



THE UNIVERSITY OF TENNESSEE SYSTEM

OFFICE OF THE PRESIDENT

RANDY BOYD  
*President*

December 15, 2021

Mr. Howard H. Eley, Commissioner  
Department of Finance and  
Administration  
State Capitol Building  
Nashville, TN 37243

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

Dear Mr. Eley and Mr. Mumpower:

This annual report regarding the University of Tennessee's risk management and internal control activities is submitted in compliance with *Tennessee Code Annotated (TCA) §9-18-101*, known as the Tennessee Financial Integrity Act, as amended.

The enclosed document describes the key activities undertaken in calendar year 2021 to address the requirements specified in §9-18-102 of the Act and in the document issued by the Tennessee Department of Finance and Administration in October 2016 entitled "Management's Guide for Enterprise Risk Management and Internal Control."

We understand this guide requires all state agencies' risk management and internal control functions to align with the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) enterprise risk management framework and the federal government's adaptation of COSO's *Internal Control—Integrated Framework* (2013) titled *Standards for Internal Control in the Federal Government*.

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

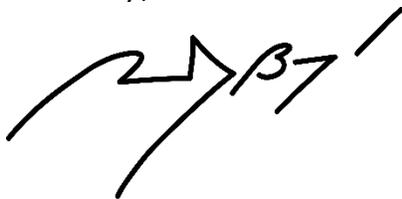
Based on the risk and control activities performed during 2021 as described in the attached document, I have reasonable assurance that the University of Tennessee's internal controls in these areas are adequate and effective in achieving our objectives and am unaware of any material weaknesses or lack of compliance in the areas examined.

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

This assurance report will be provided to the Audit and Compliance Committee of the UT Board of Trustees to fulfill the requirement in the committee's charter to "review management's risk assessment."

Please let me know if you have questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Randy Boyd'.

Randy Boyd  
President

Enclosure

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

# The University of Tennessee

## Risk Management and Control Activities

### Calendar Year 2021

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## INTRODUCTION

### Purpose

This document summarizes the risk management and control activities conducted at the University of Tennessee (UT) during calendar year 2021 that provide the basis for the annual reporting required by the Tennessee Financial Integrity Act of 1983 (TFIA) as described in *Tennessee Code Annotated* §9-18-104.

### Background

The University's approach is based on the October 2016 document, "Management's Guide for Enterprise Risk Management and Internal Control," issued by the Tennessee Department of Finance and Administration (TN F&A). The management guide requires state agencies' risk and control activities to align with the following frameworks:

- 1) The Committee of Sponsoring Organizations of the Treadway Commission's (COSO's) enterprise risk management (ERM) framework (UT's approach is based on COSO's ERM document, *Enterprise Risk Management—Integrating with Strategy and Performance* issued in 2017) and
- 2) The federal government's adaptation of COSO's *Internal Control—Integrated Framework* (2013) titled *Standards for Internal Control in the Federal Government* (commonly known as "the Green Book").

In June 2020, the ERM function transitioned to the Senior Vice President and Chief Financial Officer's division, and an Enterprise Risk Officer (ERO) was appointed to lead the function.

### Scope

Mitigating risks related to COVID-19 consumed a significant amount of time in 2021 for the University of Tennessee—as for most organizations—as the pandemic continued and organizations took action to ensure the continuation of operations to fulfill their commitments to their stakeholders. For this reason, this year's assurances report focuses on the following: first, an update of the UT campuses' COVID-19 mitigation, monitoring, and reporting measures; second, compliance measures taken

by the UT System Administration regarding the use of federal funding provided for COVID relief, collectively known as the Higher Education Emergency Relief Fund, or HEERF, and finally, this report describes the University's key ongoing activities related to risk identification, monitoring, and control testing: 1) the annual Self-Assessment of Internal Controls, 2) risk-based internal auditing, and 3) the Institutional Compliance function.

The information is presented in three sections: Section I: COVID-19 Mitigation, Section II: HEERF Compliance, Section III: Ongoing Risk Assessment, Monitoring, and Testing of Controls.

## **SECTION I: COVID-19 MITIGATION**

In 2020, the University's risk efforts were focused on mitigating the spread of COVID-19 on campus while continuing to fulfill the mission. Last year's assurances report indicated the UT System Administration would continue to monitor COVID-related mitigation in 2021. The following sections describe the ERO's activities related to monitoring and assessing the University's continued COVID mitigation efforts.

### **Campus Mitigation Measures**

The ERO developed and administered a survey regarding campus mitigation measures implemented throughout the spring, summer, and fall semesters. The surveys were completed primarily by campus emergency managers or executive assistants to the chancellors who were charged with implementing COVID measures from the outset of the pandemic. Detailed survey results are on file in the ERO's office. Below is a summary:

- **Policies and Procedures.** All campuses\* implemented policies and procedures for reporting COVID-19 exposure, symptoms, or diagnoses; addressing actions faculty, staff, or students must take if exposed; and, most importantly, adhering to CDC guidelines for public health measures (masks, physical distancing, frequent hand washing, staying home when sick). Remote options were available when feasible to faculty, staff, and students at all campuses until fall semester, when UT Knoxville returned to in-person operations (exceptions were available) and UT Southern welcomed students back to campus. In addition, most campuses had special leave policies in place—at least until fall semester.

\* Throughout this section, "all campuses" does not include UT Southern for Spring 2021 because the campus did not join the UT System until July 1, 2021.

- **Governance.** Throughout 2021, all campuses maintained a decision-making authority or body (e.g., chancellor’s cabinet or emergency operations center) that was responsible for modifying, restricting, postponing, or cancelling on-campus activities, including classes/labs, events, or other functions.
- **Communication.** All campuses had extensive communications systems in place throughout 2021, including ongoing collaboration with local/state health authorities or medical facilities; regular communication from campus leaders to key stakeholders regarding COVID protocols, case counts, and services available; and regular collection and reporting of COVID-related data throughout the University.
- **Operations.** Campus operations were modified in several areas:
  - *Instruction:* In addition to online offerings, particularly in the spring and summer, modifications were made to class times and classrooms to reduce crowding; UT Knoxville and UT at Chattanooga modified the academic calendar in the spring to eliminate days off; academic or extracurricular events were held with restrictions (e.g., outdoors, online, or limited attendance) during spring and summer.
  - *Student Housing:* Restrictions on visitors, access to common areas, and reduced occupancy were found at most campuses, until fall; and quarantine/isolation housing was available.
  - *Dining:* On-campus dining restrictions, such as carry-out meals only, prepackaged foods, and physical distancing, were in place until fall.
  - *Facilities and events:* Facilities where students congregate (libraries, student unions, recreation/exercise facilities) operated with restrictions at most campuses until fall; athletic events were affected primarily in the spring.
  - *Cleaning and sanitation:* Staff performed special cleaning and disinfecting of housing facilities, classroom spaces, offices, or other campus buildings where a COVID case/possible case was reported. In addition, personnel protective equipment and sanitation supplies were made available to students, faculty, and staff.
  - *Visitors:* Public health measures (e.g., masks and physical distancing) were required for all visitors, contractors, and delivery persons while on campus.
- **Testing, Monitoring, and Vaccination.** COVID testing was available on all campuses, though the Health Science Center (HSC) performing regularly scheduled testing of its student population due to its students’ increased risk of exposure. Personal protective equipment was available to students, faculty, and staff at all locations. Contact tracing was performed at all campuses—either on

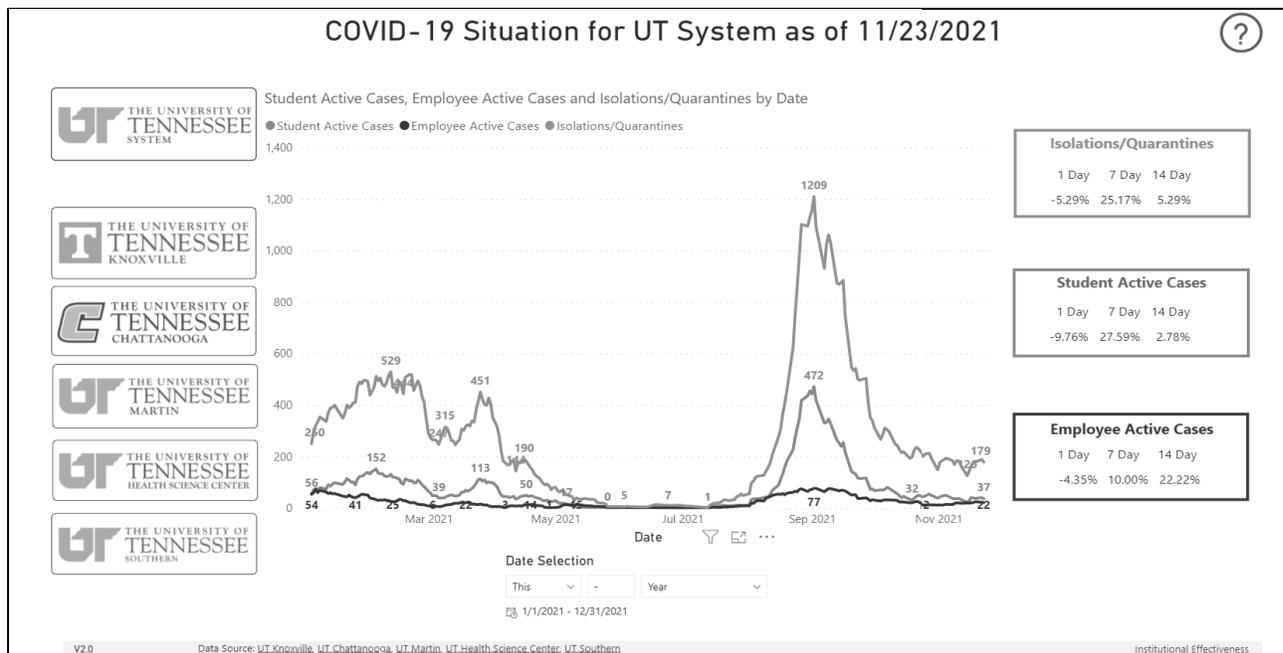
campus or by local health departments, and all campuses closely monitored local/national/international COVID conditions, as well as monitoring compliance with campus protocols and establishing disciplinary procedures for those who refused to comply. Once vaccines were available, campuses made them available to students, faculty, and staff—either on campus or locally. The Knoxville, Chattanooga, and Southern campuses held vaccine clinics for the public on campus, while HSC staffed a public clinic off site.

- **Travel.** International travel was restricted at most campuses (except Southern, where such travel is infrequent) throughout the year, though domestic travel resumed for most in the fall.

### COVID Situation Monitoring and Resulting Actions

Throughout the year, UT administrators continued to closely monitor the COVID situation within the University and the state, including reviewing data on active cases, new cases, quarantines and isolations, hospitalizations, and deaths. Campuses collected and maintained their own data for use internally by management and reported regularly to the UT System’s director of emergency management services.

The Institutional Effectiveness (IE) team in the System Office of Academic Affairs and Student Success maintains the [COVID-19 Situation Dashboard](#) on the System COVID-19 website. The Dashboard provides up-to-date case and other data for the UT System, each campus, the state, and the counties where UT campuses are located. The chart below from the dashboard shows trend data for 2021 in the UT System.



The Dashboard is part of the System’s COVID-19 website ([COVID-19 \(Coronavirus\) Information - The University of Tennessee System](#)). This website provides links to important Systemwide announcements regarding COVID, websites for each campus and institute, and links to public health organizations, including the Tennessee Department of Health, the US Centers for Disease Control, and the World Health Organization.

The table below shows key actions taken by UT administrators to respond to the COVID situation in the community and on campuses. To borrow words from one of UT President Randy Boyd’s messages to the University community, UT’s approach has been “to diligently monitor the situation across the state to make adjustments in the best interest of our students, faculty and staff.”

### **Key Operational Announcements Based on Case Monitoring**

<b>Date</b>	<b>Announcement</b>	<b>Summary</b>
January 6, 2021	Updated Plans for Spring Semester	Each campus outlined operational plans for spring semester, including restrictions on in-person learning.
February 10, 2021	In-Person Classes for Fall 2021	While most restrictions were to continue through the summer, the availability of vaccines and decline in cases led to plans for a traditional fall semester.
August 2, 2021	Preparation for Students’ Return	With the Delta variant spreading in the state, UT issued a mask requirement in classrooms, labs, and indoor academic events and encouraged vaccines.
August 23, 2021	UT Adjusts COVID Protocols	With the rise in Delta cases, mask requirements were extended for at least two weeks and expanded to all indoor <i>public</i> spaces.
September 7, 2021	COVID Update	Because the Delta variant cases continued to rise, mask requirements for on-campus indoor activities were extended until conditions improved.

During October through November, UT responded as necessary to federal mandates, state legislation, and court orders regarding masks and vaccines. As of December 1, 2021, UT had no vaccine or mask mandates, which is in compliance with the US District Court’s injunction of a federal executive order in relation to vaccine mandates and with state law that precludes state entities from having mask or vaccine mandates. The University continues to monitor the situation to ensure that appropriate action is taken in response to changing regulations.

## SECTION II: HEERF COMPLIANCE

Following are activities undertaken by the UT System Administration (UTSA) to help ensure compliance with all federal funding requirements set by the US Department of Education (ED) for use of the Higher Education Emergency Relief Funds (HEERF).

The funds were authorized by federal legislation and awarded as grants to institutions by ED's Office of Postsecondary Education. Institutions received three tranches of funds: CARES (Coronavirus Aid, Relief, and Economic Security Act, aka HEERF I), CRRSAA (Coronavirus Response and Relief Supplemental Appropriations Act, aka HEERF II), and ARP (American Rescue Plan, aka HEERF III).

The HEERF funding has two portions—one for students, the other for institutions. The amount of funding allotted for each portion is specified at the time of the award. The purpose of the student portion is to provide emergency aid in the form of grants directly to students. Over 35,000 UT students have received such grants. The institutional funds are to cover expenses incurred because of COVID and lost revenue. Institutions are reimbursed from the funds available to them. In general, institutions have one year to use their available HEERF funds, though extensions of time are possible. Below is the status of UT's HEERF funds as of November 23, 2021:

<b>UT System HEERF Funds as of 11/23/2021</b>	
Total Available (Student and Institutional Portions)	\$189,388,624
Distributed to Students (Financial Aid)	\$77,838,622
Reimbursed to Institution (Expenses/Lost Revenue)	\$59,029,149
Remaining Funds (Institutional Expenses and/or Student Aid)	\$52,520,853

The University identified the risk of noncompliance with federal requirements as significant to the continuation of its mission. The University relies on federal funds for research, student financial aid, and other purposes.

UTSA served a coordination and oversight role regarding compliance. This role was needed giving the initial uncertainty and confusion surrounding the requirements. Various experts had differing interpretations, and the situation was then exacerbated by the change in presidential administrations at the beginning of 2021. UTSA's key activities were 1) learning and sharing information, 2) reviewing and overseeing expenditures, and 3) reporting on the use of funds.

### **Learning and Sharing Information**

UTSA participated in and conducted both formal and informal means of educating University staff about the requirements associated with HEERF funds, including participating in webinars and reading information provided by professional associations and others, disseminating any information received to colleagues

throughout the institution, and most importantly, conducting meetings with UT staff and others in Tennessee higher education institutions.

- **Educational Activities:**

- *Webinars:* Along with campus financial staff, the UTSA staff (AVP for Budget and Planning, the UT Controller, ERO, Institutional Compliance and Audit staff) attended various webinars to learn about HEERF requirements, including webinars from the US Department of Education, the Association of Government Accountants (AGA), and the Council on Governmental Relations (COGR); Crowe consulting firms' Higher Education Roundtables; and the National Association of College and University Business Officers' (NACUBO) Townhalls.
- *Professional Associations and Colleagues:* UT financial staff monitored communication and publications from relevant professional associations (e.g., AGA, COGR, and NACUBO) and reached out to colleagues at other higher education institutions across the country to learn as much as possible. Also, campuses were in contact with their US Department of Education liaisons to receive information and feedback.

- **Disseminating information:**

- UTSA financial staff sent various notices and information to campus staff throughout the year. For example, the ERO disseminated the US Department of Education FAQs and HEERF Guidance, and the Controller disseminated information from COGR.

- **Meetings/Discussions:**

- *Internal:* Beginning in February 2021, the Assistant VP for Budget and Planning in the System Office of Finance and Administration initiated meetings with campus Chief Business Officers (CBOs) and their staffs, the UT Controller, the Enterprise Risk Officer (ERO), Institutional Compliance staff, and the Chief Audit and Compliance Officer to share information about HEERF requirements and establish consistency across the System. Throughout the first half of the year, HEERF compliance was a continuing item on the agenda of the monthly CBO meetings. Ad hoc meetings on a variety of topics, including allowability of expenditures, such as a June meeting of UTSA financial and compliance staff regarding the use of HEERF funds on capital projects/minor remodeling.
- *External:* In March, the ERO also initiated meetings with representatives of the Division of State Audit to discuss specific topics, such as calculating lost revenue and defining payroll costs. Throughout the year,

UT financial staff were meeting weekly with their counterparts from the six locally governed four-year institutions in the state, and HEERF compliance became a standing agenda item in those meetings as well. The CRO and the CBO from the Chattanooga campus served on a task force with this group to develop some guidelines for HEERF funds use.

## **Review and Oversight**

Because HEERF funds were allocated directly to the various UT campuses, the prime responsibility for ensuring compliance was with the financial staff at the individual institutions; however, because UT is a single legal entity, UTSA assumed the responsibility for coordinating campus activities, policies, and overseeing the use of funds.

- *Journal Entries:* Throughout the year, Controller staff reviewed all journal entries created and approved by CBOs for HEERF expenditures before posting them. If questions about applicability to COVID arose or if documentation was insufficient, she contacted campus staff members for resolution.
- *Deadlines:* By the end of 2021, the US Department of Education (ED) under the Biden administration had issued flexible guidance allowing institutions to use any of the three tranches of HEERF funds one year from the date their most recent grant obligation was processed by ED. Prior to this change, institutions had to ensure compliance with deadlines, primarily an April 15, 2021, deadline for drawing down funds allocated by the CARES Act or risk losing the funds. The Controller, AVP for Budget and Finance, and the ERO worked together to collect information from the campuses and determine whether existing deadlines had been met.
- *Policy:* To facilitate monitoring and reporting, the Controller and AVP for Budget and Finance requested campuses to use a single general ledger code for HEERF expenses and another one for posting lost revenues.

## **Reporting**

The UT System Administration provided external reports to key stakeholders. Such reporting allowed for transparency of use, accountability, and the opportunity for an external review. Key examples are described below:

- The Tennessee Department of Finance and Administration (TN F&A): Beginning in May 2020, TN F&A required state entities receiving COVID relief funds to provide weekly, then biweekly, reports showing the amounts of funding received and spent. The Tennessee Higher Education Commission compiled the reports for higher education institutions. This reporting is ongoing as of the date of this assurance report.

- The Tennessee General Assembly’s House and Senate Finance, Ways and Means committees: At the outset of 2021, the University was requested to provide details of COVID funding as part of the annual budget questions asked by each committee.
- The UT Board of Trustees: Periodic reports on the use of COVID relief funds were provided to the Board separately and in conjunction with routine financial reporting.

The Tennessee Comptroller’s Division of State Audit has included the use of HEERF funds in its annual audit of the University for fiscal year 2020-21, and the University is subject to audits by the US Department of Education.

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

In addition to the activities described above, the University of Tennessee has multiple methods for the ongoing monitoring and testing of controls. Three of the key system-level approaches are the annual self-assessment of internal controls, internal audits, and the institutional compliance program.

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

The annual self-assessment of internal controls, managed by the UT System Office of Audit and Compliance (OAC), tests controls at an operational level. All departments in the UT System (approximately 550) are required to conduct a self-assessment of controls for selected major business processes by completing a web-based questionnaire. In a decentralized organization, such as a university, many controls for administrative functions are located at the department level. This process was initially conceived as a means of complying with TFIA.

Each year the questionnaire covers one or two major processes. Over a multi-year cycle, the questionnaires cover over 175 key internal controls for eight major processes, including human resources/payroll, money handling, computer usage, inventories for resale, accounts receivable, equipment, sponsored projects, and procurement. These processes are determined through a risk assessment process, targeting the areas considered to be key to sound departmental management. For 2021, information technology and money handling were assessed.

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

This year, only one material weakness associated with passwords and access codes was identified at the University of Tennessee, Knoxville. No University-wide material risks were identified. Of 537 departments surveyed, 127 identified and corrected 211 control weaknesses.

The chief business officer of each campus and institute reviews the results of the self-assessment and attests to his or her knowledge of the deficiencies identified and the corrective actions taken to address those deficiencies. The results of the self-assessment are issued to the president, with copies to the chief financial officer, the treasurer, and the UT Board's Audit and Compliance Committee, among others.

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

A second means of testing controls for effectiveness is through in-depth internal audits identified in OAC's risk assessment performed in its annual audit planning. University management and Board members also ask OAC to examine areas of concern. One of the office's primary roles is to reduce risk and improve operations. The department conducts numerous types of audits: state-mandated audits (such as those of the chief executive officers of UT campuses and the Complete College Tennessee Act), compliance audits (in such high-risk areas as the Health Insurance Portability and Accountability Act and National Collegiate Athletic Association), risk-based audits (such as business process audits in departments with significant financial activity), information technology audits (such as those for business continuity planning and disaster recovery and firewalls), and investigations into allegations of fraud, waste, and abuse (often resulting in recommendations for improving internal controls).

### **Institutional Compliance**

The third means of monitoring controls is the Office of Institutional Compliance, established within OAC, which is responsible for designing, implementing, and monitoring the UT system-wide compliance program. The basis for the program is the *Federal Sentencing Guidelines for Organizations*, which defines the standards for effective compliance programs. Among the office's responsibilities are developing and implementing the University's compliance risk assessment process, recommending improved controls in various compliance functional areas, and collaborating with officials at the campuses and institutes to develop innovative and effective ways to mitigate compliance risk.

## **CONCLUSION**

UT is committed to implementing and refining a comprehensive risk management and control monitoring system that meets the requirements of TFIA. The ERO's 2022 activities will include:

- Creating a website for ERM that educates the broader University community on risk management,
- Meeting with UT's executive leadership to identify risks related to the UT System Strategic Plan, and
- Identifying a risk management information system to facilitate the maintenance, tracking, and reporting of risks, control mitigation plans, and results.