277,380.76
35 Direct overhead and administrative expenses		415,939.70
36 Indirect institutional support		-
37 Medical expenses and insurance		17,598.56
38 Memberships and dues		46,842.00
39 Student-athlete meals (non-travel)		334,823.28
40 Other operating expenses		1,836,048.19
41 Bowl expenses		-
41a Bowl expenses - coaching compensation/bonuses		-
<b>Subtotal operating expenses</b>		<b>21,051,127.21</b>
<b>Excess (deficiency) of revenues over (under) expenses</b>	\$	<b>-</b>

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	\$	881,854.00
53 Total institutional debt	\$	97,212,237.22
54 Value of athletics dedicated endowments	\$	5,135,074.24
55 Value of institutional endowments	\$	187,552,991.72
56 Total athletics related capital expenditures	\$	1,708,989.77

The University of Tennessee at Martin  
Department of Intercollegiate Athletics  
Statement of Revenues and Expenses  
For the Year Ended June 30, 2022

5.4

<b>Revenues</b>	
1 Ticket sales	\$ 132,377.00
2 Direct state or other government support	309,631.69
3 Student fees	1,816,783.28
4 Direct institutional support	7,568,007.91
5 Less: transfers to institution	-
6 Indirect institutional support	-
6a Indirect institutional support -athletic facilities debt service, lease and rental fees	283,549.91
7 Guarantees	483,000.00
8 Contributions	1,226,881.65
9 In-kind	739,556.35
10 Compensation and benefits provided by a third party	-
11 Media rights	175,737.59
12 NCAA distributions	918,223.99
13 Conference distributions (non-media and non-bowl)	248,000.00
13a Conference distributions of bowl generated revenue	-
14 Program, novelty, parking, and concession sales	149,925.96
15 Royalties, licensing, advertisement, and sponsorships	235,366.57
16 Sports camp revenues	-
17 Athletics restricted endowment and investments income	174,919.21
18 Other operating revenue	-
19 Bowl revenues	-
<b>Subtotal operating revenues</b>	<b>14,461,961.11</b>
<b>Expenses</b>	
20 Athletic student aid	4,718,588.88
21 Guarantees	15,809.21
22 Coaching salaries, benefits, and bonuses paid by the university and related entities	2,788,758.24
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	1,962,639.23
25 Support staff/administrative compensation, benefits, and bonuses paid by a third party	-
26 Severance payments	-
27 Recruiting	232,392.84
28 Team travel	1,158,774.11
29 Sports equipment, uniforms, and supplies	1,353,864.45
30 Game expenses	207,312.06
31 Fund raising, marketing, and promotion	20,719.87
32 Sports camp expenses	-
33 Spirit groups	19,486.45
34 Athletic facilities, debt service, leases, and rental fees	283,549.91
35 Direct overhead and administrative expenses	396,336.37
36 Indirect institutional support	-
37 Medical expenses and insurance	298,060.29
38 Memberships and dues	18,932.16
39 Student-athlete meals (non-travel)	211,163.05
40 Other operating expenses	775,573.99
41 Bowl expenses	-
41a Bowl expenses - coaching compensation/bonuses	-
<b>Subtotal operating expenses</b>	<b>14,461,961.11</b>
<b>Excess (deficiency) of revenues over (under) expenses</b>	<b>\$ -</b>
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	\$ 4,213,192.73
53 Total institutional debt	\$ 56,803,992.00
54 Value of athletics dedicated endowments	\$ 3,755,725.96
55 Value of institutional endowments	\$ 47,228,083.53
56 Total athletics related capital expenditures	\$ 419,027.17

**THE UNIVERSITY OF TENNESSEE  
INTERCOLLEGIATE ATHLETIC DEPARTMENTS  
NOTES TO THE STATEMENTS OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022**

**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, library holdings, and lease assets are reported in the statement of net position at historical cost or at acquisition value at date of donation, or the present value of lease payments plus other associated lease costs, 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 (an intangible asset) 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. The capitalization threshold for leased assets (also intangible assets) is set at \$100,000.

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 1 to 40 years.

**NOTE 2. LONG-TERM DEBT**

**Knoxville**

Long-term debt activity related to athletic department assets, for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Long-term debt:				
Bonds	\$101,888,012.93	\$ -	\$6,902,074.48	\$94,985,938.45
Revolving credit facility	1,771,174.92	1,597,188.66	-	3,368,363.58
Total TSSBA indebtedness	\$103,659,187.85	\$1,597,188.66	\$6,902,074.48	\$98,354,302.03

**THE UNIVERSITY OF TENNESSEE  
INTERCOLLEGIATE ATHLETIC DEPARTMENTS  
NOTES TO THE STATEMENTS OF REVENUES AND EXPENSES (CONT.)  
FOR THE YEAR ENDED JUNE 30, 2022**

**5.4**

Debt service requirements to maturity for bonds payable at June 30, 2022, for athletic related debt, are as follows:

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 8,212,127.40	\$ 2,922,523.08
2024	7,286,106.07	2,641,126.69
2025	8,781,292.93	2,356,015.48
2026	9,071,747.47	2,021,719.54
2027	7,881,386.11	1,685,563.72
2028-2032	32,652,713.21	4,615,809.49
2033-2037	18,527,269.56	1,705,414.87
2038-2040	<u>2,573,295.70</u>	<u>197,231.54</u>
	<u>\$ 94,985,938.45</u>	<u>\$18,145,404.41</u>

**Chattanooga**

Long-term debt activity related to athletic department assets, for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Long-term debt:				
Bonds	\$1,013,681.00	\$ -	\$131,827.00	\$881,854.00
Total TSSBA indebtedness	<u>\$1,013,681.00</u>	<u>\$ -</u>	<u>\$131,827.00</u>	<u>\$881,854.00</u>

Debt service requirements to maturity for bonds payable at June 30, 2022, for athletic related debt, are as follows:

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 135,295.00	\$ 27,137.77
2024	139,365.00	23,279.96
2025	144,722.00	19,034.10
2026	148,405.00	14,421.30
2027	154,752.00	9,464.37

**THE UNIVERSITY OF TENNESSEE  
INTERCOLLEGIATE ATHLETIC DEPARTMENTS  
NOTES TO THE STATEMENTS OF REVENUES AND EXPENSES (CONT.)  
FOR THE YEAR ENDED JUNE 30, 2022**

2028	<u>159,315.00</u>	<u>4,156.92</u>
	<u>\$ 881,854.00</u>	<u>\$ 97,494.42</u>

**Martin**

Long-term debt activity related to athletic department assets, for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Long-term debt:				
Bonds	\$4,365,702.16	\$ -	\$152,509.43	\$4,213,192.73
Total TSSBA indebtedness	\$4,365,702.16	\$ -	\$152,509.43	\$4,213,192.73

Debt service requirements to maturity for bonds payable at June 30, 2022, for athletic related debt, are as follows:

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 183,372.41	\$ 105,436.23
2024	189,078.09	99,441.07
2025	195,810.80	93,077.33
2026	202,244.68	86,242.28
2027	209,764.70	78,917.21
2028-2032	1,172,430.05	293,848.42
2033-2037	723,170.00	208,323.72
2038-2042	803,891.00	123,454.79
2043-2045	<u>533,431.00</u>	<u>21,530.43</u>
	<u>\$4,213,192.73</u>	<u>\$1,110,271.48</u>

**NOTE 3. CONTRIBUTIONS**

Contributions are reported on the statements of revenues and expenses for intercollegiate athletics only to the extent that they are expended in the current reporting period. No single donor or small group of donors gave more than 10% of the reported contributions at the University of Tennessee at Knoxville campus. No single donor or small group of donors gave more than 10% of the reported contributions at the University of Tennessee at Chattanooga campus. At the University of Tennessee at Martin campus, \$312,257.17 was expended from a gift from a single anonymous donor. This amount exceeded 10% of reported contributions. In addition, at Martin, one

**THE UNIVERSITY OF TENNESSEE  
INTERCOLLEGIATE ATHLETIC DEPARTMENTS  
NOTES TO THE STATEMENTS OF REVENUES AND EXPENSES (CONT.)  
FOR THE YEAR ENDED JUNE 30, 2022**

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**5.4**

anonymous donor gave an in-kind gift of \$410,000 and another anonymous donor gave an in-kind gift of \$150,000. Each of these gifts exceeded 10% of reported in-kind contributions.

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

	2022 Actual	2021 Actual	\$ Difference	% Difference	
<b>Operating revenues:</b>					
Ticket sales	\$ 35,110,289	\$ 9,993,848	\$ 25,116,441	251.3%	(1)
Contributions	32,718,373	21,891,612	10,826,761	49.5%	(2)
Media rights	38,135,253	35,176,913	2,958,340	8.4%	
Royalties, licensing, advertisement, and sponsorships	17,750,733	15,648,190	2,102,543	13.4%	(3)
<b>10% of Revenues</b>	<b>\$ 15,456,694</b>				
<b>Operating expenses:</b>					
Athletic student aid	\$ 18,412,355	\$ 15,791,445	\$ 2,620,910	16.6%	(4)
Coaching salaries, benefits, and bonuses paid by the university and related entities	29,275,136	24,646,787	4,628,349	18.8%	(5)
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	32,582,974	26,659,422	5,923,552	22.2%	(6)
<b>10% of Expenses</b>	<b>\$ 15,710,864</b>				

- (1) The variance of \$25,116,441 in Ticket sales from fiscal year 2021 to 2022 is attributed to the removal of COVID capacity restrictions at Neyland Stadium for football games in the 2021 season. Capacity in the general seating areas decreased to approximately 25% for the 2020 season to comply with local health guidelines, which reduced the number of season ticket holders and ticket sales for fiscal year 2021. The reported ticket sales amount of \$35,110,289 in fiscal year 2022 is in line with figures previously reported when Neyland is at 100% capacity (e.g., \$35,541,922 in fiscal year 2020 and \$36,159,453 in fiscal year 2019).
- (2) The variance of \$10,826,761 in Contributions from fiscal year 2020 to 2021 is attributed to the removal of COVID capacity restrictions at Neyland Stadium for football games in the 2021 season. Capacity in the general seating area decreased to approximately 25% for the 2020 season to comply with local health guidelines, which reduced the number of contributions associated with season ticket sales for fiscal year 2021. The reported contributions amount of \$32,718,373 in fiscal year 2022 is in line with figures previously reported when Neyland is at 100% capacity (e.g., \$31,285,720 in fiscal year 2019).
- (3) The variance of \$2,102,543 in Royalties, licensing, advertisement, and sponsorships from fiscal year 2021 to fiscal year 2022 is attributed mainly to an increase of \$1,862,755 in the total rights fees and royalties from Learfield (account number I011100018). Total licensing (I01100033) also increased by \$797,759, primarily due to an increase in merchandise sales nation-wide from the competitive success in fiscal year 2022.
- (4) The variance of \$2,620,910 in Athletic student aid from fiscal year 2021 to fiscal year 2022 is attributed to the academic achievement award distribution for eligible student-athletes and an increase in the total number of available scholarships related to NCAA COVID legislation. Of the overall increase, men's student-athlete aid increased by \$950,622, and women's student-athlete aid increased by \$1,695,198. The overall increase attributed to the academic achievement award distribution totaled \$1,306,940 between male and female student-athletes and the increase from additional scholarships totaled \$1,626,499 between male and female student-athletes.
- (5) The variance of \$4,628,349 in Coaching salaries, benefits, and bonuses paid by the university from fiscal year 2021 to fiscal year 2022 is attributed to an increase in men's basketball coaches salaries of \$1,922,102, an increase in baseball coaches salaries of \$1,680,024, and an increase in football coaches salaries of \$444,171. The increases are largely due to the prior year salary reductions and waiver of incentive compensation during a pandemic cost reduction plan.
- (6) The variance of \$5,923,552 in Support staff/administrative compensation, benefits, and bonuses paid by the university from fiscal year 2021 to fiscal year 2022 is attributed to an increase in event and external staff salaries of \$2,025,041, an increase in team support staff salaries of \$1,339,875, an increase in athletics director's administrative support staff of \$1,134,028, an increase in student-athlete welfare services of \$692,253, and an increase of \$622,177 in team support staff bonuses. Per the pandemic cost reduction plan in fiscal year 2021, many open positions were frozen and were opened/hired in fiscal year 2022 leading to an increase in overall support staff compensation.

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

	2022 Actual	2021 Actual	\$ Difference	% Difference	
<b>Operating revenues:</b>					
Student fees	\$ 5,433,242.38	\$ 5,605,320.00	\$ (172,077.62)	-3.1%	
Direct institutional support	8,982,975.38	7,331,773.41	1,651,201.97	22.5%	(1)
Contributions	2,314,420.03	609,221.35	1,705,198.68	279.9%	(2)
<b>10% of Revenues</b>	<b>\$ 2,105,112.72</b>				
<b>Operating expenses:</b>					
Athletic student aid	\$ 5,856,801.43	\$ 5,451,182.35	\$ 405,619.08	7.4%	
Coaching salaries, benefits, and bonuses paid by the university and related entities	4,652,478.10	3,989,829.72	662,648.38	16.6%	(3)
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	3,426,675.47	3,191,809.14	234,866.33	7.4%	
<b>10% of Expenses</b>	<b>\$ 2,105,112.72</b>				

(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 increased by \$2,549,601.74, and total athletic department expenses increased by \$4,200,803.71.

(2) This increase was due to additional expenses funded by restricted gifts. Contributions are reported to the extent they are expended in the current reporting period.

(3) The coaching salaries reported increased for several reasons. There was a 2.75% across the board raise for employees effective July 1, 2021. The men's basketball coach received bonuses for winning the Southern Conference championship, going to the NCAA tournament, and being named Southern Conference coach of the year. There was turnover in the men's basketball staff and women's basketball staff resulting in annual leave payouts for departing coaches and moving allowances for new coaches. There was a new assistant coach in the women's golf program. There was additional pay to athletic department personnel for work in women's soccer camps.



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

	2022 Actual	2021 Actual	\$ Difference	% Difference	
<b>Operating revenues:</b>					
Student fees	\$ 1,816,783.28	\$ 2,027,286.37	\$ (210,503.09)	-10.4%	(1)
Direct institutional support	7,568,007.91	5,533,081.28	2,034,926.63	36.8%	(2)
<b>10% of Revenues</b>	<b>\$ 1,446,196.11</b>				
<b>Operating expenses:</b>					
Athletic student aid	\$ 4,718,588.88	\$ 4,511,521.59	\$ 207,067.29	4.6%	
Coaching salaries, benefits, and bonuses paid by the university and related entities	2,788,758.24	2,603,377.94	185,380.30	7.1%	
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	1,962,639.23	1,722,862.76	239,776.47	13.9%	(3)
<b>10% of Expenses</b>	<b>\$ 1,446,196.11</b>				

- (1) Student athletic fee revenue decreased by \$210,503.09 from the prior year because of a decrease in overall student enrollment.
- (2) Direct institutional support represents operating expense amounts funded by the university that were not funded by other athletic department revenues. Other athletic department revenues increased by \$654,347.24, and total athletic department expenses increased by \$2,689,273.87.
- (3) This increase was due to staff positions added: a football assistant, an academic advisor, a turf specialist, a trainer, and additional graduate assistants. Additional personnel costs were also incurred due to new ESPN+ broadcasts during the year. An across-the-board salary increase was also given to existing employees.



December 15, 2022

Mr. James E. Bryson, Commissioner  
Department of Finance and  
Administration  
State Capitol Building  
Nashville, TN 37243

The Honorable Jason E. Mumpower  
Comptroller of the Treasury  
State Capitol Building  
Nashville, TN 37243

Dear Mr. Bryson and Mr. Mumpower:

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 in calendar year 2022 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 assessed risks in conformance with these requirements, and I acknowledge the responsibility for establishing, implementing, and maintaining an adequate internal control system and assessing its effectiveness. I also recognize that all internal control systems have inherent limitations and can provide only *reasonable* assurance that controls are functioning as intended.

Mr. James Bryson and Mr. Jason Mumpower 2

December 15, 2022

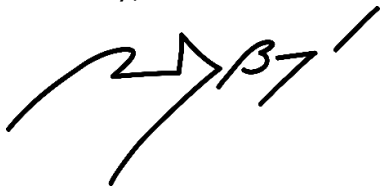
Based on the risk and control activities performed during 2022 as described in the attached document, I have reasonable assurance that the University of Tennessee's internal controls in these areas are adequate and effective in achieving our objectives and am unaware of any material weaknesses or lack of compliance in the areas examined.

The results of our risk assessment and control activities have been documented and retained.

This assurance report will be provided 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."

Please let me know if you have questions.

Sincerely,

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

Randy Boyd  
President

Enclosure

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

# The University of Tennessee

## Risk Management and Control Activities

### Calendar Year 2022

5.5

## INTRODUCTION

### Purpose

This document summarizes the risk management and control activities conducted at the University of Tennessee (UT) during calendar year 2022 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. These activities include new initiatives and longstanding activities that demonstrate the University's commitment to implementing and refining a comprehensive risk management and control monitoring system that not only meets but *exceeds* the requirements of Tennessee's Financial Integrity Act.

### Background

The University's approach complies with 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 management guide requires state agencies' risk and control activities to align with the following 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").

The ERM function resides in the UT System Office of Finance and Administration and is led by the Enterprise Risk Officer (ERO) who reports to the Senior Vice President and Chief Financial Officer. See the ERM website at <https://finance.tennessee.edu/erm/>.

For 2022, the Enterprise Risk Officer chose to focus ERM activities on assessing risks related to achieving the goals and objectives in the UT Systemwide Strategic Plan, 2021-2025. An update to this plan was presented to the UT Board of Trustees at its October 2021 meeting. The plan can be found at <https://plan.tennessee.edu>.

Focusing on the risks related to the achievement of a Systemwide plan aligns with TN F&A's guidance to always assess risks "in light of setting and achieving an agency's objectives" and ensure that "the risk identification process focuses on those risks that matter" (p. 4 of 7).

Section I of this report describes the activities associated with assessing risks related to the Systemwide Strategic Plan. Section II describes the University's key ongoing activities related to risk identification, monitoring, and control testing: 1) the annual Self-Assessment of Internal Controls, 2) risk-based internal auditing, and 3) the Institutional Compliance function, and 4) information technology security plan reviews.

This report does not contain confidential, detailed information about risks. Complete information is on file in the offices responsible for the activities.

## **SECTION I: ASSESSING RISKS RELATED TO THE UT SYSTEMWIDE STRATEGIC PLAN**

Assessing risks related to the achievement of the goals and objectives in the UT Systemwide Strategic Plan was first done in 2015. The refresh of that plan in 2021 provided a new opportunity to focus on areas that are not routinely part of a formal risk assessment process, though University leaders continually consider risks as they conduct their work.

**Background.** Throughout 2021, the Systemwide Strategic Planning Steering Committee and working groups—including members from all campuses and institutes—met to review and assess existing plan goals and objectives and develop ways to build on past successes and ensure continuous improvement toward achieving the University's mission.

The plan provides the goals, objectives, and metrics for measuring success that will guide efforts in the plan's five pillars—Enhancing Educational Excellence, Expanding Research Capabilities, Fostering Outreach and Engagement, Ensuring Workforce and Administrative Excellence, and Advocating for UT—each of which represents a fundamental element of UT's mission.

The UT Systemwide Strategic Plan, along with the values and vision, provides the overall direction for the entire UT System. The direction cascades to the campuses and institutes, which develop their own strategic plans that reflect each entity's distinctive mission, environment, and stakeholder needs. In two areas of the Systemwide plan—Pillar 1 (academic affairs and student success) and Pillar 2 (research)—activity for achieving the related goals and objectives takes place at the campuses.

**The 2022 Process.** As shown in the graphic below, the University's ERM process consists of three phases: I. Risk Assessment, II. Risk Response, and III. Monitoring and Reporting. The 2022 ERM activity focused on Phase I: Risk Assessment, in the context of UT's Systemwide Strategic Plan.

### UT ERM PROCESS



Once the context of the Systemwide strategic plan was set, the next step was to identify which of the 15 goals and 35 objectives should be assessed in 2022 and the UT officials responsible for implementing them. Attachment 1 shows the work completed in 2022.

**Risk Assessments.** The ERO held meetings with officials working in the functional areas related to each objective at their respective campuses or units to gather information needed for the risk assessments. Depending on the location and objective, from one to six representatives participated in each meeting, and the agenda included from one to four of the strategic plan's objectives.

The risk assessment meetings focused on obtaining answers to the following questions for each objective (for more details, see Attachment 2):

- What are the top three impediments (internal or external) that UT faces over the next couple of years in trying to achieve this objective?
- What are the top three to five activities currently underway related to each of these impediments?
- Conversely, what are the top three opportunities where UT might be able to take some risks or take advantage of favorable conditions to achieve this objective?
- What are the top three to five activities currently underway related to each of these opportunities?

The ERO, who was assisted in these meetings by the strategic plan coordinator from UT's Institutional Effectiveness office, used the meeting notes to draft a risk assessment that included the following elements:

- The top impediments (risk threats) and opportunities (risk opportunities) related to the achievement of the objective.
- The magnitude of the impact (H, M, L) if the threat/opportunity were to occur.
- The likelihood of the threat/opportunity occurring (H, M, L).
- Current actions related to each threat/opportunity.
- The desired future response to each threat/opportunity (e.g., mitigate, accept, avoid, or share the risk or pursue, defer, ignore, or share the opportunity).
- The position/office responsible for overseeing each objective and ensuring appropriate responses to risks/opportunities are implemented.

All draft risk assessments were reviewed by officials involved in the meetings and senior campus/unit leaders where appropriate and necessary revisions made before finalizing.

Twenty-six objectives were identified for risk assessment in 2022. As noted above, because some of the objectives (those involving academic affairs and student success, research, and staff engagement) are implemented at the campus/unit level, a total of 51 risk assessments were performed.

**Reporting.** This report, appended to the University of Tennessee's Financial Integrity Act Annual Assurances Report, serves as a basis for the UT President's attestation that UT has complied with the requirements of the Act and will be published on the UT ERM website, provided to UT executive leaders and members of the Board of Trustees Audit and Compliance Committee, and submitted to State of Tennessee officials (Commissioner of Finance and Administration and the Comptroller of the Treasury) as required by the guidelines issued by the Tennessee Department of Finance and Administration.

## **SECTION II: ONGOING RISK ASSESSMENTS, MONITORING AND TESTING OF CONTROLS**

In addition to the activities described above, UT has developed and maintained multiple methods for the ongoing assessment of risks and the monitoring and testing of controls. Four of the key system-level approaches are 1) the annual self-assessment of internal controls, 2) risk-based internal audits, 3) the institutional compliance program, all managed by UT System Audit & Compliance (A&C), and 4) information technology security plan reviews for the UT System Administration (UTSA), performed by the chief information security officer's team in the UT System Division of Technology Services.

### **Self-Assessment of Internal Controls**

Originally developed in the 1980s as a means of complying with Tennessee's Financial Integrity Act, the annual self-assessment of internal controls tests controls at an operational level. In a decentralized organization, such as a university, many controls for business processes are located at the department level.

All departments in the UT System (626 for 2022) are required to conduct a self-assessment of controls for selected major business processes by completing a web-based questionnaire. Each year the questionnaire covers one or two major processes; one process is universal to all departments (e.g., computer usage), while the other is applicable to only a subset of departments (e.g., money handling).

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. Processes are adjusted as the need arises, and each year A&C staff review the controls to be assessed, involving the appropriate staff in each of the related business areas, to ensure that the questionnaire reflects the current environment (including changes to internal policies and related laws and regulations) and includes controls to prevent or detect fraud.

A material weakness is identified when a significant number (20 percent or more) of departments at a campus or unit have not implemented a particular control. A corrective action is taken for each control weakness identified in the self-assessment, whether it is deemed material.



The questionnaires are designed so that, as the department head or representative completes the questionnaire online, each incorrect answer provides an explanation of the risk exposure if a control is not implemented, along with relevant UT policy references. In this way, the self-assessment process not only serves to identify and rectify control weaknesses but serves to educate the University community on sound business practices.

For 2022, procurement of goods/services and management of sponsored programs were assessed. No University-wide material weaknesses were identified. Of the 626 departments surveyed, 98 identified and corrected 140 control weaknesses.

**Reporting.** Each year, the chief business officer of each campus and unit 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 of Trustees' Audit and Compliance Committee, among others.

### **Risk-Based Internal Audits**

A second ongoing means for assessing risks and testing controls for effectiveness is through in-depth internal audits. In accordance with IIA standards, A&C establishes a risk-based audit plan to determine the priorities of the internal audit activity for the coming year. The development of this plan is based on a documented annual risk assessment process that is led by the chief audit and compliance officer and members of the A&C leadership team with key stakeholders across the UT System. The risk assessment focuses on issues that present a high degree of risk to the UT System and/or individual campuses and units.

The risks are identified through collecting and analyzing information from multiple sources, including the following:

- A&C documents risk information from A&C team members on an ongoing basis.
- Annually, the A&C leadership team gathers risk information from sources including Board of Trustees Audit and Compliance Committee (BOT A&C Committee) members and key members of management at all campuses and units. This information is gathered through personal interviews and a survey.
- Professional resources (ACUA, IIA, NACUBO, SCCE) may also be used to identify emerging issues.
- The results of the annual self-assessment of internal controls are considered when determining risks to address through the audit plan (see above). In addition, the results of the compliance risk assessments facilitated by Institutional Compliance are considered (see below).

Once the information has been gathered, it is reviewed by the A&C leadership team. Issues presenting a high degree of risk are further analyzed to determine if they can be properly addressed in the next audit plan and, if so, which type of audit engagement can best address the risk. The annual audit plan is drafted and approved by the BOT A&C Committee.

One of internal audit's primary roles is to reduce risk and improve operations. A&C conducts numerous types of audits; some examples from the 2022 audit plan include: state-mandated audits (such as annual audits of UT campus chief executive officers and the Complete College Tennessee Act), risk-based audits (such departmentally managed IT security, capital projects, athletics, and background checks), compliance audits (such as policy compliance audits for administrative and academic divisions at the campuses and institutes), and investigations into allegations of fraud, waste, and abuse (often resulting in recommendations for improving internal controls).

**Reporting.** A&C issues reports to the audit client and appropriate management, UT senior leadership, Division of State Audit and Division of Investigations in the Comptroller's Office, and the BOT A&C Committee. The A&C Committee are apprised of outstanding audit issues and their magnitude as part of their three yearly meetings.

## Institutional Compliance

The third ongoing means of monitoring risks and controls is Institutional Compliance (IC), established within A&C, 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. For a comprehensive overview, visit the website at <https://audit.tennessee.edu/compliance/>.

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.

**Risk Assessment Process.** The risk assessment process includes four primary steps:

- 1) Identify regulatory areas relevant to UT (currently approximately 440).
- 2) Identify who at each campus/unit has working responsibility for compliance with each regulation (these responsible officials are designated as "campus compliance officers"; currently around 330 throughout UT).
- 3) Provide training to the compliance officers and require them to complete a risk assessment (the same web-based risk assessment is used throughout UT to ensure consistency).
- 4) Provide results to the campus compliance committees that identify priorities and coordinate the development of risk mitigation plans.

**Risk Assessment Objectives.** These risk assessments are designed to demonstrate due diligence in complying with regulations. The assessments also help the University oversee the many aspects of the compliance function. The objectives of the risk assessments are to:

- Identify control weaknesses.
- Identify areas of noncompliance.
- Take remedial actions where needed.
- Identify potential weaknesses that need to be monitored.
- Identify targeted areas in need of assistance.
- Provide a baseline against which future performance can be measured and linked to improvement processes implemented.

**Institutional Compliance Components.** IC coordinates an institutional compliance committee for each campus and institute. In addition, the office coordinates the activities of the UT System Administration Institutional Compliance Committee, which has oversight responsibility for all campuses and institutes.






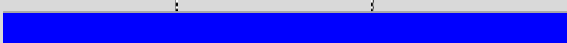


Each campus and institute institutional compliance committee is responsible for general oversight of its compliance activities. The committee chair is appointed by the chancellor or vice president, and the committee members include campus compliance officers in key areas. The campus compliance committee reviews the results of the periodic risk assessments performed by the campus compliance officers and ensures that appropriate risk mitigation plans are developed and implemented where needed. The committee also determines the compliance priorities for the campus or institute and submits recommendations to the chancellor/vice president for risk mitigation plans that need additional resources, administrative changes, or increased enforcement.

**Risk Assessment Schedule.** Risk assessments occur roughly every five years. The table below shows the dates of past and planned risk assessments.

<b>Institutional Compliance Risk Assessments</b>	
<b>Campus/Unit</b>	<b>Dates of Risk Assessments</b>
UT Knoxville	2010, 2015, 2021
UT System Administration	2010, 2016, 2022
UT Health Science Center	2012, 2020
UT Institute of Agriculture (UTK)	2013, 2018, planned 2023
UT Martin	2014, 2019
UT Chattanooga	2015, 2020
UT Space Institute (UTK)	2017, 2022
Institute for Public Service	2017
UT Southern (joined UT July 2021)	Planned 2023

**Risk Mitigation Plans.** As described above, campuses and units have campus compliance committees that review and analyze risk assessments and oversee the development and implementation of risk mitigation plans.

The table below shows the status of risk mitigation plans as of October 2022.

	Risk Assessment	Plan Development	Plan Implementation	Number of Plans
<u>UT System</u> 2022				24
<u>UTK</u> 2021				63
UTSI 2022				3
UTIA 2018				26
<u>UTC</u> 2020				47
<u>UTM</u> 2019				22
<u>UTHSC</u> 2020				55
<u>IPS</u> 2017				6

<sup>1</sup>UTSI and UTIA are part of UTK; UT Southern will complete its first risk assessment in 2023.

Risk mitigation plans and their status are reviewed not only by the campus compliance committees, but also by the appropriate chain of command in the affected area, allowing officials to determine the amount of risk that can be assumed and to allocate the necessary resources for remediation.

**Reporting.** Finally, IC produces reports for UT executive leadership and the Audit and Compliance Committee of the Board of Trustees.

### **Information Technology Risk Assessments and Security Plan Reviews**

The UT System Administration (UTSA) Information Security Office (ISO) leads yearly IT risk assessments and evaluates risks from a user, system, and departmental perspective based on the criticality of the business processes. The ISO is also

responsible for continuous review and assessment of IT security risk mitigations. The scope of the UTSA ISO's work is limited to UTSA and does not include the campuses or other units.

System security plans (SSP) for all UTSA departments and enterprise systems have been completed. The ISO considers an enterprise system to be any system that serves multiple departments, the entire UT system, or that is foundational to the business of a specific department.

The SSPs are required by university policy and provide an in-depth review of the controls in place to protect systems, applications, and information. Both the controls review for the system security plans and the risk assessments are based on the NIST Cybersecurity Framework (CSF). The Cybersecurity Framework defines categories, subcategories, and the associated controls from the NIST Special Publication 800-53, Security and Privacy Controls for Federal Information Systems and Organizations.

**Department Reviews.** The ISO completed twenty-four risk assessments/system security plan reviews for UTSA departments. Eighty risks were discovered with mitigation plans and documented in the ISO's portfolio management tool. Based on the risk rating, 35 were listed as low, 30 as medium, and 15 as high.

**Enterprise System Reviews.** The ISO completed fifteen risk assessments/system security plan reviews for the sixteen UTSA enterprise systems. Fifty-eight risks were discovered; each have documented mitigation plans. Based on the risk rating, 28 were listed as low, 23 as medium, and 7 as high.

**Overall Posture.** The 2022 risk assessments and security plan reviews demonstrate the state of IT security for UTSA has improved dramatically because of these assessments and reviews. Through this iterative process, UTSA has gained a thorough understanding of the sensitivity of information and where it is stored. The ISO will continue to implement and enhance the required security controls based on this knowledge.

**Reporting.** The ISO provides the results of the risk assessments and plan reviews directly to the UTSA department heads and the enterprise system owners, and the ISO team works collaboratively with these individuals on mitigation plans. Risk mitigation is tracked in the project tracking system, and the University System's chief information officer (CIO) receives updates. Summary reports of the annual reviews are provided to the CIO, Audit and Compliance, and the enterprise risk officer.

## CONCLUSION

The above activities demonstrate UT's commitment to implementing and refining a comprehensive risk management and control monitoring system that not only meets

but *exceeds* the requirements of Tennessee's Financial Integrity Act. In addition to UT's ongoing activities, key initiatives for 2023 are described below.

### **Enterprise Risk Officer Activities**

The ERO's activities planned for 2023 include the following:

- Develop and implement a method for tracking, monitoring, and communicating risk assessment results and action plans for mitigating risk threats (i.e., reducing likelihood of occurrence or the impact of an occurrence) or pursuing risk opportunities (i.e., taking risks/taking advantage of favorable conditions).
- Complete risk assessments for UT Southern and other areas that could not be completed in 2022 due to delayed activity on objectives.
- Explore ways, such as a risk management information system or web-based tool, to facilitate the maintenance, tracking, and reporting of risks, control mitigation plans, and results.

The ERO's activities will continue the focus on UT's strategic objectives, while the following systemwide activities will focus on operational objectives.

### **Business Continuity Planning Review**

In 2023, a comprehensive systemwide review of the University's business continuity planning will be completed. This initiative resulted from a UT internal audit observation that UT has not performed such a review to identify critical systems and processes needed to ensure operational continuity should an adverse event occur.

An external firm, B. Riley Advisory Services, began work in October by conducting risk assessments at each campus and unit related to hazards in the following categories: natural, human-caused, and technological/infrastructure. The risk assessments will help to prioritize issues for a business impact analysis, which will then evaluate the potential impacts resulting from an interruption of time-sensitive or critical business processes. The review is expected to be completed by June.

### **Enterprise Resource Planning System Implementation**

Work is ongoing for the implementation of the University's cloud-based enterprise resource planning system (ERP), which will launch in summer 2024. Modern resource systems incorporate best practices through the vendor's learned experience and development of best practices from implementations at other universities and across other industries. Use of built-in best practices reduced risk by 71% compared to other ERP software implementations industrywide. Additionally, use of best practices eases compliance with rules, regulations, and industry standards.

ATTACHMENT 1

2022 UT STRATEGIC PLAN RISK ASSESSMENTS								
PILLARS	GOALS	OBJECTIVES*	UT**	UTK	UTC	UTS	UTM	HSC
<b>Pillar 1: ENHANCING EDUCATIONAL EXCELLENCE</b>	<b>Goal 1: Expand UT's educational footprint</b>	<b>Obj 1.1.1:</b> Increase total enrollment and total degrees awarded	NA	X	X	2023	X	X
	<b>Goal 2: Enhance student success</b>	<b>Obj 1.2.1:</b> Increase fall-to-fall first-year retention rate	NA	X	X	2023	X	NA
		<b>Obj 1.2.2:</b> Increase 4-yr and 6-yr graduation rates	NA	X	X	2023	X	NA
		<b>Obj 1.2.3:</b> Eliminate achievement gaps in first-year retention and graduation rates for historically underserved students (gender, minority, Pell-eligible, first-gen, rural).	NA	X	X	2023	X	NA
		<b>Obj 1.2.5:</b> UT students across the system feel a sense of mattering and belonging	NA	X	X	2023	X	X
	<b>Goal 3: Elevate UT's national reputation for educational excellence and academic innovation</b>	<b>Obj 1.3.1:</b> Increase graduate and professional enrollment and the number of graduate and professional degrees awarded	NA	2023	2023	2023	2023	X
<b>Pillar 2: EXPANDING RESEARCH CAPABILITIES</b>	<b>Goal 1: Elevate UT's global reputation in discovery and innovation</b>	<b>Obj 2.1.1:</b> Increase annual total research expenditures.	NA	X	X	NA	X	X
	<b>Goal 2: Increase participation of demographically diverse faculty, staff, and students in research</b>	<b>Obj 2.2.1:</b> Increase the number of UT faculty, postdocs, grad and UG students participating in research activities (paid from research accounts, assumes 100% tentue and tenure track faculty)	NA	X	X	NA	X	X
		<b>Obj 2.2.2:</b> Increase the participation of diverse faculty, postdocs, grad and UG students in research (diversity = race/ethnicity, paid from research accounts, assumes 100% tentue and tenure track faculty)	NA	X	X	NA	X	X

5.5

PILLARS	GOALS	OBJECTIVES*	UT**	UTK	UTC	UTS	UTM	HSC
	Goal 3: Expand the impact of UT's research on the lives of Tennesseans and beyond	Obj 2.3.1: Increase commercial licenses for UT technologies by 50%.	X	NA	NA	NA	NA	NA
Pillar 3: FOSTERING OUTREACH & ENGAGEMENT	Goal 1: UT transforms grand challenges facing Tennessee communities and industries	Obj 3.1.1: UT transforms three of our state's grand challenges into strengths and increases Tennessee's rank into the top 50% of US states.	X	NA	NA	NA	NA	NA
Pillar 4: ENSURING WORKFORCE & ADMINISTRATIVE EXCELLENCE	Goal 1: Our workforce reflects a diverse and engaged population representing the varied dimensions of diversity	Obj 4.1.1: Members of the UT workforce, representing the varied dimensions of diversity, express a high degree of engagement and job satisfaction	X	X	X	2023	X	X
		Obj 4.1.2: The minority composition of UT's workforce will increase so that UT will be a leader among its peers.	X	NA	NA	NA	NA	NA
	Goal 2: Recognized as an "Employer of Choice"/ "Best Place to Work"	Obj 4.2.1: All campuses and institutes are recognized as a preferred place to work.	X	NA	NA	NA	NA	NA
	Goal 3: UT continuously and collaboratively improves the efficiency and effectiveness of its administrative processes	Obj 4.3.1: Streamline and standardize core administrative processes for employees to accomplish work more effectively.	X	NA	NA	NA	NA	NA
Pillar 5: ADVOCATING FOR UT	Goal 1: Elevate public awareness and under-standing of UT's value to the state, nation, and world	Obj 5.1.1: 85% of Tennesseans can identify one or more system-wide impacts of UT in their life.	X	NA	NA	NA	NA	NA
		Obj 5.1.2: Visible UT presence in all 95 counties by 2030 ("Everywhere...UT" murals)	X	NA	NA	NA	NA	NA
		Obj 5.1.3: System-wide communications and marketing campaign that showcases how UT is addressing grand challenges.	X	NA	NA	NA	NA	NA



PILLARS	GOALS	OBJECTIVES*	UT**	UTK	UTC	UTS	UTM	HSC
	<b>Goal 2: Increase engagement and participation of diverse advocates, donors, and alumni to advance the UT System</b>	<b>Obj 5.2.1:</b> Expand the number of donors and generate an increase in the amount of total private support over the five-year period.	X	NA	NA	NA	NA	NA
		<b>Obj 5.2.2:</b> Increase the number of engaged alumni.	X	NA	NA	NA	NA	NA
		<b>Obj 5.2.3:</b> Build advocacy network to 10,000	X	NA	NA	NA	NA	NA
		<b>Obj 5.2.4:</b> Identify and proactively engage systemwide volunteer leadership groups that represent every grand division, campus and institute, as well as urban, rural, and suburban regions.	X	NA	NA	NA	NA	NA
	<b>Goal 3: Increased state and federal support of UT as the state's higher education leader and solver of grand challenges</b>	<b>Obj 5.3.1:</b> Achieve 100% of our legislative agenda as the state's higher education leader and solver of grand challenges.	X	NA	NA	NA	NA	NA
		<b>Obj 5.3.2:</b> Develop a comprehensive government relations policy and training for UT employees to protect UT's voice on legislative issues.	X	NA	NA	NA	NA	NA
		<b>Obj 5.3.3:</b> Strengthen UT relationships with State agencies and entities, resulting in new partnerships benefitting the University and the State.	X	NA	NA	NA	NA	NA
		<b>Obj 5.3.4:</b> Increase engagement and visibility of UT among federal government partners to build trust in UT's capacity to address grand challenges.	X	NA	NA	NA	NA	NA

\* Includes only the objectives for which at least one risk assessment was performed.

\*\*UT refers to the UT System Administration, except in Pillar 2 where it refers to the UT Research Foundation, Pillar 3 where it refers to a multi-campus/unit team, and Pillar 5 Goal 2 where it refers to the UT Foundation, Inc.

X = a risk assessment was performed in 2022

NA = the objective is not relevant to that campus/unit

2023 = a risk assessment is planned for 2023

## ATTACHMENT 2

## UT ERM PROCESS PHASE I: RISK ASSESSMENT

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Following are questions to be considered during Phase I.

### Identify Risks (Threats and Opportunities)

- ? Given the strategies chosen, what uncertainties lie ahead that could affect the achievement of our goals and objectives?

**Objective:** To identify and define potential events that could affect the achievement of goals and objectives—either negatively or positively.

Two types of uncertainties:

- **Threats:** What negative events could occur that would derail us from achieving our goals and objectives?
- **Opportunities:** What circumstances could arise that would help achieve our goals and objectives? What opportunities exist that we could take advantage of?

- ? Which of these threats and opportunities are key to achieving our goals and objectives?

### Analyze Risk Impact and Likelihood

- ? What is the **magnitude** of the **impact** to the achievement of our goals and objectives if each key threat occurred? Conversely, what is the **magnitude** of the **impact** if each of the opportunities/favorable circumstances arise? (See definitions on the following page.)

**Objective:** To identify the critical few risks by analyzing their impact on goals and objectives and the likelihood of occurrence.

- ? What is the **likelihood** of each of these threats and opportunities occurring? (See definitions on the following page.)

### Evaluate Risks for Response Strategy

- ? What actions are currently being taken to address each threat or opportunity? Are the actions adequate or inadequate?

**Objective:** To determine how the University should respond to the top priority risks—threats or opportunities.

- ? What should the response strategy be for each threat/opportunity? (See definitions on following page.)

- **Threats:** Avoid, Share, Mitigate, or Accept
- **Opportunities:** Ignore, Share, Defer, or Pursue

- ? What position/office should be responsible for implementing the response strategy for each of the top priority risks (threats and opportunities)?

## DEFINITIONS

### Magnitude of Impact

Rating	Description
<b>High</b>	The impact would preclude or highly impair (threats)/facilitate or significantly enhance (opportunities) the organization's ability to achieve goals or objectives.
<b>Medium</b>	The impact could significantly affect the organization's ability to achieve goals and objectives.
<b>Low</b>	The impact will not significantly affect the organization's ability to achieve one or more of its goals or objectives.

5.5

### Likelihood of Occurrence

Rating	Description
<b>High</b>	The event is very likely or reasonably expected to occur.
<b>Medium</b>	The event is more likely to occur than unlikely.
<b>Low</b>	The event is unlikely to occur.

### Risk Response Strategies

Threats		Opportunities	
<b>Avoid</b>	An informed decision not to be involved in or to withdraw from an activity in order not to be exposed to a particular risk	<b>Ignore</b>	An informed decision, based on currently available information, to decline to pursue a potential opportunity or consider it further
<b>Share</b>	Share the risk with other parties, including co-sourcing, outsourcing, or insurance	<b>Share</b>	Partner, subcontract with, or acquire another party to pursue the opportunity or refer the opportunity to another party
<b>Mitigate</b>	Take action to reduce a risk's occurrence or the impact of its consequences if it does occur	<b>Defer</b>	Postpone immediate action to monitor evolving circumstances surrounding the opportunity and/or to gain additional knowledge
<b>Accept</b>	An informed decision to tolerate a particular risk and take no additional action	<b>Pursue</b>	An informed decision, based on currently available information, to create an action plan to be involved in an activity or event that would increase the chances of achieving goals and objectives

**Institutional Compliance Key Developments February 2023**

**UT System** – 24 risk mitigation plans are under development from the 2022 compliance risk assessment. Key areas include: Clery Act, Dept. of Defense Cybersecurity, Civil Rights, Federal subcontracting, Intellectual Property.

**UTK** – 11 of 63 risk mitigation plans have implemented from the 2021 compliance risk assessment. Key areas include: Research, Safety, Data Protection, Civil Rights, Title IX, and Export Control. Plans have been implemented in the areas of: security of research PII, and security of HIPAA PHI.

**UTC** – 40 of 47 risk mitigation plans been implemented from the 2020 risk assessment. Recently implemented plans include: new bloodborne pathogen and chemical training; UTC IRB added requirements to ensure Human Subject Research information is protected.

**UT Southern** – The UT Southern Institutional Compliance Committee has been established and the applicable regulatory areas have been assigned to responsible individuals. The initial risk assessment is planned for 2023.

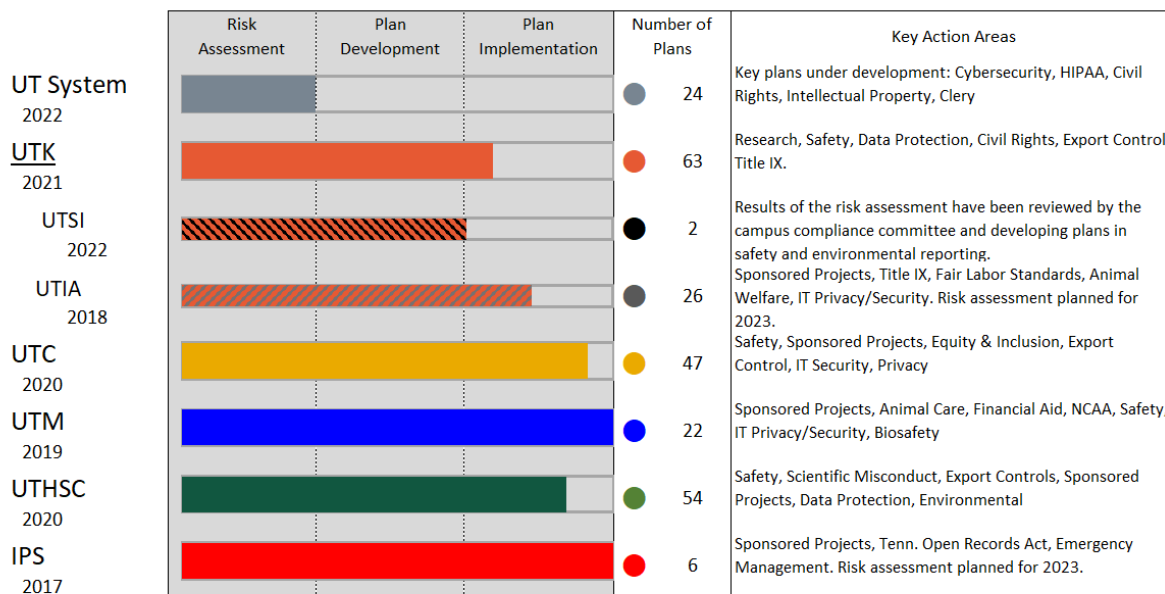
**UTM** – UTM has completed all 22 risk mitigation plans. The next risk assessment is planned for 2024.

**UTHSC** – 37 of 54 risk mitigations plans from the 2020 risk assessment have been fully implemented. The UTHSC committee is also developing ways to incentivize completion of mandatory training.

**UTIA** – 11 of 26 risk mitigation plans from the 2018 risk assessment have been implemented. Some plans and compliance officer assignments are in the process of being amended due to the UTK-UTIA reunification.

**UTSI** – 2 risk mitigation plans have been developed from the 2022 compliance risk assessment in safety and environmental reporting.

**IPS** – A new compliance risk assessment is scheduled for 2023.

**Compliance Risk Management Process**



JASON E. MUMPOWER  
*Comptroller*

February 6, 2023

Mr. Randy Boyd, President  
The University of Tennessee  
400 West Summit Hill Drive  
1295 UT Tower  
Knoxville, TN 37902

Dear Mr. Boyd:

As a result of our audit of the University of Tennessee for the year ended June 30, 2022, certain matters which were not addressed as formal audit findings came to our attention and were discussed at the field exit conference. Attached is a list of these items. Although these items were not included as findings in the audit report, they may require management to take corrective action. Failure to take corrective action may result in findings in subsequent audit reports.

On behalf of my staff, I would like to thank you and your staff for your cooperation during the audit.

Sincerely,

A handwritten signature in blue ink that reads "Katherine J. Stickel".

Katherine J. Stickel, CPA, CGFM  
Director

**Attachment**

cc: Mr. Decosta Jenkins, Chair of the Audit Committee  
Mr. David Miller, Senior Vice President and Chief Financial Officer  
Mr. Luke Lybrand, Treasurer  
Ms. Mary McDonald, Controller  
Ms. Karen McKee, Acting Controller  
Mr. Brian Daniels, Chief Audit and Compliance Officer  
Mr. Mike Corricelli, Chief of Accounts, State of Tennessee Department of Finance and Administration

**UNIVERSITY OF TENNESSEE  
LIST OF ITEMS DISCUSSED AT THE FIELD EXIT CONFERENCE  
NOT ADDRESSED IN THE AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2022**

**5.7****Financial Statements**

1. On the university's statement of net position, long-term liabilities – noncurrent, the lease liability, was understated by \$307,377.47, and capital assets (right to use – buildings) was understated by \$299,644.69. In preparing the amortization schedule for the lease of space at the UT Tower, controller's office personnel inadvertently failed to include the last 5 years of scheduled payments to the lessor. The notes to the financial statements were also incorrect due to this calculation error. The audited statement and notes were not corrected as the university's acting controller considered the amounts immaterial.
2. On the university's statement of net position, the university's investment in UT Battelle, a joint venture, was overstated by \$2,266,711, and unrestricted net position was overstated by the same amount. Accounting staff did not report the university's equity in UT Battelle as determined in accordance with generally accepted accounting principles. The audited statement was not corrected as the university's acting controller considered the amount immaterial.
3. On the university's statement of revenues, expenses, and changes in net position, capital grants and gifts were overstated by \$3,687,530, and other nonoperating revenue was understated by the same amount. Accounting staff misclassified the proceeds from the sale of land. In addition, the value of the land was not removed from the university's ledger. The audited statements were not corrected as the university's acting controller considered the amount immaterial.

**Supplementary Information**

4. The university should revisit the allocation method used in preparing its supplementary combining schedule of net position. Two negative asset balances and one negative net position balance were reported in the Other Units classification. In addition, UT Southern was allocated a portion of the pension and OPEB liabilities and related deferred inflows and outflows when the school had no pension or OPEB liabilities on June 30, 2021, the applicable measurement date. The schedule was not corrected as the university's acting controller considered the amounts immaterial.