



THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

MINUTES OF THE AUDIT AND COMPLIANCE COMMITTEE

February 23, 2023

The Audit and Compliance Committee of The University of Tennessee Board of Trustees met at 4:15 p.m. (EST) on Thursday, February 23, 2023. The meeting was held in the Tennessee Room of the University Center located at the University of Tennessee at Chattanooga, in Chattanooga, 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. Also in attendance was T. Lang Wiseman, who was awaiting confirmation of his appointment to the Board by the Tennessee General Assembly.

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 Steven R. Angle (UT Chattanooga); 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.

Opening Remarks of the Chairperson

Committee Chair Jenkins welcomed everyone to the meeting. He advised the Committee members that in the near future they will be asked to provide input, review, and comment on a draft Work Plan for the coming year, which will be shared at the June 2023 Committee meeting.

Approval of the Minutes

Committee Chair Jenkins noted that the minutes of the October 28, 2022, meeting were included in the meeting materials (Tab 1). He asked for any corrections to the minutes. Hearing none, the minutes were approved.

Code of Conduct Update

Brian Daniels, Chief Audit and Compliance Officer, introduced Dr. Brian K. Dickens, Chief Human Resources Officer, who provided an overview of the updated Code of Conduct for University employees (Tab 2). Dr. Dickens explained that the updated Code of Conduct emphasizes several key areas: (i) bullying and retaliation; (ii) prompt reporting of arrests and incidents; (iii) alignment with Be One UT values; and (iv) focusing on positive, aspirational behaviors. Additionally, the organizational structure and readability of the Code of Conduct has been much improved. Dr. Dickens concluded his remarks by advising the Committee members that the Office of Human Resources is in the process of ensuring that the University's employees are aware of the recent update to the Code of Conduct.

2023 Internal Audit Plan

Mr. Daniels began his presentation on the 2023 Internal Audit Plan by discussing improvements to the audit process, including: (i) modernizing the 2023 audit plan approach; (ii) increasing audit efficiency by streamlining the report writing process; (iii) implementing cloud-based software to allow for more effective site visits; and (iv) aligning

the work of the Audit & Compliance Office to the top risks facing the System and its campuses as identified by University leadership.

Mr. Daniels discussed the four types of projects undertaken by the Audit & Compliance Office, along with the allocation of effort by type of project:

- Audits, planned engagements based on risk assessments (40%);
- Annual audits, mandated by statute, administrative policy, or agreements with management (10%);
- Special projects and fraud, waste, and abuse investigations (23%); and
- Advisory/consulting services, as requested by offices across the UT System (27%).

After meeting with more than 100 University leaders throughout the System, the Audit & Compliance Office identified a list of risks in order to prioritize audits for the coming year. The top three risks all involved “security” in some capacity: (i) the physical safety and security of students, faculty, staff, visitors and constituents while on University property; (ii) cybersecurity and shadow information technology; and (iii) research security and compliance. Approximately one-half of the risk-based projects fall within one of these three categories.

Mr. Daniels briefly reviewed a few of the projects that are underway and discussed policy compliance reviews, which provide an opportunity to remind and educate campus personnel about existing University policies. Mr. Daniels noted that certain matters, such as “Name, Image, and Likeness” are more suited to a review and would fall under the category advisory/consulting services. Committee Chair Jenkins observed that the number of projects that fall within the category of advisory/consulting services is a positive reflection of how others within the University view the work of the Audit & Compliance Office.

Upon motion duly made and seconded, the Committee approved the 2023 Internal Audit Plan (as presented under Tab 3).

2023 Institutional Compliance Program

Mr. Daniels advised the Committee that following the recent retirement of William A. Moles (who established the Institutional Compliance Program and served as its Director for a number of years), there was an opportunity consider the next progression in the University's compliance function. He informed the Committee that Dr. Sarah Pruett was recently selected to serve as Executive Director of Institutional Compliance for the UT System. Due to the changes in leadership, review and approval of the 2023 Institutional Compliance Plan was deferred.

Annual Safety Report - Update

Kelly Mihalik, Special Projects Analyst and System Clery Compliance Coordinator, began her presentation (Tab 4) by noting that: (i) the data in the report provided to the Committee represents only Clery Act required crime categories; (ii) the definitions used in the report come directly from the regulations as informed by the Uniform Crime Reporting Program, Tennessee State Statutes, and the Violence Against Women Act; and (iii) the report includes all allegations of crimes reported to local law enforcement, campus police, or campus security authorities.*

Ms. Mihalik cautioned that an incident does not need to be investigated or reported to law enforcement for it to be included in the numbers, and incidents must be disclosed regardless of investigation status and with or without a finding of guilt or responsibility. She noted that institutions must include all statistics for Clery Act crimes/incidents that occur on or within its Clery Act designated geography, which includes: (i) campus property; (ii) non-campus property; and (iii) adjacent public property (e.g., streets, sidewalks, etc.). Ms. Mihalik also explained that Clery Act statistics are just one of many different measures associated with safety/security on campuses.

In October, data from the three previous calendar years are required to be published in the annual security report. These annual reports are intended to provide individuals with the information needed in order to make informed decisions regarding their personal safety. Ms. Mihalik provided an overview of the Clery Act incidents reported for each campus as

**Campus security authorities includes individuals who have a significant responsibility for student and campus safety and activities, such as deans, directors, Greek life staff, housing staff, and coaches.*

further described in the meeting materials. She noted that the pausing of on-campus operations during the COVID-19 did impact the figures reported for 2020.

The following additional questions and recommendations were raised by Committee members:

- Currently, the information provided is raw data (i.e., number of incidents). Is there a way to define an appropriate denominator to better understand whether we are improving as a percentage?
- How is the campus-area defined under the Clery Act and what, if any, is its relationship associated with the campus area designated under the campus master plans? By increasing the area under the master plan, do we inadvertently increase the area required to be reported under the Clery Act?
- Are there specific drivers embedded in these figures that are skewing the data (e.g., alcohol violations at an athletic event/stadium)? Are they students or members of the public.
- Are there any reasonable ways to benchmark the campuses against their peer institutions in this area?
- Are there inconsistencies between the campuses in terms of reporting that still need to be addressed? Or is it a situation where we are seeing different cultures (i.e., willingness to report) or interventions?

Committee members expressed their appreciation for the work being done to continuously improve safety and security on the campuses and to provide more detailed information to the Board. Chair Jenkins asked that the Audit & Compliance Office continue its efforts to assess whether there are additional opportunities to refine the data presented to the Committee in light of the questions and observations raised by the trustees.

Consent Agenda

Committee Chair Jenkins called the attention of the Committee members to the information items included in the Consent Agenda (Tabs 5.1 through 5.7). A complete list of the informational items included on the Consent Agenda appears at the end of these minutes. Committee Chair Jenkins announced that he was removing Item E relating to the Tennessee

Financial Integrity Act (Tab 5.5) from the Consent Agenda for further discussion. He then called upon Judy Burns, Enterprise Risk Officer, to provide more information on the University's annual report of the University's risk management and internal control activities.

Ms. Burns explained that the University's approach complies with the guide issued by the Tennessee Department of Finance and Administration, which requires state agencies, including higher education institutions, risk and control activities to align with the Committee of Sponsoring Organizations of the Treadway Commission's (COSO's) enterprise risk management (ERM) framework. She highlighted the University's six guiding ERM principles:

- Rely on current organizational structure (which includes the President, Campus Chancellors, and their respective leadership teams);
- Integrate ERM into existing functions (such as strategic planning and operations);
- Focus on risk response (to ensure performance of the University's goals, objectives, and strategies);
- Build on current risk management practices;
- Align risk-focused functions throughout the UT System; and
- Commit to continuous improvement.

Ms. Burns concluded her presentation by advising the Committee members that the Tennessee Financial Integrity Act of 1983 (TFIA), as described in *Tennessee Code Annotated* § 9-18-104 requires that the President submit an annual report to the state setting forth the University's risk management and internal control activities, a copy of the report was included in the meeting materials. It was noted that the report describes in more detail the number of risk assessments that were undertaken in 2022 and the work planned for 2023.

Other Business and Closing Remarks

With no further business to come before the Committee, the Committee 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
- Travel Exception Report
- NCAA Agreed Upon Procedures Report
- Tennessee Financial Integrity Act Report
- Compliance Program Update
- External Audit Management Letter

Attachments

- PowerPoint Presentation: Enterprise Risk Management at UT