



**TABLE OF CONTENTS
FOR
AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW
COMMITTEE**

Committee Meeting: 11/15/2006
Austin, Texas

*Robert A. Estrada, Chairman
Rita C. Clements
Judith L. Craven, M.D.
Cyndi Taylor Krier
Robert B. Rowling*

	Committee Meeting	Board Meeting	Page
A. CONVENE	4:45 p.m.		
	<i>Chairman Estrada</i>		
1. U. T. System Board of Regents: Report on the results of The University of Texas Investment Management Company (UTIMCO) Audit	4:45 p.m. Report	Not on Agenda	21
	<i>Mr. Richter, Ernst & Young</i>		
2. U. T. System Board of Regents: Report on the U. T. System Financial Statement Audit	4:55 p.m. Report	Not on Agenda	21
	<i>Mr. Lenfant, Deloitte & Touche</i>		
3. U. T. System: Report on the System-wide Internal Audit Activities	5:05 p.m. Report	Not on Agenda	22
	<i>Mr. Chaffin Ms. Barrett</i>		
4. U. T. System: Annual Report on System-wide Institutional Compliance Program	5:10 p.m. Report	Not on Agenda	27
	<i>Mr. Chaffin Mr. Givens</i>		
B. RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551	5:20 p.m.		
1. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - <i>Texas Government Code</i> Section 551.074			
U. T. System: Discussion with institutional auditors and compliance officers concerning evaluation and duties of individual System and institutional employees involved in internal audit and compliance functions			
2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - <i>Texas Government Code</i> Section 551.071			
C. ADJOURN	5:45 p.m.		

1. **U. T. System Board of Regents: Report on the results of The University of Texas Investment Management Company (UTIMCO) Audit**

REPORT

Mr. Ricky Richter, Ernst & Young, LLP, will report on the results of the audit of the financial statements of the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF), Long Term Fund (LTF), and Intermediate Term Fund. Additionally, he will report on the results of the audit of internal controls over financial reporting for The University of Texas Investment Management Company (UTIMCO), the PUF, the GEF, the PHF, and the LTF.

Ernst & Young's report on financial statement audit results and communications to audit committees may be found beginning on Page 10a in the Supplemental Materials (Volume 2) of the Agenda Book. A report on internal controls over financial reporting for the PUF from Ernst & Young along with UTIMCO management's assertion about those controls and a report from the U. T. System Audit Office are also included in Volume 2 on Pages 10f – 10p.

BACKGROUND INFORMATION

On July 7, 2003, the Board authorized U. T. System staff to negotiate and enter into an auditing services contract with Ernst & Young, LLP, to perform a financial audit of the funds managed by UTIMCO for the fiscal year ending August 31, 2003. The contract was for one year with a right to renew in one-year increments for four years. The Board renewed the auditing services contract with Ernst & Young, LLP, for the first time on February 4, 2004, the second time on February 10, 2005, and the third time on February 9, 2006, to perform the 2006 financial audit of the funds managed by UTIMCO. The Board is required by Section 66.08 of the *Texas Education Code* to have an annual audit of the financial statements of the PUF.

2. **U. T. System Board of Regents: Report on the U. T. System Financial Statement Audit**

REPORT

Mr. Rodney Lenfant, Deloitte & Touche LLP, will report on the progress and preliminary results of the U. T. System Financial Statement Audit for Fiscal Year 2006.

BACKGROUND INFORMATION

In November 2003, the U. T. System Board of Regents approved an initiative to implement the "spirit" of the Sarbanes-Oxley Act as a good faith effort toward manifesting financial accountability and compliance in the public sector. As a result, in June 2004, the Board of Regents sought proposals for a comprehensive annual financial statement audit by an independent certified public accounting firm to obtain assurance that U. T. System has a sound financial base and adequate resources to support the mission of the organization and the scope of its programs and services.

A Request for Qualifications (RFQ) was distributed by U. T. System staff in June 2004. Two proposals were received. After a review of the proposals and firm interviews by Committee Chairman Estrada and U. T. System staff, the Board of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche, LLP, to perform a financial audit of the System-wide financial statements for the fiscal year ending August 31, 2005, at the July 16, 2004 Board of Regents' meeting. The contract was for one year with a right to renew in one-year increments for two years. The Board renewed the auditing services contract with Deloitte & Touche, LLP, for the first time on March 28, 2006.

3. U. T. System: Report on the System-wide Internal Audit Activities

REPORT

Mr. Charles Chaffin, Chief Audit Executive, and Ms. Amy Barrett, Assistant Director of System Audit, will report on the annual report of the System-wide Internal Audit Program for Fiscal Year 2006, set forth on Pages 11 - 14 of the Supplemental Materials (Volume 2) of the Agenda Book. Activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on an annual basis. The last activity report was sent on October 27, 2006.

Additionally, Mr. Chaffin will report on the status of significant audit recommendations. The fourth quarter activity report on the Status of Outstanding Significant Recommendations is set forth on Pages 23 - 24. The report shows that satisfactory progress is being made on the implementation of all significant recommendations. Additionally, a list of other audit reports that have been issued by the System-wide audit program follows on Pages 25 - 26.

Significant audit findings/recommendations are submitted to and tracked by the U. T. System Audit Office. Quarterly, the chief business officers are asked for the status of implementation, and the internal audit directors verify implementation. A summary report is provided to the Audit, Compliance, and Management Review Committee of the U. T. System Board of Regents. Additionally, the Committee members receive a detailed summary of "new" significant recommendations quarterly.

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	3rd Quarter		4th Quarter		Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance
			Ranking	# of Significant Findings	Ranking	# of Significant Findings			
2006-06	UTARL	May Express Cash Handling Audit					10/15/2006	Satisfactory	O
2004-03	UT AUS	Information Security Management		1			12/31/2006	Satisfactory	C, O
2006-02	UT AUS	UT Elementary (by West, Davis & Company)		1			10/31/2006	Satisfactory	C
2004-03	UTB	Contracts and Grants		1			12/31/2006	Satisfactory	C, O
2004-06	UTB	2003 Financial and Applications Controls Audit of the Financial Aid Office		1			12/31/2006	Satisfactory	C, O
2004-10	UTB	Physical Plant		3			11/30/2006	Satisfactory	C, O
2006-03	UTB	Change in Management Audit of Athletics		1			12/1/2006	Satisfactory	C, O
2006-07	UTB	Housing and Residence Life		0			9/30/2006	Completed	C, O
2003-12	UTD	Lab and Biological Safety		1			1/31/2007	Satisfactory	C, O
2004-01	UTEUP	Information Technology - General Controls Review		1			7/31/2006	Completed	O
2005-05	UTEUP	Office of the Registrar		1			12/31/2006	Satisfactory	C, O
2005-08	UTEUP	Texas Success Initiative		1			12/31/2006	Satisfactory	C, O
2006-05	UTEUP	Information Technology Student Information System					8/31/2006	Completed	C, O
2006-04	UTPA	Gear Up					12/31/2006	Satisfactory	C
2004-09	UTSA	Research Compliance - Time and Effort Reporting		1			12/31/2006	Satisfactory	C
2004-11	UTSA	Scholarship Management		1			8/31/2006	Completed	O
2006-11	UTSA	Animal Research Audit		1			9/14/2006	Completed	O
2006-07	UTSA	Information Technology Change Management		1			1/1/2007	Satisfactory	O
2006-04	UTTY	Endowment Compliance		1			12/31/2006	Satisfactory	O
2006-01	UTSMC - Dallas	Hospital Accounts Payable		3			7/1/2006	Completed	F, O
2006-05	UTSMC - Dallas	Accounts Payable		1			7/1/2007	Satisfactory	C, O
2003-05	UTMB - Galveston	Delivery of Operating Room Services		1			8/31/2006	Completed	O
2004-02	UTMB - Galveston	Compliance Inspection: Account Reconciliation and Segregation of Duties		1			12/31/2006	Satisfactory	F, O
2004-07	UTMB - Galveston	Office of Sponsored Programs (OSP) & Contracts and Grants (C & G)		1			8/31/2006	Completed	F, C, O
2005-03	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Institutional)		1			12/31/2006	Satisfactory	C, O
2005-07	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Correctional Managed Care)		3			2/1/2007	Satisfactory	C, O
2005-08	UTMB - Galveston	Audit of Institutional Review Board Human Subjects Protection		1			11/30/2006	Satisfactory	C, O
2005-12	UTMB - Galveston	System-wide Financial Audit		1			12/31/2006	Satisfactory	F, C, O
2006-04	UTHSC - Houston	Hematology Inventory Review		3			1/2/2007	Satisfactory	F, O
2004-02	UTHSC - San Antonio	Medical Services, Research, and Development Plan Front-End Billing		1			8/31/2006	Completed	O
2006-04	UTHSC - San Antonio	Medical Services, Research, and Development Plan Collections		4			12/31/2006	Satisfactory	O
2001-08	UTMDACC - Houston	Lotus Notes Environment		2			8/31/2008	Satisfactory	O
2004-01	UTMDACC - Houston	PeopleSoft Payroll		1			2/28/2007	Satisfactory	O
2006-03	UTMDACC - Houston	Contractor Selection and Contract Monitoring		1			8/31/2007	Completed	C
2006-07	UTMDACC - Houston	Pharmacy Inventory Review					5/31/2007	Satisfactory	O
2006-07	UTMDACC - Houston	Pharmacy Application Security Review		1			5/31/2007	Satisfactory	O
2005-04	UTHC - Tyler	Texas Administrative Code 202 Compliance		1			9/1/2007	Satisfactory	C

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	3rd Quarter		4th Quarter		Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance Material to Institution's Fin. Smts. ("F"), Compliance ("C"), and/or Operations ("O")
			Ranking	# of Significant Findings	Ranking	# of Significant Findings			
2005-06	UTHC - Tyler	Medical Services, Research, and Development Plan Annual Financial Report 8/31/04		1		1	8/31/2007	Satisfactory	F, O
2005-11	UTHC - Tyler	IT Security Audit of Meditech and LSS Patient Information Systems		1		1	10/31/2006	Satisfactory	C
2006-01	UTHC - Tyler	Annual Financial Report Audit Fiscal Year Ended August 31, 2005		1		0	8/31/2006	Completed	F, C, O
2006-06	UTHC - Tyler	Review of the Office of the President's Travel & Entertainment				1	10/6/2006	Satisfactory	F
2005-12	UTSYS ADM	System-wide Financial Audit		5		4	8/31/2007	Satisfactory	F, O
2006-05	UTSYS ADM	UTIMCO Institutional Investment and Compliance Audits		16		11	8/31/2007	Satisfactory	C
2006-08	UTSYS ADM	UTIMCO CEO Travel and Entertainment Expenses				1	12/31/2006	Satisfactory	C, O
Totals				66		60			

STATE AUDITOR'S OFFICE AUDITS

2006-02	UTAUS	Federal Portion of the Statewide Single Audit FY 2005		1		0	8/31/2006	Satisfactory	F, O
2002-09	UTB	Financial Review		1		1	3/31/2007	Satisfactory	F
2004-02	UTSA	Financial Review		2		2	12/31/2006	Satisfactory	F
2004-06	UTSMC - Dallas	Protection of Research Data at Higher Education Institutions		1		1	12/31/2006	Satisfactory	O
2006-02	UTMB - Galveston	Federal Portion of the Statewide Single Audit FY 2005		3		1	12/31/2006	Satisfactory	F, C, O
2006-02	UTHSC - Houston	Federal Portion of the Statewide Single Audit FY 2005		1		0	8/31/2006	Satisfactory	C
2004-06	UTHSC - San Antonio	Protection of Research Data at Higher Education Institutions		1		1	10/31/2006	Satisfactory	O
2002-11	UTMDACC - Houston	Security Over Electronic Protected Health Information at Selected Texas Academic Medical Institutions		1		1	2/28/2007	Satisfactory	C
2005-02	UTMDACC - Houston	Federal Portion of the Statewide Single Audit FY 2004		4		2	2/28/2007	Satisfactory	C
Totals				15		9			

Color Legend:

■ Any audit with institutionally significant findings. Not necessarily a failure - just an area that needs high level attention. Corrective action will be taken subsequent to the quarter in which the finding was reported.

■ Significant progress toward resolution was made during the quarter in which the significant finding was first reported.

■ A red or orange audit becomes a yellow when significant progress continues beyond the quarter in which the significant finding was first reported.

■ All issues have been appropriately resolved, including any issues resolved during the quarter in which they were first reported.

Note:

Completed - The institutional Internal Audit Director deems the significant issues have been appropriately addressed and resolved.

Satisfactory - The institutional Internal Audit Director believes that the significant issues are in the process of being addressed in a timely and appropriate fashion.

Unsatisfactory - The institutional Internal Audit Director does not feel that the significant issues are being addressed in a timely and appropriate fashion.

* OTHER U. T. SYSTEM AUDITS COMPLETED - 6/2006 through 8/2006		
Month Received by System	Institution	Audit
June-06	U. T. Medical Branch - Galveston	Review of The Employee Allocation and Time Capture Processes of UTMB Correctional Managed Care (CMC)
June-06	U. T. Medical Branch - Galveston	President and Spousal Travel, Entertainment and Housing Audit
June-06	U. T. System Administration	Occidental Petroleum Corporation Audit
June-06	U. T. System Administration	Office of Governmental Relations Change in Management Audit
June-06	U. T. Health Center - Tyler	Office of the Vice President for Business Administration Departmental Audit
June-06	U. T. Health Center - Tyler	Pharmacy Departmental Audit
July-06	U. T. Arlington	Construction Program Management Audit
July-06	U. T. Arlington	President's Travel and Entertainment Expenditures Audit
July-06	U. T. Arlington	Budgeting, Planning, and Enrollment Management Audit
July-06	U. T. Arlington	Laboratory Safety Audit
July-06	U. T. Austin	Animal Resources Center
July-06	U. T. Austin	University Extension
July-06	U. T. Austin	Department of Geological Sciences
July-06	U. T. Austin	McDonald Observatory
July-06	U. T. Austin	Department of Chemistry and Biochemistry
July-06	U. T. Austin	Office of the Vice President of Development
July-06	U. T. Austin	Department of Chemical Engineering
July-06	U. T. Austin	Department of Art and Art History
July-06	U. T. Austin	Department of Geography and the Environment
July-06	U. T. Austin	Department of Psychology
July-06	U. T. Austin	Department of Accounting
July-06	U. T. Austin	Student Organization Bank
July-06	U. T. Austin	Mobile Electronic Devices - Information Security Office
July-06	U. T. Austin	Anti-Fraud Program Review
July-06	U. T. Brownsville	Special Request Audit of the President's Travel, Entertainment, and Housing Expenses
July-06	U. T. Brownsville	Audit of Housing & Residence Life
July-06	U. T. Brownsville	Texas Department of Information Resources (DIR) Inventory of Information Technology Data Center Services
July-06	U. T. Dallas	Lena Callier Trust for the Hard of Hearing and the Deaf Audit
July-06	U. T. Southwestern Medical Center - Dallas	UT Southwestern Health Systems Audited FY 2005 Financial Statements
July-06	U. T. Medical Branch - Galveston	Pathology Laboratory Information Systems Audit
July-06	U. T. Medical Branch - Galveston	Graduate Medical Education Program Audit FY 2004
July-06	U. T. Medical Branch - Galveston	Graduate Medical Education Program Audit FY 2005
July-06	U. T. Medical Branch - Galveston	Texas Higher Education Coordinating Board Primary Care Residency Program Grants for Fiscal Years 2004 & 2005
July-06	U. T. Medical Branch - Galveston	Willed Body Program Audit
July-06	U. T. Medical Branch - Galveston	Compliance Review of State Advanced Research and Advanced Technology Program Grants (ARP/ATP)
July-06	U. T. Health Science Center - Houston	Report on System Ownership--Designation and Responsibilities
July-06	U. T. Health Science Center - Houston	Report on Institutional Review Board Compliance
July-06	U. T. Health Science Center - San Antonio	Infection Control Audit
July-06	U. T. Health Science Center - San Antonio	Medical Services, Research, and Development Plan (MSRDP) Collections Audit
July-06	U. T. Health Science Center - San Antonio	Practice Plan Financial Review
July-06	U. T. Health Science Center - San Antonio	President's Office Expenditures Audit
July-06	U. T. M. D. Anderson Cancer Center	Review of Lawson Application Security
July-06	U. T. M. D. Anderson Cancer Center	Information Security Access Request Page (ISARP) Application Security
July-06	U. T. M. D. Anderson Cancer Center	Laboratory Informatics (LIS) Clinical Applications Backup, Storage and Recovery
July-06	U. T. M. D. Anderson Cancer Center	Governmental Relations

Month Received by System	Institution	Audit
July-06	U. T. M. D. Anderson Cancer Center	Change in Management - Extramural Programs
July-06	U. T. M. D. Anderson Cancer Center	Physicians Referral Service Financial Review
Aug-06	U. T. Arlington	NCAA Financial Aid Compliance Audit
Aug-06	U. T. Austin	Purchasing Audit
Aug-06	U. T. Austin	Petroleum Extension Services
Aug-06	U. T. Austin	Confidentiality and Integrity of Digital Research Data - Center for Electromechanics
Aug-06	U. T. Austin	Confidentiality and Integrity of Digital Research Data - Department of Sociology
Aug-06	U. T. Dallas	School of Economic, Political, and Policy Sciences
Aug-06	U. T. Dallas	Department of Geosciences
Aug-06	U. T. Dallas	Executive Management's Travel and Entertainment Expenses Audit
Aug-06	U. T. Pan American	Dean of Admissions
Aug-06	U. T. Pan American	Office of Human Resources
Aug-06	U. T. Pan American	Procurement Card Program
Aug-06	U. T. San Antonio	Incidental Fees Audit
Aug-06	U. T. San Antonio	Tuition Revenue Audit
Aug-06	U. T. Tyler	Endowment Monitoring Plan Audit
Aug-06	U. T. Southwestern Medical Center - Dallas	Audits Follow-up for Recommendations Implemented or Due Prior to September 1, 2005
Aug-06	U. T. Southwestern Medical Center - Dallas	General Information Technology Disaster Recovery Audit
Aug-06	U. T. Southwestern Medical Center - Dallas	Payroll Management Review
Aug-06	U. T. Southwestern Medical Center - Dallas	University Hospitals' Materials Management
Aug-06	U. T. Southwestern Medical Center - Dallas	University Hospitals' Laboratory Services
Aug-06	U. T. Health Science Center - Houston	Report on Audit of Dental Branch Practice Plan
Aug-06	U. T. Health Science Center - Houston	Report on Security of Credit Card Data
Aug-06	U. T. Health Science Center - Houston	Report on Change in Management - Development
Aug-06	U. T. Health Science Center - Houston	Report on Infrastructure: SQL Servers
Aug-06	U. T. Health Science Center - Houston	Follow-up On Open Recommendations
Aug-06	U. T. Health Science Center - San Antonio	Institutional Follow-up FY 2006 - 2nd Quarter
Aug-06	U. T. Health Center - Tyler	Medical Services, Research, and Development Plan AFR FYE 08/31/2005

*** STATE AUDITOR'S OFFICE AUDITS COMPLETED - 6/2006 through 8/2006**

Month Received by System	Institution	Audit
Aug-06	U. T. Austin	Indirect Cost Recovery Funds at State General Academic Universities
Aug-06	U. T. Austin	Construction Management at University of Texas at Austin

4. **U. T. System: Annual Report on System-wide Institutional Compliance Program**

REPORT

Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, and Mr. David Givens, System-wide Compliance Manager, will brief the Audit, Compliance, and Management Review Committee on the annual report of the System-wide Compliance Program, as set forth on Pages 15 - 20 of the Supplemental Materials (Volume 2) of the Agenda Book. Activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on a quarterly basis. The last activity report was sent on October 27, 2006.

Mr. Chaffin will also report on the overall number and types of compliance "hotline" calls received System-wide during the 2006 Fiscal Year.