



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

AUDIT AND COMPLIANCE COMMITTEE	
Thursday, February 27, 2025	Russell Duncan Ballroom
3:15 p.m. (CST)/4:15 p.m. (EST)	Boling University Center, UT Martin

## 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. [2025 Institutional Compliance Plan](#) - Action ..... Tab 2
- V. 2025 Internal Audit Overview
  - A. [Audit & Compliance Committee Charter](#) - Action ..... Tab 3.1
  - B. [Internal Audit Charter](#) - Action..... Tab 3.2
  - C. [2025 Internal Audit Plan](#) - Action ..... Tab 3.3
- VI. Presentations - Information and Discussion
  - A. [Continuity of Operations Assessment](#)..... Tab 4.1
  - B. [UT Privacy Program](#) ..... Tab 4.2
  - C. [Campus Safety - UT Martin](#) ..... Tab 4.3
  - D. Legislative Updates - Title IX & Clery
- VII. [Consent Agenda](#)..... Tab 5
  - Information Items
  - A. [2024 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. [External Audit Management Letter](#) ..... Tab 5.5
  - F. [Research Security Update](#) ..... Tab 5.6
- VIII. 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.]*
- IX. Closing Remarks and 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 24, 2024

The Audit and Compliance Committee of The University of Tennessee Board of Trustees met at 3:45 p.m. (EDT) on Friday, October 24, 2024. The meeting was held in the Pilot Company Ballroom of the Student Union located at the University of Tennessee, Knoxville, in Knoxville, Tennessee.

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

Others in Attendance:

Trustees: Charles Hatcher, Commissioner, Tennessee Department of Agriculture; Shanea A. McKinney; Lisa N. Patel (Student Trustee); William (Bill) C. Rhodes III; Donald J. Smith; and David N. Watson.

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 Yancy E. Freeman (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.

#### **Approval of the Minutes**

Committee Chair Jenkins noted that the minutes of the June 25, 2024, meeting were included in the meeting materials (Tab 1). He asked for any corrections to the minutes. Hearing none, the minutes were accepted as presented.

#### **Public Safety Update**

Chief Audit and Compliance Officer Brian Daniels introduced Andrea Addis, as interim Executive Director of Internal Audit, following the recent departure of Amy Wilegus, who will assume the chief audit executive role at Tennessee Tech University.

Mr. Daniels stated that public safety remains a frequent agenda item due to its importance across UT campuses. Kelly Mihalik, Special Projects Investigator and Public Safety Coordinator, provided an update on the University's Clery Act compliance, including the timely submission of the annual security and fire reports. She also reported that the University is ensuring proper identification and training of Campus Security Authorities (CSAs), who are responsible for formally reporting incidents under Clery Act requirements.

A discussion followed regarding the University's ability to maintain appropriate staffing levels in campus security relative to the increasing enrollment and plans for future student growth. It was noted that security staffing needs are routinely benchmarked and assessed based on national best practices, but each campus also considers location specific factors.

Chancellor Peter Buckley, UT Health Science Center, provided an update on a tragic incident involving a medical student in Memphis, reinforcing the importance of campus safety initiatives. Chancellor Buckley also referenced collaborative efforts among higher education institutions in Memphis to address general safety concerns in coordination with city leadership.

Chief Sean Patterson presented an overview of UT Knoxville's public safety efforts. Chief Patterson detailed his professional background, including prior service with the New York City Police Department and its Emergency Services Unit, and his vision for public safety at the campus. Key highlights included:

- Staffing and Recruitment: While the department is authorized for 75 officers, current staffing stands at 68, with an emphasis on hiring only top candidates to maintain high standards.
- Specialized Units: These include Community Relations, Strategic Initiatives, Special Events, K-9 Teams, Critical Incident Response, and Motorcycle Units. UT Knoxville hosts over 350 special events annually, requiring significant coordination with external law enforcement partners.
- Crime Trends & Prevention Efforts: Crime rates on campus decreased by 32% (as compared to the prior calendar year) both in terms of property crimes and crimes against persons. Theft is the most prevalent issue, and officers actively engage in student education programs to mitigate these risks.

In response to questions raised by the Committee members, Chief Patterson discussed collaboration efforts with other chiefs/departments across the UT System. He also indicated that UT Knoxville is evaluating AI-driven body camera transcription and weapons detection software for real-time threat identification, including the reliability of the technology and the associated costs. Committee members requested similar safety updates as the Board travels to the other UT campus locations. Additionally, the Committee members requested crime statistics/trend analysis for all campuses at a future meeting, acknowledging that safety dynamics will differ by location.

## Research Security Compliance

Dr. Sarah Pruett, Executive Director of Institutional Compliance, provided an overview of evolving federal and state regulations impacting research institutions. Dr. Pruett highlighted:

- Historical Context: Research openness has long been guided by National Security Decision Directive 189 (1985) but concerns over foreign influence and intellectual property risks have led to new requirements, including National Security Presidential Memorandum 33 (NSPM-33) and additional mandates through the CHIPS and Science Act of 2022<sup>1</sup> and the White House Office of Science and Technology Policy (OSTP).<sup>2</sup>
- Compliance Framework: UT campuses exceeding \$50 million in federal research funding must implement a formal research security program, addressing conflict of interest disclosures, international travel security, cybersecurity, export controls, and research security training
- Risk Mitigation: A strong compliance posture is necessary to avoid jeopardizing federal funding, reputational harm, and financial/legal penalties.

## Board Policy on Research Security

Ryan Stinnett, General Counsel, presented a new policy on research security in response to a Tennessee state law, which requires all public universities to formalize research security measures by January 1, 2025. The proposed Board policy includes:

1. Designation of a Chief Research Security Officer by the University President;
2. Campus-level Research Security Officers appointed by each Chancellor;
3. Formation of a University Research Security Council to oversee compliance; and
4. Development of a Research Security Program, including policies, training, and internal monitoring.

Upon motion duly made and seconded, the Committee approved a recommendation that the Board of Trustees adopt the Resolution approving the Policy on Research Security, as presented in the meeting materials (Tab 3.1). A progress update will be shared with the Committee at the February Board meeting, with an implementation report to be completed in advance of the reporting deadline of July 1, 2025.

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<sup>1</sup> *Creating Helpful Incentives to Produce Semiconductors for America Act, August 9, 2022.*

<sup>2</sup> *Memorandum on Guidelines for Research Security Programs at Covered Institutions, July 9, 2024.*

### **Board Policy on Settlement of Claims and Litigation**

Discussion on the proposed Board Policy on Settlement of Claims and Litigation was deferred. The Office of General Counsel will review feedback from the Board members and revise the policy for consideration by the Committee at a future meeting.

### **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 5.5). 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 Committee Chair adjourned the public meeting and announced that the Committee would next meet in a non-public, executive session in accordance with state law to receive updates on audits, investigations, and litigation.

Respectfully Submitted,

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

### Consent Agenda - Information Items

- 2024 Audit Plan Update
- Institutional Compliance Program - Update
- Outstanding Audit Issues
- Travel Exception Report
- 2024-2025 Audit & Compliance Committee Work Plan



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: February 27, 2025

Committee: Audit and Compliance

Item: **Institutional Compliance Plan 2025**

Type: Action

Presenter(s): Dr. Sarah Pruett, Executive Director of Institutional Compliance

### **Background Information**

As required by the Committee Charter for the Audit and Compliance Committee, the Committee is responsible for approving the annual institutional compliance work plan. The comprehensive plan is reflective of ongoing compliance initiatives at the various campuses, institutes, and system levels.

A copy of the proposed Institutional Compliance Plan 2025 is attached for the Committee's consideration.

### **Committee Action**

The Committee Chair will call for a motion recommending the adoption of the Institutional Compliance Plan 2025, as presented in the meeting materials.





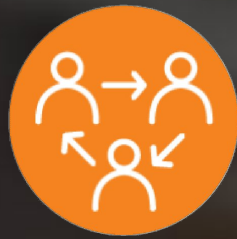
# Institutional Compliance Plan 2025

**Sarah Pruett, PhD**  
**Executive Director of**  
**Institutional Compliance**



THE UNIVERSITY OF  
TENNESSEE  
SYSTEM





## 2024 Recap

**Successful software launches**  
impacting 700 departments

Risk assessment process **aligned**  
**for UTK, UTIA and UTSI**

**Built and launched risk**  
**assessments** for IPS and UTM

Compliance roadshow **with UTM**

# Institutional Compliance Plan 2025



## Education

Internal and external for depth and expertise to serve with excellence



## Collaboration & Connected Risk

Leverage partnership with audit for optimal outcomes



## Monitor & Communicate

Work across the system for rapid change management

# Institutional Compliance Projects

Improve risk assessment approach (UTK pilot).

- Risk assessments (UTC, UTHSC)
- Tennessee Financial Integrity Act
- Communicate changes
- Coordinate and collaborate





## Research Compliance

Implementation of 3 additional DASH Research modules.

Protecting our investments with the research security program.

Revising and updating policies to reflect new regulatory requirements and internal practices.



## EHS and Emergency Management Projects



EXCELLENCE  
THROUGH  
TRAINING



SHARING BEST  
PRACTICES



COLLABORATIVE  
POLICY  
DEVELOPMENT



ASSESS,  
SUPPORT AND  
DEVELOP



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# THANK YOU

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# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

## AGENDA ITEM SUMMARY

Meeting Date: February 27, 2025

Committee: Audit and Compliance

Item: **Proposed Changes to Committee Charter**

Type: Action

Presenter: Andrea Addis, Interim Executive Director of Internal Audit

### **Background**

A review of the Committee Charter for the Audit and Compliance Committee has been conducted in connection with the Global Internal Audit Standards (Standards) released recently by The Institute of Internal Auditors. Certain revisions are being recommended to align the charter with the Standards and best practices. Additionally, the form of the charter has been compared against the Committee Charters for the other standing committees of the Board, along with the Bylaws, to ensure consistency in terms of presentation and language. In this regard, the primary format change has been to move the section on “Responsibilities” to the beginning of the charter to emphasize the roles and responsibilities of the Audit and Compliance Committee. Modifications to the charter require the approval of both the Board of Trustees and the Tennessee Comptroller of the Currency. A copy of the charter with the proposed changes highlighted is attached to this summary.

### **Committee Action**

The Committee Chair will call for a motion to recommend adoption of the following Resolution by the Board of Trustees.

**Resolved:**

**The Board of Trustees hereby approves the proposed revisions to the charter for the Audit and Compliance Committee, as presented in the meeting materials.**

**Further, the Chief Audit and Compliance Officer, with the consent of the Chair of the Audit and Compliance Committee, may make modifications as may be requested by the Tennessee Comptroller of the Treasury. The updated charter shall be effective following approval by the Tennessee Comptroller of the Treasury, and a copy shall be attached to this resolution.**




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**THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES**

**AUDIT AND COMPLIANCE  
COMMITTEE CHARTER**

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**PURPOSE**

The Audit and Compliance Committee of the Board of Trustees is established ~~as required by Tennessee Code Annotated § 49-9-206(b)(1)(A) and in compliance with~~ pursuant to the State of Tennessee Audit Committee Act of 2005, codified at Tennessee Code Annotated §§ 4-35-101 et seq. (the "Tennessee Audit Committee Act"). The Committee will assist the Board in fulfilling its governance and oversight responsibilities.

**AUTHORITY**

The Audit and Compliance Committee has authority to conduct or authorize investigations into any matter within its scope of responsibility. The Committee is empowered to:

- Seek any information it requires from employees – all of whom are directed to cooperate with the Committee’s requests – or external parties.
- Meet with University officials, external and internal auditors, the General Counsel, or others as necessary.
- Delegate authority to subcommittees to handle any matter within the Committee’s scope of responsibility, provided that actions of the subcommittee are presented to the full Committee at a previously scheduled or called meeting.
- Oversee the internal audit and institutional compliance functions of the University, which will report directly to the Audit and Compliance Committee through the Chief Audit and Compliance Officer.
- Conduct confidential, nonpublic executive sessions as authorized by law.



## RESPONSIBILITIES

The Committee's oversight responsibilities shall include the following matters:

### Financial Statements

- Provide oversight for the integrity of the University's annual financial statements through review of the scope and results of the state auditor's examination of the University's annual financial statements and any other matters related to the conduct of the audit, which should be communicated to the Committee.
- Review with management and the General Counsel any legal matters (including pending litigation) that may have a material impact on the University's financial statements and any material reports or inquiries from regulatory or governmental agencies.
- Resolve any differences between management and the state auditors regarding financial reporting.

### Internal Control

- Provide oversight of the University's internal control structure and management practices by considering the effectiveness of the University's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal controls over financial reporting.
- Review management's risk assessment and the University's Code of Conduct.
- Ensure that procedures exist for the receipt, retention, and treatment of complaints regarding fraud, waste, and abuse, including procedures for anonymous complaints.
- Ensure that the Code of Conduct is easy to access, widely communicated, easy to understand, includes an anonymous reporting mechanism, and is enforced.
- Ensure that the University's conflict of interests policy is comprehensive, clearly defines the term "conflict of interests," and contains procedures for adequately resolving and documenting potential conflicts.



- Review the University's process for monitoring compliance with laws and regulations.

### Office of Audit and Compliance

- Ensure that ~~the Office of~~ Audit and Compliance has direct and unrestricted access to the Chair and other Committee members.
- Review the Chief Audit and Compliance Officer's administrative reporting relationship to assure not only that independence the function is fostered organizationally positioned to be performed independent from management, but adequate resources in terms of staff and budget are provided to enable ~~the Office of~~ Audit and Compliance to perform its responsibilities effectively.
- Recommend to the Board the appointment, initial compensation, and other terms of employment of the Chief Audit and Compliance Officer.
- Review ~~and approve~~ the annual evaluation performance and compensation of the Chief Audit and Compliance Officer.
- Review and approve the Chief Audit and Compliance Officer's roles and responsibilities and any impairments to independence and safeguards necessary to protect independence carrying out those duties.
- Recommend to the Board reassignment, demotion, or dismissal of the Chief Audit and Compliance Officer.
- Review budget, structure, and staffing for ~~the Office of~~ Audit and Compliance.
- Review compliance with professional standards.

### Internal Audit

- Review and approve the charter for the internal audit function.
- Review and approve the comprehensive annual audit plan.
- Review the results of the year's work with the Chief Audit and Compliance Officer. Changes to the plan, including management requests for unplanned assignments, should also be reviewed.
- Receive and review reports and other work prepared by the internal audit team.



- Review any difficulties encountered in the course of performing audits, including restrictions on the scope of work and access to required information the data, records, information, personnel, and facilities necessary to fulfill the internal audit mandate.
- Review the results of external and periodic internal assessments of the quality assurance and improvement program.

### **Institutional Compliance**

- Review of the University's process for monitoring compliance with laws, regulations, and University policies.
- Review and approve the annual institutional compliance work plan.
- Review the results of the University's compliance risk assessment process.
- Review the results of compliance work on a regular basis.
- Receive and review reports and other work prepared in conjunction with the institutional compliance efforts.

### **External Auditors**

- Present the external auditors' conclusions to the full Board.
- Meet regularly with the external auditors to discuss any matters that the Committee or auditors deem appropriate.

### **Communications and Reporting**

- Provide an open avenue of communication among the state auditors, the Office of Audit and Compliance, senior management, and the Board.
- Report regularly to the Board about Committee activities and issues that arise with such recommendations, as the Committee deems appropriate.
- ~~Review and assess the adequacy of the Committee's charter annually, recommending approval of proposed changes to the Board.~~



### Other Responsibilities

Notwithstanding the foregoing, the Committee shall have such other responsibilities, powers, and duties as may be otherwise specified in the Tennessee Audit Committee Act. The Committee Chair, in consultation with Chief Audit and Compliance Officer, shall review the committee charter prior to each Annual Meeting of the Board to determine whether the Committee is carrying out its responsibilities effectively and whether any revisions to the charter should be submitted to the Committee for recommendation to the Board.

### **COMPOSITION OF THE COMMITTEE MEMBERSHIP**

The Audit and Compliance Committee shall be composed of at least three (3) members of the Board of Trustees who meet the following membership requirements established in the Bylaws of the Board of Trustees:

All members of the Audit and Compliance Committee shall be financially literate, meaning they shall be able to read and understand fundamental financial statements, including a balance sheet, income statement, and cash flow statement. At least one member of the committee shall have extensive accounting, auditing, or financial management expertise.

Each member shall be free of any relationship that would interfere with his or her exercise of independent judgment or give the appearance of a conflict of interests. The Chair of the Board shall be an ex officio, voting member of the Committee. The Committee may include one voting member who is not a member of the Board of Trustees but who satisfies the membership requirements in the Bylaws, including the requirement of extensive accounting, auditing, or financial management expertise. An external member may not serve as Chair of the Audit and Compliance Committee.

Committee members and the Committee Chair shall be appointed by the Board of Trustees on the recommendation of the Chair of the Board. The term of appointment is two years. The Committee Chair may not serve more than three (3) consecutive two-year terms as chair except upon an affirmative roll-call vote of a majority of the total voting membership of the Board.

The President shall not serve as a member but shall attend meetings if requested by the Committee Chair.





## COMMITTEE EDUCATION

The University's senior management and the Chief Audit and Compliance Officer are responsible for providing the Committee with educational resources related to accounting principles, internal controls, applicable policies, regulations, compliance risks, risk management, and other information that may be requested by the Committee to maintain appropriate financial, risk management, and compliance literacy.

## MEETINGS

### Required Number, Call, and Location

The Committee shall meet as often as necessary to carry out its responsibilities but at least once annually. ~~A meeting of the~~The Committee may ~~be called~~meet in conjunction with regular meetings of the Board of Trustees, at stated times approved in advance by the Committee, or at any other time upon a call by the Chair of the Board, the President, the Committee Chair, or by the Secretary of the Board upon the written request of two members of the Committee. In accordance with Tennessee Code Annotated § 4-35-104, the Committee shall meet upon the request of the State Comptroller of the Treasury. Committee meetings may be held at any location in the State of Tennessee.

The Committee may invite members of management, auditors, or others to attend and provide pertinent information. In carrying out Committee responsibilities, members may find it necessary from time to time to meet individually with management and internal and external auditors.

### Notice

~~Written notice of Committee meetings, including the purpose of the meeting, shall be given to all Committee members.~~ At least five (5) days' notice shall be given to all Committee members when feasible, but less notice may be given when there is a need for urgent action. Notice may be delivered by postal mail, courier, electronic mail, or facsimile transmission. If written notice is not feasible, by reason of urgency or other exigent circumstance, notice may be given by telephone.

As required by Tennessee Code Annotated § 8-44-103(a) and (b), adequate public notice shall be given of all Committee meetings. ~~Except when meeting in nonpublic executive session as authorized by law, all~~ All meetings of the Committee shall be open to the public ~~unless, except that the Committee may hold confidential, nonpublic executive sessions as permitted in accordance with Tennessee Code Annotated § 4-35-108 or as~~ otherwise provided by the Tennessee Open Meetings Act or a judicially recognized



exception to the Act.

### Agenda

An agenda shall accompany the notice of every meeting of the Committee when feasible but, when not feasible, the notice shall state the purpose(s) for which the meeting is called.

Development of the Committee agenda shall be the responsibility of the Committee Chair, in consultation with the Chief Audit and Compliance Officer. The agenda shall list in outline form each item to be considered at the meeting. Items not set forth on the agenda or in the notice may be considered only upon an affirmative roll-call vote of a majority of the total voting membership of the Committee.

~~The Committee may use a consent agenda in the manner provided by the Bylaws of the Board of Trustees.~~

### Quorum

A quorum shall be a majority (more than one-half) of the voting members of the Committee. The Chair of the Board, who is an ex officio, voting member of the Committee, shall be counted for quorum purposes only when present. In the absence of a quorum, those attending may adjourn the meeting until a quorum is present.

### Action of the Committee

The action of a majority of the quorum of voting Committee members present at any meeting shall be the action of the Committee, except as otherwise provided in the Bylaws of the Board of Trustees, Board policy, or statute.

### ~~Motions and Resolutions~~

~~Each motion or resolution (except informal or parliamentary motions) shall be presented in writing at the time the motion or resolution is made, except that the Committee Chair may grant a member the privilege of reducing a motion to writing and presenting it to the Secretary before the adjournment of the meeting.~~

### ~~Manner of Voting~~

~~All votes in a Committee meeting shall be by voice vote or public ballot, provided that a roll-call vote shall be taken on any motion if a voting Committee member present at the meeting requests a roll-call vote before a voice vote is taken or demands a roll-call vote before the Committee Chair announces the result of a voice vote.~~



## Minutes

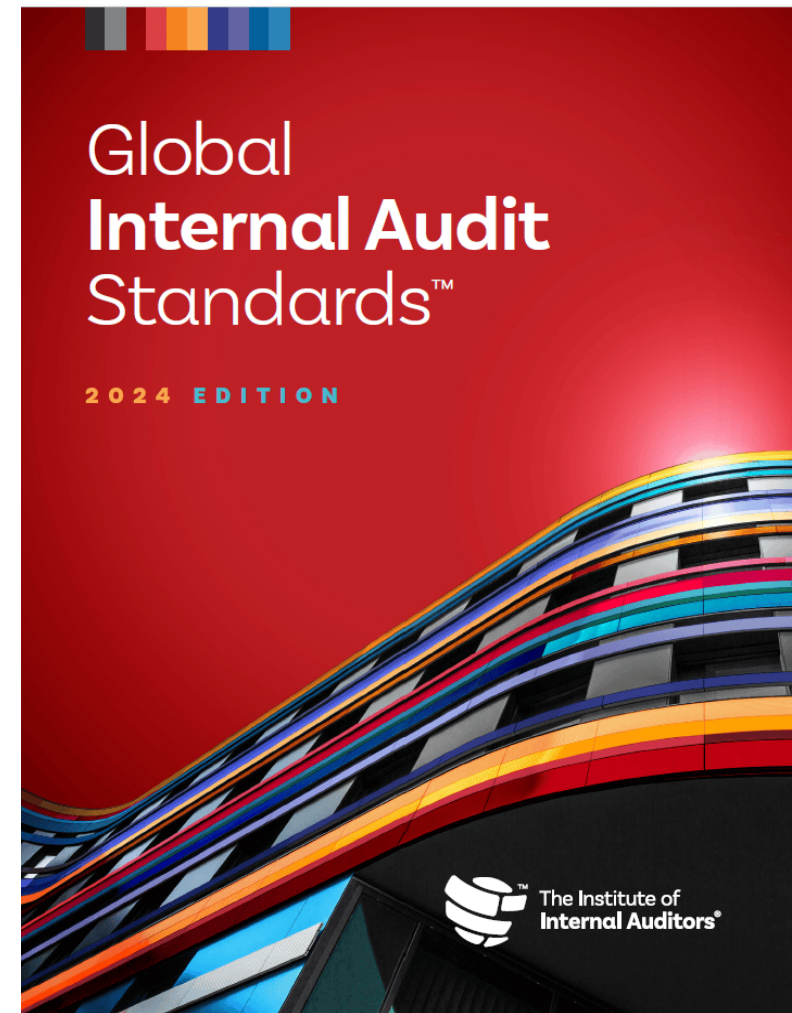
The ~~Chief Audit and Compliance Officer~~ Secretary shall ~~cause~~ be responsible for ensuring ~~that~~ minutes ~~of~~ are prepared and maintained for all Committee meetings ~~to be prepared,~~ review, ~~and~~ the minutes ~~with the Committee Chair,~~ and provide the minutes shall be provided to all ~~Committee~~ members ~~and the Secretary~~ of the ~~Board~~ Committee before the next ~~meeting of the~~ Committee meeting.

# Internal Audit Charter Revision



## Charter Revision Overview

- Replacing current charter with Institute of Internal Auditors template
- Review of charter prompted by changes in audit standards
- Redefined standards on how the internal audit function will be managed



# Revision Results

- Complete charter replacement using the template that clearly aligns with the Standards and best practices.
- Clearly defines the Internal Audit Mandate, Chief Audit Executive roles and responsibilities, and audit services.
- Functionally focused on Internal Audit requirements and responsibilities.
- Removes compliance activities from appearing to fall under audit Standards.



# Next Steps

- Audit & Compliance Committee review and approve revised charter
- Positioned to be in full Standards conformance with approval
  - New audit workflows aligned with Standards in place
  - Staff training held in early February



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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## AGENDA ITEM SUMMARY

Meeting Date: February 27, 2025

Committee: Audit and Compliance

Item: **Proposed Internal Audit Charter**

Type: Action

Presenter(s): Andrea Addis, Interim Executive Director of Internal Audit

### **Background Information**

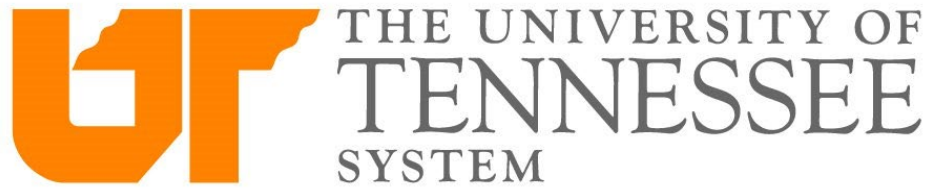
As required by the Committee Charter for the Audit and Compliance Committee, the charter for the internal audit function (Internal Audit Charter) of the University is required to be approved by the Audit and Compliance Committee.

The review of the existing charter was prompted by changes in audit standards that redefine how the internal audit function will be managed. With these updates, the charter will now be in line with newly established requirements from the Institute of Internal Auditors.

A copy of the proposed Internal Audit Charter is attached for the Committee's consideration.

### **Committee Action**

The Committee Chair will call for a motion recommending the adoption of the Internal Audit Charter, as presented in the meeting materials.



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**AUDIT AND COMPLIANCE**

## **Internal Audit Charter**

**Last Approved: [\_\_\_\_\_]**

## Audit and Compliance Overview

Audit and Compliance (A&C) is a systemwide resource for the University of Tennessee (UT) and is led by the Chief Audit and Compliance Officer (chief audit executive). A&C is comprised of multiple functions: Internal Audit, Institutional Compliance, Investigations, Enterprise Risk Management, Public Safety, Environmental Health and Safety, Title IX coordination, and Privacy coordination.

Internal Audit, the focus of this document, is led by the Executive Director of Internal Audit (Executive Director) who oversees a staff of audit professionals physically located across the state serving all UT campuses and institutes. The Executive Director is designated as a delegate of the chief audit executive to carry out the duties and responsibilities contained in this charter.

## Purpose of Internal Audit

### *Purpose Statement*

The purpose of Internal Audit is to strengthen the university's ability to create, protect, and sustain value by providing the UT Board of Trustees and management with independent, risk-based, and objective assurance, advice, insight, and foresight. Internal Audit enhances the university's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal Audit is most effective when:

- Internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditors' (IIA) Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Audit and Compliance Committee (A&C Committee) of the UT Board of Trustees.
- Internal auditors are free from undue influence and committed to making objective assessments.

## ***Global Internal Audit Standards***

In accordance with Tennessee Code Annotated § 4-3-304(9), Internal Audit will adhere to the mandatory elements of the IIA's International Professional Practices Framework, which are the Global Internal Audit Standards (Standards) and Topical Requirements. The chief audit executive will report at least annually to the A&C Committee and senior management regarding Internal Audit's conformance with the Standards, which will be assessed through a quality assurance and improvement program. Additionally, all audit reports issued by Internal Audit shall include a statement that the audit was conducted pursuant to the Standards.

## **Internal Audit Mandate**

### ***Oversight and Authority***

The A&C Committee is established as required by Tennessee Code Annotated § 49-9-206(b)(1)(A) and in compliance with the State of Tennessee Audit Committee Act of 2005, codified at Tennessee Code Annotated §§ 4-35-101 *et seq.* The A&C Committee assists the UT Board of Trustees in fulfilling its governance and oversight responsibilities. These responsibilities are documented separately in the A&C Committee Charter.

Internal Audit's authority is created by its direct reporting relationship to the A&C Committee. Such authority allows for unrestricted access to the UT Board of Trustees. The A&C Committee authorizes Internal Audit to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary UT personnel and other specialized services from within or outside the university to complete internal audit services.

### ***Independence***

The chief audit executive is positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of Internal Audit. The chief audit executive reports functionally to the Chair of the A&C Committee and administratively to the UT System President. This positioning provides the organizational authority and

status to bring matters directly to senior management and escalate matters to the UT Board of Trustees, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit executive will confirm to the A&C Committee, at least annually, the organizational independence of Internal Audit. If the governance structure does not support organizational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit executive will disclose to the A&C Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on Internal Audit's effectiveness and ability to fulfill its mandate.

## Chief Audit Executive Roles and Responsibilities

### *Ethics and Professionalism*

The chief audit executive will ensure that internal auditors:

- Conform with the Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

### *Objectivity*

The chief audit executive will ensure that Internal Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the university.
- Initiating or approving transactions external to Internal Audit.
- Directing the activities of any university employee that is not employed by Internal Audit, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive, A&C Committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### ***Managing Internal Audit***

The chief audit executive has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the A&C Committee and senior management. Discuss the plan with the A&C Committee and senior management and submit the plan to the A&C Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the A&C Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the university's structure, risks, operations, programs, processes, systems, and controls.
- Communicate with the A&C Committee and senior management if there are significant interim changes to the internal audit plan.



- Ensure Internal Audit's engagements are performed, documented, and communicated in accordance with the Standards and laws and/or regulations.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the A&C Committee and senior management at least annually and for each engagement as appropriate.
- Ensure Internal Audit collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the university and communicate to the A&C Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide Internal Audit's activities.
- Ensure adherence to the university's relevant policies and procedures unless such policies and procedures conflict with this charter or the Standards. Any such conflicts will be resolved or documented and communicated to the A&C Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the A&C Committee.

### ***Communication***

The chief audit executive will report at least annually to the A&C Committee and senior management regarding:

- Internal Audit's mandate.
- The internal audit plan and Internal Audit's performance relative to the plan.
- Internal Audit's budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the Internal Audit's conformance with the Standards and action plans to address Internal Audit's deficiencies and opportunities for improvement.

- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the A&C Committee that could interfere with the achievement of the university's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that Internal Audit determines may be unacceptable or acceptance of a risk that is beyond the university's risk appetite.

### ***Quality Assurance and Improvement Program***

The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of Internal Audit. The program will include external and internal assessments of Internal Audit's conformance with the Standards, as well as performance measurement to assess Internal Audit's progress toward the achievement of its objectives and pursuit of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address Internal Audit's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the A&C Committee and senior management about Internal Audit's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside UT; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

### **Internal Audit Services**

The scope of Internal Audit's services covers the entire breadth of the organization, including all university activities, assets, and personnel. The scope of Internal Audit's activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the UT Board of Trustees and management on the adequacy and effectiveness of governance, risk management, and control processes for the university.

The nature and scope of advisory services may be agreed with the party requesting the service, provided Internal Audit does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal Audit engagements may include evaluating whether:

- Risks relating to the achievement of the university's strategic objectives are appropriately identified and managed.
- The actions of university officers, directors, management, employees, and contractors or other relevant parties comply with university policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the university.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

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3.3

## AGENDA ITEM SUMMARY

Meeting Date: February 27, 2025

Committee: Audit and Compliance

Item: **2025 Internal Audit Plan**

Type: Action

Presenter(s): Andrea Addis, Interim Executive Director of Internal Audit

### **Background Information**

As required by the Committee Charter for the Audit and Compliance Committee, the Committee is responsible for approving the comprehensive annual audit plan.

The proposed comprehensive annual audit plan (2025 Internal Audit Plan) includes new audit and consulting projects, as well as ongoing projects carried over from the approved 2024 audit plan. This plan is reflective of the current risk environment, compliance topics, and engagements required by policy or statute, which are intended to add value to the organization and its governance structure.

A copy of the proposed 2025 Internal Audit Plan is attached for the Committee's consideration.

### **Committee Action**

The Committee Chair will call for a motion recommending the adoption of the 2025 Internal Audit Plan, as presented in the meeting materials.

# 2025 Annual Internal Audit Plan



THE UNIVERSITY OF  
TENNESSEE  
SYSTEM



# 2025 Internal Audit Goals

Improve connected risk environment

System-wide internal controls mapping with DASH rollout

Efficient and effective audit processes aligned with new standards

Expand IT Audit function to focus on emerging issues

Key Performance Indicators to report on audit quantity and quality



# Audit Standards Update

- Effective January 9, 2025
- Methodologies and processes in place to conform
- Initial staff training complete with additional trainings planned through June
- Internal Quality Assurance Program to be implemented Fall 2025

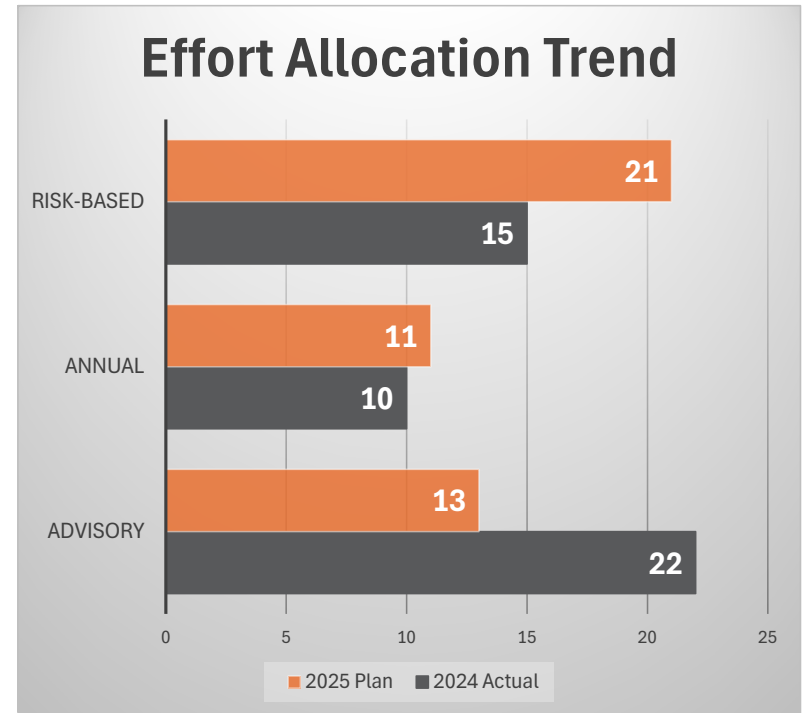
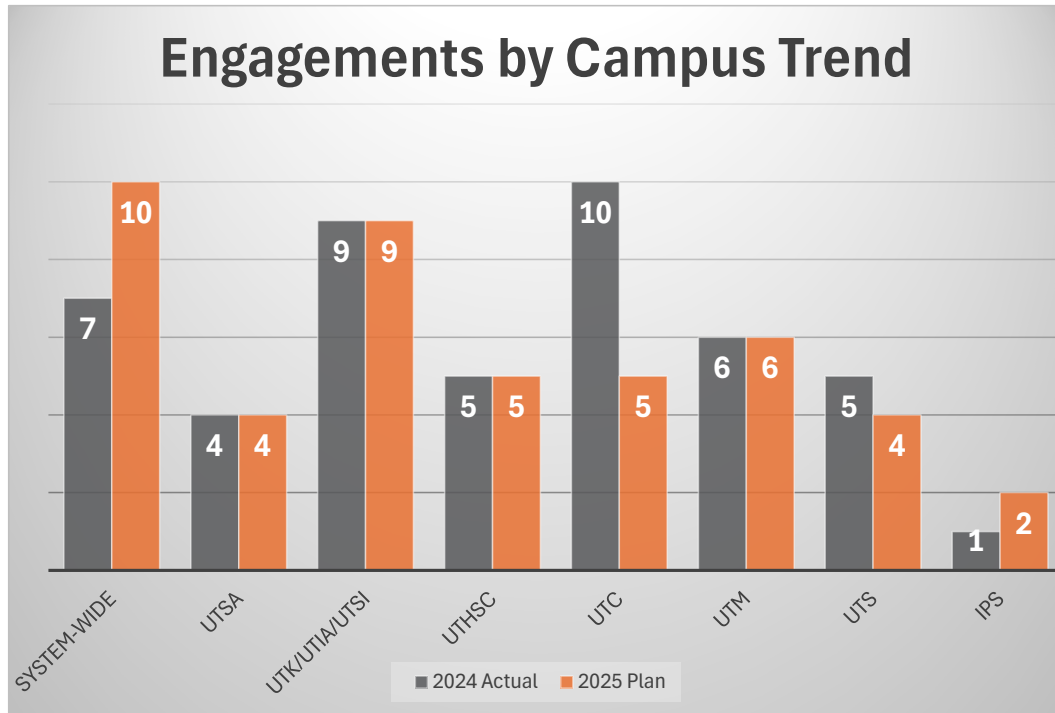
# Categories of Work

Type		Description
1	Risk-Based Audits	Planned engagements based on evaluation of risk exposures related to the university’s governance, operations, and information systems identified with staff, management, and executive leadership input
2	Annual Audits	Audits required by statute, administrative policy, or management agreements
3	Advisory Services	Requested and agreed upon consulting projects to add value and improve the university’s governance, operations, and processes without assuming management responsibility

# Effort

Effort by Type	2024 Actual		2025 Plan*		Variance	
Risk-Based Audits	15	32%	21	46%	6	29%
Annual Audits	10	21%	11	24%	1	10%
Advisory Services	22	47%	14	30%	(8)	(36)%
<b>Total</b>	<b>47</b>	<b>100%</b>	<b>46</b>	<b>100%</b>	<b>(2)</b>	<b>(2%)</b>
<i>*New Projects for 2025</i>						

# Effort



# Risk-Based Approach



# Risk-Based Projects - Planned

Risk-Based Audits	Campus	Risk-Based Audits	Campus
1 ADA Compliance (x8)	System-Wide	8 IT: Windows Administrators	UTK/UTIA
2 Deferred Maintenance (x7)	System-Wide	9 Police Department (carryover)	UTC
3 Temporary Processes Outside of DASH	System-wide	10 Police Department Accreditation (Carryover)	UTM
4 Capital Projects Management - Outsourced	UTSA	11 Leave Monitoring (carryover)	UTC
5 Athletics Camps and Clinics	UTM	12 4-H Event Planning and Security (carryover)	UTK/UTIA
6 Extension Shooting Sports	UTK/UTIA	13 Lab Safety (carryover)	UTC
7 IT: Asset Management	UTK		



# Risk-Based Projects - Bench

Risk-Based Audits		Campus
1	Anatomical Gifts Controls and Compliance	System-wide
2	Tuition and Fees Controls	UTK
3	Athletics Camps and Clinics	UTC
4	Pharmacy Inventory Management	UTHSC
5	Athletics Camps and Clinics	UTS
6	Purchasing Card Controls	System-wide
7	Payroll Process and Controls	System-wide

# Annual Audits

Statutory or Regulatory Required Audits		Campus
1	2025 Complete College Tennessee Act	System-Wide
2	Office of the President	UTSA
3	Office of the Chancellor	UTK
4	Office of the Chancellor	UTHSC
5	Ohio Valley Conference Special Assistance Funds	UTM

Policy Compliance Audits			
Campus Division or Institute	2024	2025	2026
UTC Administrative Division		X	
UTC Academic Division	X		X
UTK Administrative Division	X		X
UTK Academic Division		X	
UTM Administrative Division	X		X
UTM Academic Division		X	
UTHSC Administrative Division	X		X
UTHSC Academic Division		X	
UTS Administrative Division		X	
UTS Academic Division			
IPS or Other Institute	X		X
IT Policy		X	X
<b>Total Projects</b>	<b>5</b>	<b>6</b>	<b>6</b>

# Advisory Service Projects - Planned

Advisory Service Projects		Campus	Advisory Service Projects		Campus
1	Internal Controls Environment Mapping (5x)	System-wide	8	Construction Costs – Outsourced	UTK
2	Cash Equivalent Controls	System-wide	9	HERD Data Collection Process (carryover)	System-wide
3	Admissions/Enrollment	UTS	10	HERD Data Collection Process (carryover)	System-wide
4	Admissions/Enrollment	UTC	11	College of Social Work – Gift Cards (carryover)	UTK
5	Athletics Fundraising and Cash Collections	UTM	12	General Policy Development (carryover)	UTS
6	Student Mental Health Services	UTC	13	Lab Safety (carryover)	UTS
7	Student Mental Health Services	UTHSC	14	NAIA Athletic Compliance	UTS

# Continuity Readiness Consultation Summary



THE UNIVERSITY OF  
TENNESSEE  
SYSTEM

# Business Continuity Planning Overview

- Not currently required for UT System
- Separate from short term safety/emergency response
- Focuses on continuing critical business activities
- Designed to start within 12 hours of an event
- Sustainable for 30 days



# Consultation Approach



## Identified Guidance

Used FEMA and TEMA continuity planning guidance and templates for non-federal organizations



## Rated Readiness

Compared documentation from 8 campuses/institutes to elements in guidance



## Detailed Reports

Provided detailed reports for each element tested to campus/institute



## System Summary

Combined data into system summary report with key results

# Key Results

## **Consider policy and guidance for independent continuity planning**

- Separate from emergency management planning
- Focus areas: planning requirements, what to include, roles/responsibilities, training
- Would improve ability to respond and adapt in an event

## **Consider additional personnel and resources for AgResearch and Extension continuity planning**

- Distributed locations do not fall under campus operations



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# QUESTIONS?

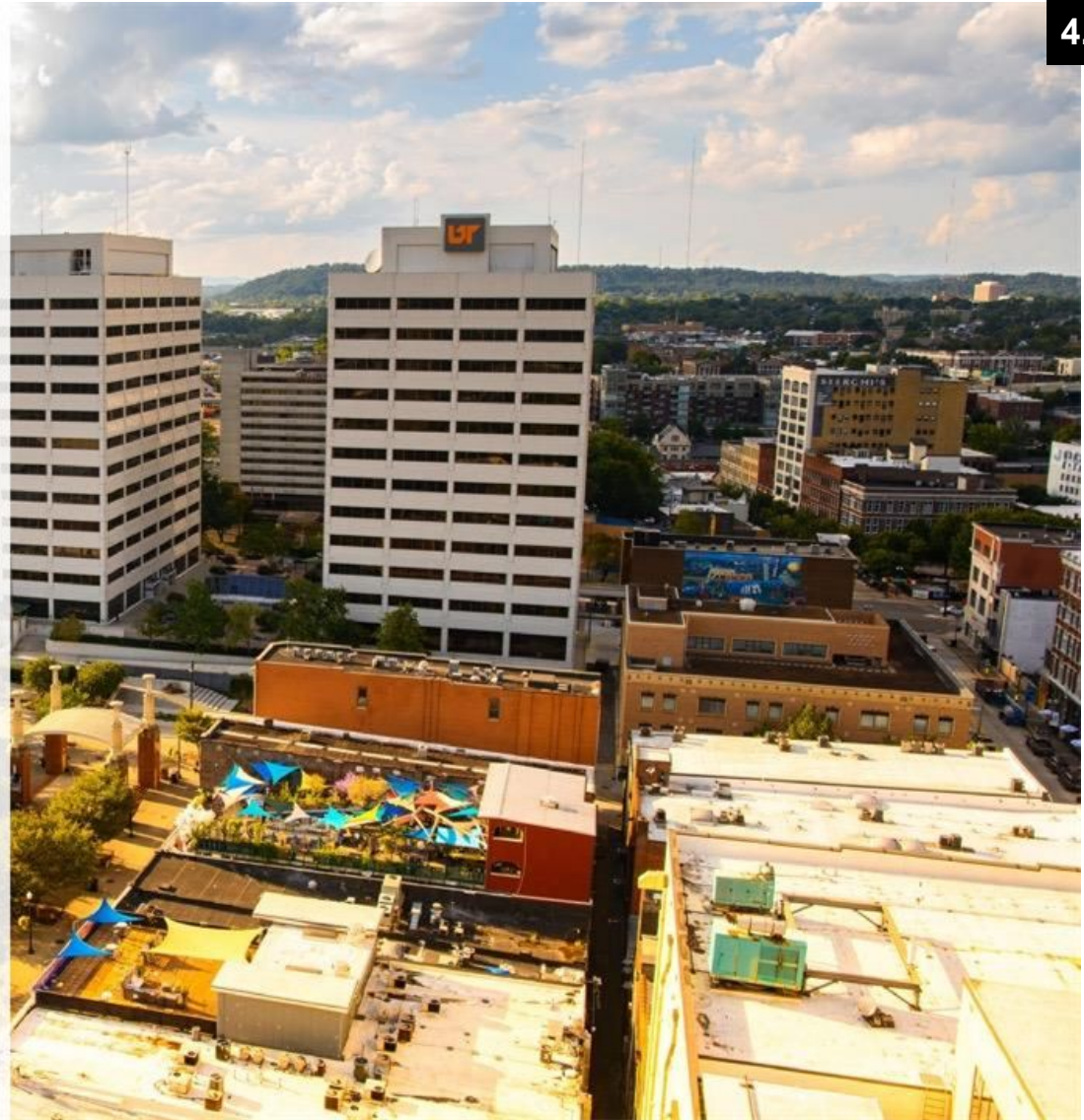
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# Privacy at the University of Tennessee

Shauna Jennings  
Director of Privacy and Associate  
General Counsel



THE UNIVERSITY OF  
TENNESSEE  
SYSTEM



# The First 18 Months



# Current Projects

1. CampusGuard HIPAA Assessment
2. GDPR website updates
3. Development and implementation of Privacy Impact Assessment



# 2025 Goals



HIPAA policy development



GDPR compliance working group



Privacy website development





**THANK YOU**

# Public Safety Update



THE UNIVERSITY OF  
TENNESSEE  
SYSTEM



The University of Tennessee at Martin Department of Public Safety provides quality, responsive police and safety service through partnership and collaboration with the students, faculty, staff, and other campus partners. We are committed to maintaining a safe environment to live, learn, and work on campus.

**UTM  
POLICE  
OVERVIEW**

**Michael O'Neill**  
**Director of Public Safety**





## Chief Michael O'Neill

- Selected as the Director of Public Safety/Chief of Police in July, 2023.
- Commander, Ramsey County Sheriff's Office in St Paul, Minnesota. 28 years.
- Command Sergeant Major, 36 years of Army and Marine Corps service. Deployed to Iraq, Afghanistan, and Kuwait. Served in senior leadership at brigade and battalion levels (500-4000 Soldiers).
- Doctorate in Public Policy and Administration, M.B.A, and graduate of the Southern Police Institute.
- Wife, Barbara. Four sons and three grandchildren.





# UTM DPS COMMAND STAFF



Lieutenant  
Chad Worley



Lieutenant  
Derrick O'Dell



Lieutenant  
Jerry Garcia

# Department Snapshot

## Campus Police:

- 11 full-time certified Police Officers (including the chief)
- 1 full-time Senior Dispatcher
- 1 Admin Assistant
- 6 student dispatchers
- 6 student employees

## Traffic Management:

- 1 full-time Senior Budget Clerk
- 1 Fee Control Clerk (vacant)
- 6 student ticket writers



## Looking beyond our campus boarders

- Our officers are also sworn with City of Martin PD
- Weakley County Sheriff's Office
- Tennessee Highway Patrol (THP) and the Tennessee Department of Agriculture (TDA)
- Springfield, Somerville, Parsons, Jackson, JSCC, Ripley, and Selmer.
- Cooperation with UT Knoxville, Chattanooga, UTHSC, UT Southern

Director O'Neill serves on the University Committee of the Tennessee Association of Chiefs of Police.

## Crime Trends

- Group A Offenses second lowest in Tennessee comparison group
- Index Crimes also second lowest in comparison group
- Increase in campus population underscores the need for continued campus safety efforts.

## Success in 2024:

- All 2024 Goals met or exceeded.
- Full staffing for the first time in several years
- Internal and external training
- Safety Walks and Physical Security Assessment
- Collaboration with the Criminal Justice Program
- Parking Facilities

## Goals for 2025:

- 1: Enhance public safety and mitigate crime on campus
- 2: Enhance officer preparedness and training to ensure effective responses to campus safety needs, align with emerging threats, and promote professional development within the department.
- 3: Optimize Parking Facilities and Campus Accessibility to support the university's mission, ensuring the safe and orderly conduct of university business within the limits of available space.



Contact Information  
**Director Michael O’Neill**  
[michael.oneill@utm.edu](mailto:michael.oneill@utm.edu)  
731-881-7775



QUESTIONS?



# THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

## AGENDA ITEM SUMMARY

Meeting Date: February 27, 2025  
Committee: Audit and Compliance  
Item: **Consent Agenda**  
Type: Information

### **Background Information**

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, 2024**

5.1

Audit Engagements	Campus	Status
Capital Construction - Outsourced	UTSA/UTK/UTIA	Complete
Building Access Security	UTC	Complete
College of Engineering & Natural Sciences - Policy Compliance	UTM	Complete
College of Communication & Info - Policy Compliance	UTK	Complete
OVC Athletics Special Assistance Funds (Annual)	UTM	Complete
Contracts Management	System-Wide	Complete
Extension Eastern Region - Policy Compliance	UTK/UTIA	Complete
College of Engineering & Computer Science - Policy Compliance	UTC	Complete
Lab Safety	UTC	In-Progress
CCTA (Annual)	System-wide	Complete
Capital Construction - Outsourced	UTSA/UTC	In-Progress
4-H Event Planning and Security	UTK/UTIA	In-Progress
Facilities - Policy Compliance	UTHSC	In-Progress
Office of the President (Annual)	UTSA	Complete
Office of the Chancellor (Annual)	UTC	Complete
Office of the Chancellor (Annual)	UTS	Complete
Office of the Chancellor (Annual)	UTM	Complete
Leave Monitoring	UTC	In-Progress
Police Department Accreditation Audit	UTM	In-Progress
UTC Police Department	UTC	In-Progress

Consulting Engagements	Campus	Status
GLBA Compliance	UTSA/UTK/UTHSC/UTC/UTM/UTS	Complete (6)
NIL Policy & Procedure Review	System-Wide	Complete
Sponsored Research Programs - Pre-Award Process	System-Wide	Complete
Fiscal Policy Development	UTSA	Complete
UTHSC Office of Finance & Operations Benchmarking	UTHSC	Complete
UT Chattanooga Peer Benchmarking	UTC	Complete
DASH System Implementation (Co-Sourced)	System-Wide	In-Progress
IT: Third Party Risk Management	System-Wide	Complete
College of Medicine Benchmarking	UTHSC	Complete
Lab Safety	UTS	In-Progress
General Policy Development	UTS	In-Progress
Sensitive Minor Equipment Policy	UTSA	Complete
College of Social Work - Cash and Gift Card Controls	UTK	In-Progress
Continuity of Operations - UT System	System-Wide	In-Progress
Continuity of Operations - UT IPS	IPS	In-Progress
Continuity of Operations - UTK	UTK	In-Progress
Continuity of Operations - UTC	UTC	In-Progress
Continuity of Operations - UTHSC	UTHSC	In-Progress
Continuity of Operations - UTIA	UTIA	In-Progress
Continuity of Operations - UTM	UTM	In-Progress
Continuity of Operations - UTS	UTS	In-Progress
Continuity of Operations - UTSI	UTSI	In-Progress



## Outstanding High-Priority Audit Issues

As of December 31, 2024

5.2

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

Campus		Audit	Issue	Report Date	Expected Remediation Date*	Revised Remediation Date*
1	UTSA	EESRB Capital Construction Audit	Contractor Billing Variances	3/27/2024	9/30/2024	11/15/2024
2	UTC	Building Access Security	Physical Key Access Controls	4/19/2024	10/31/2024	2/8/2025
3	UTC	College of Engineering & Computer Science	Pcard reconciliation errors and lack of reconciliation	9/23/2024	10/31/2024	1/31/2025

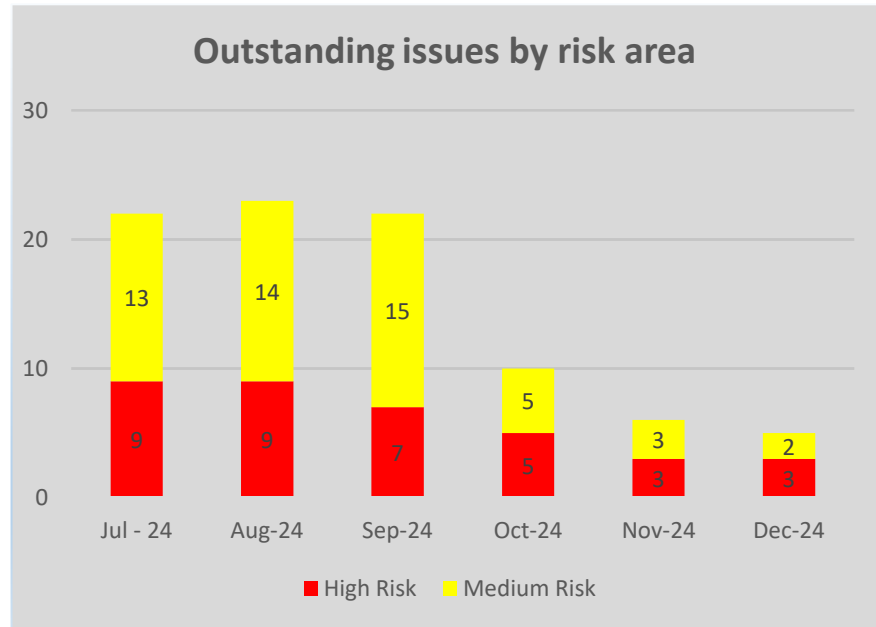
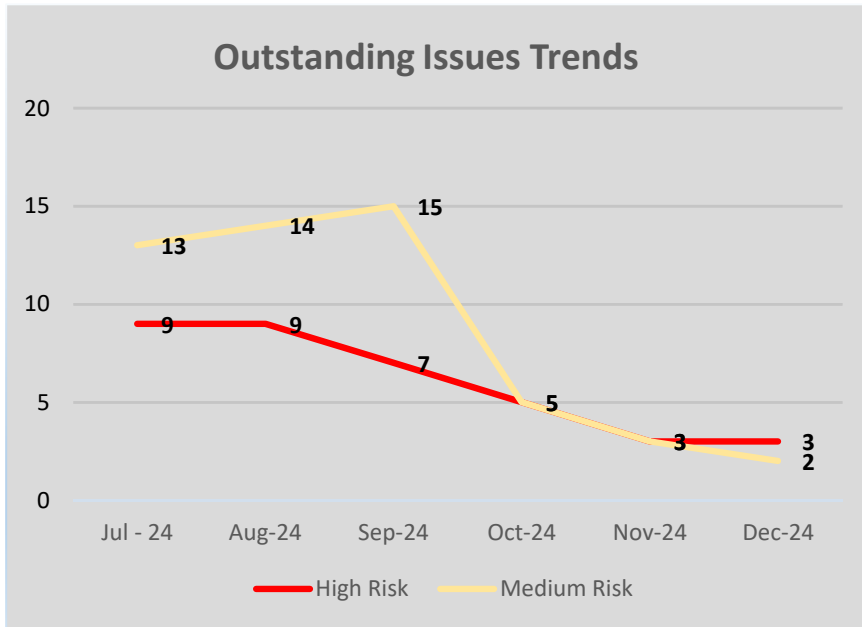
Update: The EESRB Capital Construction Audit, Contractor Billing Variances issue was remediated as of January 23, 2025.



## Issues by Priority Rating

As of December 31, 2024

5.2





THE UNIVERSITY OF TENNESSEE SYSTEM

TREASURER

5.3

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 29, 2025

**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 two quarters ending December 31, 2024, 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 17, 2025

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

**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, 2024. 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 20.2.4.17 for the year ended June 30, 2024. 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 \$100,000 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.



<b>Procedure</b>	<b>Results</b>
<ul style="list-style-type: none"> <li>Obtain the statements of revenues and expenses of the athletic programs and related notes for the year ended June 30, 2024, as prepared by management. Compare the amounts reported on the statements with the institution's general ledger.</li> </ul>	No exceptions noted.
<b><u>Revenues</u></b>	
<ul style="list-style-type: none"> <li>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.</li> </ul>	No exceptions noted.
<ul style="list-style-type: none"> <li>Compare and agree a sample of operating revenue receipts from the operating revenue supporting schedules to adequate supporting documentation.</li> </ul>	No exceptions noted.
<ul style="list-style-type: none"> <li>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.</li> </ul>	No exceptions noted. See the supplements to this report.
<ul style="list-style-type: none"> <li>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.</li> </ul>	No exceptions noted. At Chattanooga and Martin, since ticket revenue was less than 4% of campus revenues, no procedures were performed.
<ul style="list-style-type: none"> <li>Compare and agree student fees reported by the institution in the statements to student enrollments during the same reporting period and recalculate totals.</li> </ul>	No exceptions noted. At Knoxville, since student fees were less than 4% of campus revenues, this procedure was not performed.

- If the athletics department is reporting that an allocation of student fees should be countable as generated revenue, recalculate the totals of the department’s methodology for supporting that it is able to count for 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.

The institutions do not report in this manner; therefore, this step was not performed.

Since the athletic departments do not receive direct state or other governmental support, this procedure was not performed.

No exceptions noted.

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:

- 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.

administrative services provided by the university to athletics, but not charged such as Human Resources, Accounting, and Information Technology; facilities maintenance; security; risk management; and utilities.”

No exceptions noted. Only Martin had guarantees that exceeded 4% of total revenues. This procedure was therefore not performed at Chattanooga and Knoxville.
- Select a sample of contractual agreements pertaining to revenues derived from guaranteed contests (including payments received due to game cancellations) during the reporting period and compare and agree each selection to the institution’s general ledger and/or the statement and recalculate totals.

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

There were no contributions that met this criterion; therefore, this step was not performed.
- Compare the in-kind contributions recorded by the institution during the reporting period with a schedule of in-kind donations and recalculate the totals.

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.

- 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 conference distributions if media rights are not broken out separately.

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

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.
  
- 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.

At Knoxville, elements of the conference distribution were assigned to the improper categories. This resulted in understated NCAA distributions (line item 12), Media rights (line item 11), and Conference distributions of football bowl generated revenue (line item 13a) by \$2,999,090, \$204,332, and \$8,440,393, respectively, and overstated conference distributions (non-bowl) (line item 13) by \$11,643,815. The categories for reporting are provided by the conference. The statement was updated. At Chattanooga and Martin, since conference distributions were less than 4% of campus revenues, this procedure was not performed.
  
- Compare the amount recorded in the revenue reporting category to a general ledger detail of program sales, concessions, novelty sales, and parking as well as any other corroborative supporting documents and recalculate totals.

No exceptions noted. 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.

- 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.

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

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.

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

No exceptions noted.

- Compare and agree a sample of expenses from the operating expense supporting schedules to adequate supporting documentation.

No exceptions noted.
- 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.

No exceptions noted. See the supplements to this 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 Assistant (CA) or the institution report that ties directly to the NCAA Membership Financial Reporting System. Confirm the 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.

At Chattanooga and Knoxville, no exceptions were noted. At Martin, for 7 of 60 students tested (11.7%), the Revenue Distribution Equivalent award was calculated incorrectly on the squad list and would have been reported incorrectly on the NCAA Membership Financial Report. The students' information was corrected on the final NCAA Membership Financial Report after the auditors notified management.
- 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 expended by the institution to the institution's general ledger and/or statement. Recalculate totals.

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

- 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 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.

No exceptions noted.
  
- Obtain and inspect a listing of coaches employed by third parties during the reporting period. Select a sample of coaches' contracts that must include football and men's and women's basketball from the listing. Compare and agree the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third party and recorded by the institution in the statement during the reporting period. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary register to the coaching other compensation and benefits paid by third-party expenses recorded by the institution in the 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

No exceptions noted.

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.

- Select a sample of support staff/administrative personnel employed by third parties during the reporting period. Obtain and inspect reporting period payroll summary registers to the related support staff/administrative other compensation and benefits expense recorded by the institution in the 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

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

No severance payments were reported at Chattanooga or Martin during the reporting period, and severance payments at Knoxville were less than 4% of expenses; 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, lease and



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.

SBITA payments of principal and interest were not reported in line item 34 (Athletic facilities debt service, leases and rental fees).

**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 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.

No exceptions noted.

At Knoxville, the initial NCAA Membership Financial Report omitted certain student-athletes who are no longer enrolled at the university, but based on timing of the reporting should have been included. Pell grants for 20 of 103 student-athlete recipients (19.4%) were not reported. The final NCAA Membership Financial Report was corrected after auditors notified management. At Chattanooga, for 17 of 85 Pell student-athlete recipients (21%), the student’s Pell grant was not

recorded in the NCAA Compliance Assistance software and therefore not initially reported in the NCAA Membership Financial Reporting System. The final NCAA Membership Financial Report was corrected after auditors notified management. No exceptions were noted at Martin.

**Other reporting items**

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

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

No exceptions noted.

No exceptions noted.

No exceptions noted.

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, 2024. 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 17, 2025

The University of Tennessee at Knoxville  
 Department of Intercollegiate Athletics  
 Statement of Revenues and Expenses  
 For the Year Ended June 30, 2024

5.4

<b>Revenues</b>	
1 Ticket sales	\$ 46,411,884
2 Direct state or other government support	-
3 Student fees	1,000,000
4 Direct institutional support	13,615,318
5 Less: transfers to institution	(2,166,619)
6 Indirect institutional support	-
6a Indirect institutional support -athletic facilities debt service, lease and rental fees	-
7 Guarantees	5,941,001
8 Contributions	72,679,092
9 In-kind	4,017,196
10 Compensation and benefits provided by a third party	-
11 Media rights	38,113,168
12 NCAA distributions	3,695,792
13 Conference distributions (non-media and non-football bowl)	639,000
13a Conference distributions of football bowl generated revenue	11,864,483
14 Program, novelty, parking, and concession sales	9,611,077
15 Royalties, licensing, advertisement, and sponsorships	21,807,114
16 Sports camp revenues	1,776,487
17 Athletics restricted endowment and investments income	2,663,787
18 Other operating revenue	959,543
19 Football bowl revenues	1,430,469
<b>Subtotal operating revenues</b>	<b>234,058,792</b>
<b>Expenses</b>	
20 Athletic student aid	22,853,779
21 Guarantees	6,370,300
22 Coaching salaries, benefits, and bonuses paid by the university and related entities	41,592,703
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	38,691,470
25 Support staff/administrative compensation, benefits, and bonuses paid by a third party	-
26 Severance payments	2,345,833
27 Recruiting	8,128,826
28 Team travel	13,373,204
29 Sports equipment, uniforms, and supplies	6,079,998
30 Game expenses	9,001,914
31 Fund raising, marketing, and promotion	6,029,437
32 Sports camp expenses	565,055
33 Spirit groups	747,482
34 Athletic facilities debt service, leases, and rental fees	11,802,683
35 Direct overhead and administrative expenses	28,439,932
36 Indirect institutional support	-
37 Medical expenses and insurance	2,874,767
38 Memberships and dues	53,508
39 Student-athlete meals (non-travel)	7,859,020
40 Other operating expenses	22,358,561
41 Football bowl expenses	2,099,918
41a Football bowl expenses - coaching compensation/bonuses	543,652
<b>Subtotal operating expenses</b>	<b>231,812,042</b>
<b>Excess (deficiency) of revenues over (under) expenses</b>	<b>\$ 2,246,750</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	\$ 199,494,074
53 Total institutional debt	\$ 835,202,442
54 Value of athletics dedicated endowments	\$ 64,426,785
55 Value of institutional endowments	\$ 1,030,849,353
56 Total athletics related capital expenditures	\$ 120,991,663

The University of Tennessee at Chattanooga  
 Department of Intercollegiate Athletics  
 Statement of Revenues and Expenses  
 For the Year Ended June 30, 2024

5.4

<b>Revenues</b>	
1 Ticket sales	\$ 884,766.85
2 Direct state or other government support	-
3 Student fees	5,312,829.37
4 Direct institutional support	11,169,698.85
5 Less: transfers to institution	-
6 Indirect institutional support	-
6a Indirect institutional support -athletic facilities debt service, lease and rental fees	57,781.00
7 Guarantees	776,500.00
8 Contributions	1,652,313.56
9 In-kind	266,699.00
10 Compensation and benefits provided by a third party	-
11 Media rights	-
12 NCAA distributions	449,469.00
13 Conference distributions (non-media and non-football bowl)	26,571.00
13a Conference distributions of football bowl generated revenue	-
14 Program, novelty, parking, and concession sales	100,323.13
15 Royalties, licensing, advertisement, and sponsorships	603,660.00
16 Sports camp revenues	677,156.22
17 Athletics restricted endowment and investments income	131,820.74
18 Other operating revenue	456,274.49
19 Football bowl revenues	-
<b>Subtotal operating revenues</b>	<b>22,565,863.21</b>
<b>Expenses</b>	
20 Athletic student aid	5,705,556.70
21 Guarantees	-
22 Coaching salaries, benefits, and bonuses paid by the university and related entities	4,968,515.70
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	3,904,427.08
25 Support staff/administrative compensation, benefits, and bonuses paid by a third party	-
26 Severance payments	-
27 Recruiting	420,869.59
28 Team travel	1,436,022.49
29 Sports equipment, uniforms, and supplies	816,914.26
30 Game expenses	309,627.89
31 Fund raising, marketing, and promotion	1,137,466.13
32 Sports camp expenses	348,352.33
33 Spirit groups	255,627.27
34 Athletic facilities debt service, leases, and rental fees	335,161.76
35 Direct overhead and administrative expenses	550,908.45
36 Indirect institutional support	-
37 Medical expenses and insurance	293,615.58
38 Memberships and dues	52,241.96
39 Student-athlete meals (non-travel)	310,469.18
40 Other operating expenses	1,720,086.84
41 Football bowl expenses	-
41a Football bowl expenses - coaching compensation/bonuses	-
<b>Subtotal operating expenses</b>	<b>22,565,863.21</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	\$ 26,914,032.92
53 Total institutional debt	\$ 119,257,582.52
54 Value of athletics dedicated endowments	\$ 6,792,972.26
55 Value of institutional endowments	\$ 232,484,759.53
56 Total athletics related capital expenditures	\$ -

Audit and Compliance Committee (Public Session) - VII. Consent Agenda

The University of Tennessee at Martin  
 Department of Intercollegiate Athletics  
 Statement of Revenues and Expenses  
 For the Year Ended June 30, 2024

5.4

<b>Revenues</b>	
1 Ticket sales	\$ 148,232.00
2 Direct state or other government support	-
3 Student fees	1,786,122.30
4 Direct institutional support	8,596,519.31
5 Less: transfers to institution	-
6 Indirect institutional support	-
6a Indirect institutional support -athletic facilities debt service, lease and rental fees	299,851.71
7 Guarantees	832,850.00
8 Contributions	1,207,681.97
9 In-kind	700,500.53
10 Compensation and benefits provided by a third party	-
11 Media rights	77,000.00
12 NCAA distributions	1,063,421.96
13 Conference distributions (non-media and non-football bowl)	170,900.00
13a Conference distributions of football bowl generated revenue	-
14 Program, novelty, parking, and concession sales	136,649.26
15 Royalties, licensing, advertisement, and sponsorships	254,371.68
16 Sports camp revenues	-
17 Athletics restricted endowment and investments income	187,081.26
18 Other operating revenue	23,276.00
19 Football bowl revenues	-
<b>Subtotal operating revenues</b>	<b>15,484,457.98</b>
<b>Expenses</b>	
20 Athletic student aid	4,971,939.56
21 Guarantees	36,162.59
22 Coaching salaries, benefits, and bonuses paid by the university and related entities	2,910,024.95
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	2,365,380.40
25 Support staff/administrative compensation, benefits, and bonuses paid by a third party	-
26 Severance payments	-
27 Recruiting	231,492.02
28 Team travel	1,237,441.39
29 Sports equipment, uniforms, and supplies	1,394,764.37
30 Game expenses	273,493.08
31 Fund raising, marketing, and promotion	50,429.21
32 Sports camp expenses	-
33 Spirit groups	16,052.60
34 Athletic facilities debt service, leases, and rental fees	299,851.71
35 Direct overhead and administrative expenses	169,431.13
36 Indirect institutional support	-
37 Medical expenses and insurance	234,494.60
38 Memberships and dues	20,370.52
39 Student-athlete meals (non-travel)	235,215.79
40 Other operating expenses	1,037,914.06
41 Football bowl expenses	-
41a Football bowl expenses - coaching compensation/bonuses	-
<b>Subtotal operating expenses</b>	<b>15,484,457.98</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	\$ 3,840,742.24
53 Total institutional debt	\$ 52,113,982.18
54 Value of athletics dedicated endowments	\$ 4,247,929.00
55 Value of institutional endowments	\$ 60,325,605.00
56 Total athletics related capital expenditures	\$ 29,162.22

**THE UNIVERSITY OF TENNESSEE  
DEPARTMENTS OF INTERCOLLEGIATE ATHLETICS  
NOTES TO THE STATEMENTS OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2024**

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5.4

**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 or SBITA payments plus other associated lease or SBITA 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 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. The capitalization threshold for SBITAs (also intangible assets) is set at \$250,000.

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, 2024, was as follows:

**THE UNIVERSITY OF TENNESSEE  
DEPARTMENTS OF INTERCOLLEGIATE ATHLETICS  
NOTES TO THE STATEMENTS OF REVENUES AND EXPENSES (CONT.)  
FOR THE YEAR ENDED JUNE 30, 2024**

	Beginning Balance	Additions	Reductions	Ending Balance
Payables:				
Bonds	\$ 125,533,554.73	\$ 42,802,985.77	\$ 7,286,106.04	\$ 161,050,434.46
Revolving credit facility	3,892,314.34	33,185,682.90	-	37,077,997.24
<b>Total TSSBA indebtedness</b>	<b>\$ 129,425,869.07</b>	<b>\$ 75,988,668.67</b>	<b>\$ 7,286,106.04</b>	<b>\$ 198,128,431.70</b>

Debt service requirements to maturity for bonds payable at June 30, 2024, for athletic related debt, are as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 8,781,292.96	\$ 6,887,278.22	\$ 15,668,571.18
2026	9,071,747.47	6,552,982.28	15,624,729.75
2027	9,507,214.73	6,176,180.74	15,683,395.47
2028	8,517,909.09	5,790,954.56	14,308,863.65
2029	10,283,287.08	5,383,486.96	15,666,774.04
2030-2034	36,777,714.21	23,256,798.70	60,034,512.91
2035-2039	24,682,665.57	18,053,668.70	42,736,334.27
2040-2044	18,155,259.60	13,349,565.64	31,504,825.24
2045-2049	22,157,224.73	8,425,003.43	30,582,228.16
2050-2053	22,178,644.50	2,287,138.07	24,465,782.57
<b>Total</b>	<b>\$ 170,112,959.94</b>	<b>\$ 96,163,057.30</b>	<b>\$ 266,276,017.24</b>
Less:			
Unspent bond proceeds	(9,062,525.48)		
TSSBA debt - bonds	<u>\$ 161,050,434.46</u>		

**Chattanooga**

Long-term debt activity related to athletic department assets, for the year ended June 30, 2024, was as follows:



**THE UNIVERSITY OF TENNESSEE  
DEPARTMENTS OF INTERCOLLEGIATE ATHLETICS  
NOTES TO THE STATEMENTS OF REVENUES AND EXPENSES (CONT.)  
FOR THE YEAR ENDED JUNE 30, 2024**

	Beginning Balance	Additions	Reductions	Ending Balance
Payables:				
Bonds	\$ 11,616,090.59	\$ 15,244,996.36	\$ 139,365.00	\$ 26,721,721.95
Total TSSBA indebtedness	\$ 11,616,090.59	\$ 15,244,996.36	\$ 139,365.00	\$ 26,721,721.95

Debt service requirements to maturity for bonds payable at June 30, 2024, for athletic related debt, are as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 554,967.48	\$ 1,314,504.36	\$ 1,869,471.84
2026	579,688.70	1,288,853.33	1,868,542.03
2027	608,152.82	1,261,779.29	1,869,932.11
2028	635,967.14	1,233,220.52	1,869,187.66
2029	501,095.84	1,204,619.90	1,705,715.74
2030–2034	2,918,328.33	5,610,250.36	8,528,578.69
2035–2039	3,747,403.01	4,781,175.76	8,528,578.77
2040–2044	4,812,011.41	3,716,567.25	8,528,578.66
2045–2049	6,179,066.91	2,349,511.77	8,528,578.68
2050–2053	6,185,040.31	637,822.63	6,822,862.94
<b>Total</b>	<b>\$ 26,721,721.95</b>	<b>\$ 23,398,305.17</b>	<b>\$ 50,120,027.12</b>

**Martin**

Long-term debt activity related to athletic department assets, for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Payables:				
Bonds	\$ 4,029,820.33	\$ -	\$ 189,078.09	\$ 3,840,742.24
Total TSSBA indebtedness	\$ 4,029,820.33	\$ -	\$ 189,078.09	\$ 3,840,742.24

**THE UNIVERSITY OF TENNESSEE  
DEPARTMENTS OF INTERCOLLEGIATE ATHLETICS  
NOTES TO THE STATEMENTS OF REVENUES AND EXPENSES (CONT.)  
FOR THE YEAR ENDED JUNE 30, 2024**

Debt service requirements to maturity for bonds payable at June 30, 2024, for athletic related debt, are as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 195,810.80	\$ 93,077.33	\$ 288,888.13
2026	202,244.69	86,242.28	288,486.97
2027	209,764.70	78,917.21	288,681.91
2028	217,280.01	71,094.12	288,374.13
2029	225,628.04	62,748.80	288,376.84
2030–2034	1,011,564.00	251,116.58	1,262,680.58
2035–2039	750,872.00	178,893.16	929,765.16
2040–2044	845,273.00	80,879.14	926,152.14
2045	182,305.00	2,425.56	184,730.56
<b>Total</b>	<b>\$ 3,840,742.24</b>	<b>\$ 905,394.18</b>	<b>\$ 4,746,136.42</b>

**NOTE 3. SBITA LIABILITIES**

**Knoxville**

SBITA activity related to athletic department assets, for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
SBITA liabilities	\$ 929,249.70	\$ 171,771.86	\$ 433,312.20	\$ 667,709.36

The following is a schedule by year of payments under the SBITAs as of June 30, 2024:

Year Ending June 30	Principal	Interest	Total
2025	\$ 390,732.36	\$ 9,058.48	\$ 399,790.84
2026	276,977.00	25.15	277,002.15
<b>Total</b>	<b>\$ 667,709.36</b>	<b>\$ 9,083.63</b>	<b>\$ 676,792.99</b>

**THE UNIVERSITY OF TENNESSEE  
DEPARTMENTS OF INTERCOLLEGIATE ATHLETICS  
NOTES TO THE STATEMENTS OF REVENUES AND EXPENSES (CONT.)  
FOR THE YEAR ENDED JUNE 30, 2024**

**Chattanooga**

SBITA activity related to athletic department assets, for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
SBITA liabilities	\$ -	\$ 250,091.97	\$ 57,781.00	\$ 192,310.97

The following is a schedule by year of payments under the SBITAs as of June 30, 2024:

Year Ending June 30	Principal	Interest	Total
2025	\$ 49,278.43	\$ 6,846.08	\$ 56,124.51
2026	67,160.55	3,637.03	70,797.58
2027	75,871.99	10.19	75,882.18
Total	\$ 192,310.97	\$ 10,493.30	\$ 202,804.27

**NOTE 4. LEASE LIABILITIES**

**Knoxville**

Lease liability activity related to athletic department assets, for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Lease liabilities	\$ 877,629.81	\$ -	\$ 179,697.05	\$ 697,932.76

The following is schedule by year of payments under the leases as of June 30, 2024:

**THE UNIVERSITY OF TENNESSEE  
DEPARTMENTS OF INTERCOLLEGIATE ATHLETICS  
NOTES TO THE STATEMENTS OF REVENUES AND EXPENSES (CONT.)  
FOR THE YEAR ENDED JUNE 30, 2024**

**5.4**

Year Ending June 30	Principal	Interest	Total
2025	\$ 218,838.09	\$ 19,027.85	\$ 237,865.94
2026	225,971.42	11,888.24	237,859.66
2027	233,337.28	4,515.91	237,853.19
2028	19,785.97	34.83	19,820.80
<b>Total</b>	<b>\$ 697,932.76</b>	<b>\$ 35,466.83</b>	<b>\$ 733,399.59</b>

**NOTE 5. 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. No single donor or small group of donors gave more than 10% of the reported contributions at the University of Tennessee at Martin campus.

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

	<u>2024</u>	<u>2023</u>			
	<u>Actual</u>	<u>Actual</u>	<u>\$ Difference</u>	<u>% Difference</u>	
<b>Operating revenues:</b>					
Ticket sales	\$ 46,411,884	\$ 39,753,883	\$ 6,658,001	16.7%	(1)
Contributions	72,679,092	62,275,182	10,403,910	16.7%	(2)
Media rights	38,113,168	37,816,107	297,061	0.8%	
<b>10% of Revenues</b>	<b>\$ 23,405,879</b>				
<b>Operating expenses:</b>					
Coaching salaries, benefits, and bonuses paid by the university and related entities	\$ 41,592,703	\$ 34,916,833	\$ 6,675,870	19.1%	(3)
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	38,691,470	36,040,363	2,651,107	7.4%	
Direct overhead and administrative expenses	28,439,932	22,485,615	5,954,317	26.5%	(4)
<b>10% of Expenses</b>	<b>\$ 23,181,204</b>				

- (1) The variance of \$6,658,001 in Ticket sales from fiscal year 2023 to fiscal year 2024 is attributed mainly to an increase in total tickets sold for home football games, excluding student tickets. Football sales were \$29,513,619 in fiscal year 2023 and increased to \$35,112,153 in fiscal year 2024. Additionally, baseball ticket sales increased from \$1,178,437 in fiscal year 2023 to \$1,891,676 in fiscal year 2024 due to an increase in prices and new premium seating sales.
- (2) The variance of \$10,403,910 in contributions from fiscal year 2023 to fiscal year 2024 is attributed mainly to the increase in total contributions related to football per seat contributions. Football per seat contributions totaled \$35,983,054.48 in fiscal year 2023 and increased to \$44,078,318.38 in fiscal year 2024. Additionally, baseball per seat contributions increased from \$748,977 in fiscal year 2023 to \$2,093,074 in fiscal year 2024.
- (3) The variance of \$6,675,870 in Coaching salaries, benefits, and bonuses paid by the university from fiscal year 2023 to fiscal year 2024 is attributed to an increase in incentive compensation of \$1,750,617 due to the overall success across all sport programs. Additionally, there was an increase of \$2,288,588 across all Olympic sport coaching salaries from fiscal year 2023 to fiscal year 2024. Also, football, men's basketball, and women's basketball increases totaled \$2,563,543 from fiscal year 2023 to fiscal year 2024 based on contractual escalators.
- (4) Sport specific expenses for Direct overhead and administrative expenses increased by \$10,637,890 from 2023 to 2024, mainly due to increases in expenses for football (\$6,873,886) and baseball (\$2,931,140). Non-sport specific Direct overhead and administrative expenses decreased by \$4,683,573 from fiscal year 2023 to fiscal year 2024.

5.4

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

	2024 Actual	2023 Actual	\$ Difference	% Difference
<b>Operating revenues:</b>				
Student fees	\$ 5,312,829.37	\$ 5,300,661.09	\$ 12,168.28	0.2%
Direct institutional support	11,169,698.85	10,369,942.22	799,756.63	7.7%
<b>10% of Revenues</b>	<b>\$ 2,256,586.32</b>			
<b>Operating expenses:</b>				
Athletic student aid	\$ 5,705,556.70	\$ 6,165,711.62	\$ (460,154.92)	-7.5%
Coaching salaries, benefits, and bonuses paid by the university and related entities	4,968,515.70	4,554,677.61	413,838.09	9.1%
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	3,904,427.08	3,444,956.58	459,470.50	13.3% (1)
<b>10% of Expenses</b>	<b>\$ 2,256,586.32</b>			

(1) The increase of \$459,470.50 in Support staff/administrative compensation, benefits and bonuses paid by the university and related entities is because there was an across-the-board raise in fiscal year 2024. Also, the Athletic Director received a \$40,000 raise due to a contract extension, and a position empty in 2023 was filled in 2024 at \$40,000. There were also associated benefits increases.

5.4

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

	<u>2024</u> <u>Actual</u>	<u>2023</u> <u>Actual</u>	<u>\$ Difference</u>	<u>% Difference</u>
<b>Operating revenues:</b>				
Student fees	\$ 1,786,122.30	\$ 1,783,188.98	\$ 2,933.32	0.2%
Direct institutional support	8,596,519.31	8,083,390.61	513,128.70	6.3%
<b>10% of Revenues</b>	<b>\$ 1,548,445.80</b>			
<b>Operating expenses:</b>				
Athletic student aid	\$ 4,971,939.56	\$ 4,870,277.12	\$ 101,662.44	2.1%
Coaching salaries, benefits, and bonuses paid by the university and related entities	2,910,024.95	2,676,355.51	233,669.44	8.7%
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	2,365,380.40	2,306,845.56	58,534.84	2.5%
<b>10% of Expenses</b>	<b>\$ 1,548,445.80</b>			

5.4



JASON E. MUMPOWER  
*Comptroller*

January 8, 2025

Mr. Decosta Jenkins, Chair  
University of Tennessee Audit Committee  
400 West Summit Hill Drive  
UT Tower  
Knoxville, TN 37902

Dear Mr. Jenkins:

We have completed the audit fieldwork for the University of Tennessee for the year ended June 30, 2024. Government Auditing Standards issued by the Comptroller General of the United States require us to obtain certain representations in writing from management. Attached is a copy of management's representations for your information.

If you have any questions about these procedures, please call Mr. Bob Hunter, the manager in charge of the audit.

Sincerely,

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

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

Attachment







THE UNIVERSITY OF TENNESSEE SYSTEM

OFFICE OF THE PRESIDENT

RANDY BOYD  
*President*

REPRESENTATION LETTER

December 16, 2024

Ms. Katherine J. Stickel, CPA, CGFM, Director  
Division of State Audit  
Cordell Hull Building  
425 Rep. John Lewis Way N.  
Nashville, Tennessee 37243-1402

Dear Ms. Stickel:

We are providing this representation letter in connection with your audit of the statement of net position; statement of revenues, expenses, and changes in net position; and statement of cash flows of University of Tennessee as of June 30, 2024, and for the year then ended. We understand that the purpose of your audit is to express opinions on whether the financial statements present fairly, in all material respects, the financial position, changes in financial position, and cash flows of the university in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); to report on your consideration of internal control over financial reporting and your tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts; and, in support of the statewide single audit, to report on your tests of internal control over compliance with major federal programs and to express an opinion on compliance, in all material respects, with requirements applicable to each of the state's major federal programs, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be

considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

**Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 6, 2024, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for the preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented and/or disclosed in accordance with U.S. GAAP and include all properly classified funds, activities, and other financial information of the primary government and all component units, including related organizations (foundations and joint ventures with an equity interest) required by U.S. GAAP (GASBS 14, as amended; GASBS 54) to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for compliance with applicable laws, regulations, and the provisions of contracts and grant agreements applicable to our entity.
4. We are responsible for and have designed, implemented, and maintained programs and internal controls to prevent and detect fraud.
5. The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
6. Related party relationships and transactions (including revenues, expenses/expenditures, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties) have been appropriately accounted for and disclosed in the financial statements in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment or disclosure in the financial statements.
8. We believe the effects of the uncorrected financial statement misstatements aggregated by the auditor and summarized in the accompanying schedule during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to

the financial statements.

9. When preparing the financial statements, the effects of all known actual or possible unasserted litigation, claims, and assessments, including other liabilities or gain or loss contingencies, that our lawyer has advised us are probable of assertion and must be accrued and/or disclosed have been accounted for and/or disclosed in accordance with GASB Statement 62 (GASBS 62 ¶96-113).
10. Financial guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed.

#### **Information Provided**

11. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records including information obtained from outside of the general and subsidiary ledgers, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the governing body and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - e. Contracts and grant agreements (including amendments, if any) and any other correspondence that have taken place with federal agencies or pass-through entities and are related to federal programs.
  - f. Documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
12. All material transactions have been properly recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud or suspected fraud affecting the entity involving: a) management, b) employees who have significant roles in internal control over financial reporting or major federal programs, or c) others where the fraud could have a material effect on the financial statements or the schedule of expenditures of federal awards.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity financial statements received in communications from employees, former employees, analysts, regulators, or others.
16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

**Government-Specific**

18. We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. We have taken timely and appropriate steps to remedy fraud, violations of laws, regulations, contracts or grant agreements, or abuse that you have reported to us.
21. We have a process to track the status of audit findings and recommendations.
22. We have reported to you all previous financial audits, attestation engagements, performance audits, or other studies (including federal audits) that have been performed on our entity and that are related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and implement related recommendations.
23. We have disclosed all plans or intentions that may materially affect or change the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, or net position.
24. We are responsible for compliance with the laws, regulations, and the provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we understand and have complied with, identified, and disclosed the requirements of laws, regulations, and the provisions of contracts and grant agreements that have a direct and

material effect on the determination of financial statement amounts or other financial data significant to the audit objectives or on each major federal program.

25. There are no violations or possible violations of laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
26. We have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
27. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
28. We have followed applicable laws and regulations in adopting, approving, and amending the budget.
29. We have included in the financial statements all related organizations (i.e., component units) that qualify for inclusion and disclosed all joint ventures with an equity interest and other related organizations in conformity with accounting principles generally accepted in the United States of America as set forth by the Governmental Accounting Standards Board (GASB). All related organizations including all foundations that do not qualify for inclusion in the financial statements in conformity with GASB Statement 14, *The Financial Reporting Entity*, as amended by GASBS 39, *Determining Whether Certain Organizations Are Component Units*, and GASBS 61, *The Financial Reporting Entity: Omnibus*, have been disclosed in the notes to the financial statements.
30. Net position components (net investment in capital assets, restricted, and unrestricted) categories are properly classified and, if applicable, approved.
31. Investments and land and other real estate held by endowments are properly valued.
32. Provisions for uncollectible receivables have been properly identified and recorded.
33. Expenses have been appropriately classified in the statements of revenues, expenses, and changes in net position as operating and nonoperating.
34. Revenues are appropriately classified in the statements of revenues, expenses, and changes in net position within operating revenues, nonoperating revenues, and other revenues.
35. Interfund, internal, and intra-entity activity and balances have been appropriately classified

and reported.

36. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
37. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized.
38. We have appropriately disclosed our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position was properly recognized under the policy.
39. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented in accordance with GASB's prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
40. With respect to the supplementary combining schedule of net position; the supplementary combining schedule of revenues, expenses, and changes in net position; and the supplementary schedule of unrestricted net position:
  - a. We acknowledge our responsibility for presenting the supplementary combining schedule of net position; the supplementary combining schedule of revenues, expenses, and changes in net position; and the supplementary schedule of unrestricted net position in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary combining schedule of net position; the supplementary combining schedule of revenues, expenses, and changes in net position; and the supplementary schedule of unrestricted net position, including their form and content, are fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary combining schedule of net position; the supplementary combining schedule of revenues, expenses, and changes in net position; and the supplementary schedule of unrestricted net position have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b. If the supplementary combining schedule of net position; the supplementary combining schedule of revenues, expenses, and changes in net position; and the supplementary schedule of unrestricted net position are not presented with the audited

financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

41. With respect to the schedule of expenditures of federal awards:
  - a. We acknowledge and understand our responsibility for the preparation and transmittal of information in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) to the Department of Finance and Administration to be reported in the schedule of expenditures of federal awards. We believe the information provided, including its form and content, is fairly presented in accordance with the applicable criteria.
  - b. The methods of measurement and presentation of the schedule of expenditures of federal awards have not changed from those used in the prior period.
  - c. We have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the schedule of expenditures of federal awards.
42. We have taken affirmative action to remind all staff (including internal audit and other personnel) of the necessity to formally and promptly inform management of any allegations of fraud, potential fraud, or detected fraud.
43. The following have also been properly identified and recorded or disclosed in the financial statements:
  - a. Significant estimates and material contingencies known to management that are required to be disclosed in accordance with GASBS 62.
  - b. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line-of-credit, or similar arrangements.
  - c. We have disclosed all utilized bank accounts, including all official and unofficial accounts.
  - d. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
44. Provisions, when material, have been made to reduce excess or obsolete inventories to their



estimated net realizable value.

45. We are responsible for making the fair value measurements and disclosures included in the financial statements. In doing so, we assert the following:
  - a. We have made significant fair value assumptions that we believe are reasonable. They appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the use of fair value measurements or disclosures.
  - b. Our measurement methods, including related assumptions, used resulted in a measure of fair value appropriate for financial statement presentation and disclosure purposes, and we have consistently applied these methods.
  - c. Disclosures related to fair values are complete and adequate.
  
46. As to our alternative investments such as hedge funds and private equity funds:
  - a. The measurement methods and consistency in the application of the methods were appropriate.
  - b. The disclosures related to estimated fair value information were complete and accurate.
  - c. No subsequent events requiring adjustment to the estimated fair value measurements and disclosures have occurred.
  - d. The significant assumptions used by the fund manager are reasonable.
  - e. The assumptions appropriately reflect management's intent and ability to carry out specific courses of action.
  
47. Our ability to continue as a going concern was evaluated and no disclosures in the financial statements under GASB requirements are necessary.
  
48. We have provided you with a complete schedule of intercollegiate athletics activities (including appropriate note disclosures to the schedule) which has been prepared in conformity with NCAA legislation. In addition, we have provided you with a list of all known affiliated and outside organizations which provide support to our intercollegiate athletics activities. We have also complied with all NCAA legislation.
  
49. In fulfilling our responsibility for compliance with assistance provisions:
  - a. We are responsible for understanding and complying with, and have complied with,

the requirements of the Uniform Guidance, including requirements relating to the preparation of the schedule of expenditures of federal awards, and with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.

- b. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and included the information in the schedule of expenditures of federal awards. This includes funds provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
- c. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- d. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- e. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- f. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the Uniform Guidance relating to federal awards and have identified and disclosed all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards, including those resulting from other audits or program reviews. There were no disclosures necessary.
- g. We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report. There were no disclosures necessary.

- h. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report. There were no disclosures necessary.
- i. Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.
- j. We have provided our interpretations of any compliance requirements that have varying interpretations.
- k. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- l. We have disclosed the nature of any subsequent events that provide additional evidence about conditions existing at the end of the reporting period that affect noncompliance during the reporting period.
- m. There were no such known instances of noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report.
- n. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date for which compliance is audited.
- o. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with that presented in the schedule of expenditures of federal awards.
- p. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- q. We have monitored subrecipients to determine that the subrecipients expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of the Uniform Guidance.

- r. We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipient's auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and have ensured that subrecipients have taken the appropriate and timely corrective action on findings.
- s. We have considered the results of subrecipient audits and made any necessary adjustments to our books and records.
- t. We have charged costs to federal awards in accordance with applicable cost principles.
- u. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- v. If applicable, we are responsible for preparing and implementing a corrective action plan for each audit finding of the compliance audit and will develop a corrective action plan that meets the requirements of the Uniform Guidance.
- w. We have disclosed to you all contracts or other agreements with service organizations and have disclosed all communications from the service organization relating to noncompliance at the service organization.



Mr. Randy Boyd, President



Mr. David Miller, Chief Financial Officer



University of Tennessee  
 Passed on Adjusting Entries  
 FYE 6/30/24

5.5

Debit Credit Explanation	Debit	Credit	Net Position Effect
<b>Known misstatements:</b>			
Net investment in capital assets (beginning)	866,961.59		
Interest expense	494,371.56		
Deferred amount on debt refunding		1,361,333.15	(1,361,333.15)
<i>The university had a deferred loss on debt refunding for a FY21 debt issue, but due to error, has not been amortizing the loss. This entry amortizes the three years since FY21.</i>			
Long-term liabilities ( SBITA liabilities)	1,422,251.67		
Capital assets (subscription assets)		1,422,251.67	-
<i>The university used incorrect future subscription fee amounts when calculating amounts for a SBITA transaction. This entry corrects for a resulting overstatement in subscription assets and subscription liabilities.</i>			
Utilities, supplies and others	860,664.81		
Accounts payable		860,664.81	(860,664.81)
<i>Our testwork noted transactions which were not accrued in the proper period.</i>			
Unrestricted net position (beginning)	1,600,607.00		
Tuition and fees		1,600,607.00	-
To reflect current year effect of prior year passed on entry,			





## THE UNIVERSITY OF TENNESSEE SYSTEM

AUDIT AND COMPLIANCE

February 13, 2025

To: Ryan Stinnett, Bernie Savarese

From: Sarah Pruett, Kari Babski-Reeves

CC: Brian Daniels

RE: Research Security Program Implementation

5.6

TCA § 49-7-188 requires the University of Tennessee and all its campuses and institutes to adopt a research security policy by January 1, 2025. It further requires the University to establish and maintain research security processes with an emphasis on compliance with federal and state regulations, communication and training in alignment with regulatory requirements for risk mitigation including, but not limited to, standardized disclosures, cybersecurity, foreign travel security, insider threats, and export controls.

BT0033 Policy on Research Security was approved by the Board of Trustees and effective on October 25, 2024. The University is in compliance with the state requirement to adopt and publish a research security policy by January 1, 2025. This policy mandates the creation of a Research Security Council (RSC) with statewide representation and the designation of Research Security Officers for each campus and institute. Delegates were obtained from all mandatory locations. The RSC met twice in 2025 and adopted bylaws to provide a governance structure for their work in both development and implementation of the research security program. The bylaws are posted on [policy.tennessee.edu](http://policy.tennessee.edu) in accordance with BT0033.

The RSC will leverage existing subject matter experts for program creation in working groups. Working group membership has been solicited from each campus and institute for evaluation of current research security strengths and opportunities, subsequent development of policies, supporting local procedures, guidance documentation and training materials. The RSC will initially focus on addressing the areas of cybersecurity, research security training, export control, and foreign travel. To ensure an effective and efficient evaluation of our current readiness, the council has requested to engage the assistance of an external firm, and external options are being compiled for consideration while the working groups are forming.

Education and training, communication plans, incident reporting and response, and compliance monitoring and risk assessments are also itemized expectations within BT0033. Education and training is currently available to all faculty, staff and students through CITI and National Science Foundation learning platforms. Alternative training are also under development at UT Knoxville and, when completed, will be evaluated to determine equivalency to federal offerings and the scope of applicability for our research community. A framework for communications exists as a research security information page through the UT Intranet and a subset of campuses independently host research security websites. Incident reporting and response procedures will be a central element for development by the RSC during 2025.

Finally, the compliance monitoring and risk assessment elements of the research security program will be developed as additional state, federal and university expectations are



delineated. This process is to be managed by the Chief Research Security Officer who, per policy, shall be either hired or designated by President Boyd. The RSC was launched during the DASH transition and pursuit of this hire was paused to allow for the transition of DASH HR processes.

Please accept this memo as a status report on the implementation of the research security program. We will provide regular updates in preparation for the required July 1, 2025, Board of Trustees report to the chairs of the education committee of the senate and the education committees of the house of representatives.

Thank you for your support of this program.

Sincerely,

*Sarah T. Pruett, PhD*

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