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FOR
AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW
COMMITTEE**

Committee Meeting: 5/13/2015

Board Meeting: 5/14/2015
Austin, Texas

*Jeffery D. Hildebrand, Chairman**
Ernest Aliseda
David J. Beck
R. Steven Hicks
Brenda Pejovich

**pending Board approval on 5/13/2015*

	Committee Meeting	Board Meeting	Page
CONVENE IN OPEN SESSION	<i>9:15 a.m.</i>		
RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551			
Personnel matters relating to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of officers or employees - Texas Government Code Section 551.074			
U. T. System: Discussions with the Chief Audit Executive and Interim Systemwide Compliance Officer concerning personnel matters relating to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of individual System Administration and institutional officers or employees involved in internal audit and compliance functions			
RECONVENE IN OPEN SESSION			
1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration	<i>9:25 a.m.</i> Action	Action	92
2. U. T. System: Approval of non-audit services to be performed by U. T. System’s external audit firm, Deloitte & Touche LLP	<i>9:26 a.m.</i> Action <i>Mr. Peppers</i>	Not on Agenda	93
3. U. T. System: Report on the State Auditor’s Office Statewide Single Audit for FY 2014	<i>9:30 a.m.</i> Report/Discussion <i>Mr. Peppers</i>	Not on Agenda	94

	Committee Meeting	Board Meeting	Page
4. U. T. System: Report on Systemwide audits, including Proportionality of Higher Education Benefits Audits and the Presidential Travel and Entertainment Expenses Audit	9:35 a.m. Report/Discussion <i>Mr. Peppers</i>	Not on Agenda	97
5. U. T. System: Report on the Systemwide internal audit activities and audit administrative items, including Priority Findings, Annual Audit Plan status, and Chief Audit Executive Annual Statements; and consideration and appropriate action regarding an Institutional Audit Committee chair change	9:40 a.m. Action <i>Mr. Peppers</i>	Not on Agenda	98
6. U. T. System: Report on the status of the Systemwide Compliance Program	9:45 a.m. Report/Discussion <i>Mr. Dendy</i>	Not on Agenda	105
7. U. T. System: Presentation on the U. T. Systemwide Endowment Compliance Program	9:55 a.m. Report/Discussion <i>Dr. Safady</i>	Not on Agenda	106
8. U. T. System: Discussion and appropriate action related to work of the Texas Public Information Act compliance working group, including report on revisions to U. T. Systemwide Policy UTS139 regarding procedures and application of the Texas Public Information Act	10:05 a.m. Report/Discussion <i>Mr. Sharphorn</i> <i>Mr. Syed</i>	Not on Agenda	132
Adjourn	10:15 a.m.		

1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration**

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book.

2. **U. T. System: Approval of non-audit services to be performed by U. T. System's external audit firm, Deloitte & Touche LLP**

RECOMMENDATION

It is recommended that approval be given by the Audit, Compliance, and Management Review Committee (ACMRC) for U. T. System's external audit firm, Deloitte & Touche LLP, to perform non-audit services for the Cancer Prevention and Research Institute of Texas (CPRIT) grant audits. The source of funding for this contract will be from CPRIT grant money, which is an allowable direct expense. Additional information on this project was provided to all members of the Board prior to the meeting.

BACKGROUND INFORMATION

Regents' Rule 20402, Section 2.1 states, "The U. T. System and the institutions may not engage the external audit firm to perform non-audit services unless the proposed engagement is reviewed and approved by the ACMRC." Section 2.2 states that the ACMRC Chairman may delegate authority to grant the approval to any ACMRC member, after which the decision made shall be presented to the full ACMRC at the next Committee meeting. Regent Pejovich, as ACMRC Chairman, provided delegated approval for this project prior to the meeting.

The current external audit firm engaged by the U. T. System Board of Regents to provide audit services is Deloitte & Touche LLP. Audit services are those provided for the purpose of expressing an opinion on the financial statements of U. T. System or any of the institutions.

Approval from the Texas State Auditor, as required under *Texas Government Code* Section 321.020 for the use of an external auditor, was obtained.

3. **U. T. System: Report on the State Auditor's Office Statewide Single Audit for FY 2014**

REPORT

Chief Audit Executive Peppers will report on the State Auditor's Office State of Texas Federal and Financial Portions of the Statewide Single Audit for Fiscal Year 2014. A summary of the audit reports is set forth on the following pages. Supplementary details of the audit results were provided to all members of the Board prior to the meeting.

BACKGROUND INFORMATION

The Texas State Auditor's Office performs the Statewide Single Audit annually in accordance with OMB Circular A-133. The Statewide Single Audit includes a federal portion, which is an audit of compliance and controls over the State's federal awards, and a financial portion, which includes an audit of the basic financial statements for the State of Texas. Reports are submitted to the federal government to fulfill Single Audit reporting requirements.

The University of Texas System
State Auditor's Office FY 2014 Statewide Single Audit
Summary of Results

State of Texas Federal Portion of the Statewide Single Audit Report for Fiscal Year 2014

As a condition of receiving federal funding, the U.S. Office of Management and Budget Circular A-133 requires non-federal entities that expend at least \$500,000 in federal awards in a fiscal year to obtain annual Single Audits. In order to supplement the audit procedures performed by KPMG for the annual Single Audit of federal expenditures for the State of Texas for Fiscal Year (FY) 2014, the SAO audited student financial aid at U. T. Arlington, U. T. Austin, U. T. Permian Basin, and U. T. San Antonio and audited research and development programs at U. T. Austin, U. T. Health Science Center - Houston, U. T. M. D. Anderson Cancer Center, and U. T. Medical Branch. The SAO performs this audit every year, and institutions are chosen on a rotational basis with the size of their programs factored into the selection process. Procedures included assessing compliance with regulatory requirements and internal controls over federal funds. The SAO classifies findings identified in their samples as a significant deficiency/non-compliance or material weakness/material non-compliance (see definitions below), the last of which indicates the most serious reportable issue.

- *Deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis.
- *Significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
- *Material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Report on Compliance with Federal Requirements for the Student Financial Assistance Cluster of Federal Programs for Fiscal Year 2014

The Student Financial Assistance Cluster audits test compliance with federal requirements in up to 14 areas, such as eligibility and reporting. Overall, the State of Texas complied in all material respects with the federal requirements for the Student Financial Assistance Cluster of federal programs in FY 2014. This report was issued on February 24, 2015.

The audit resulted in a total of 10 findings: five findings at U. T. Arlington (questioned cost of \$4,459,375), two findings at U. T. Austin (questioned cost of \$1,673), two findings at U. T. Permian Basin (questioned cost of \$0), and one finding at U. T. San Antonio (questioned cost of \$0). All of the findings were categorized as significant deficiencies, except for one material weakness/non-compliance finding at U. T. Arlington. Management at each of the four institutions has responded appropriately to the related recommendations, taken action to correct errors, as needed, with several having taken steps towards implementation.

In addition, corrective actions were taken for findings from the SAO's previous Student Financial Assistance Cluster audits, and management provided updated corrective action plans for the remaining open recommendations. Some of the recommendations were reissued as new findings in the FY 2014 audit report.

Report Compliance with Federal Requirements for the Research and Development Cluster of Federal Programs for Fiscal Year 2014

The Research and Development Cluster audits test compliance with federal requirements in up to 14 areas, such as allowable costs, procurement, reporting, and monitoring of non-state entities to which the State passes federal funds. Overall, the State of Texas complied in all material respects with the federal requirements for the Research and Development Cluster of federal programs in FY 2014. This report was issued on February 24, 2015.

The audit resulted in a total of 10 findings: one finding at U. T. Austin (questioned cost of \$0), three findings at U. T. Health Science Center - Houston (questioned cost of \$331,311), two findings at U. T. Medical Branch - Galveston (questioned cost of \$0), and four findings at U. T. M. D. Anderson Cancer Center (questioned cost of \$8,393). All of the findings were categorized as significant deficiencies with no material weaknesses. Management at each of the four institutions has responded appropriately to the related recommendations, taken action to correct errors, as needed, with several having taken steps towards implementation.

In addition, corrective actions were taken for findings from the SAO's previous Research and Development Cluster audits, and management provided updated corrective action plans for the remaining open recommendations. Some of the recommendations were reissued as new findings in the FY 2014 audit report.

State of Texas Financial Portion of the Statewide Single Audit Report for Fiscal Year 2014

The SAO did not conduct audit procedures on the U. T. System institutions' financial statements as part of the audit of the State of Texas *Comprehensive Annual Financial Report* for the fiscal year ended August 31, 2014, as they relied on the external audit of the U. T. System FY 2014 financial statements, which was performed by Deloitte.

However, as part of the State of Texas financial portion of the statewide Single Audit report, the SAO made recommendations related to the completeness, accuracy, and review of the FY 2014 Schedules of Expenditures of Federal Awards (SEFAs) to U. T. Arlington, U. T. Austin, U. T. Dallas, U. T. El Paso, U. T. Pan American, U. T. San Antonio, U. T. Health Science Center - Houston and U. T. Health Science Center - San Antonio. The SEFAs were also reviewed at U. T. Medical Branch - Galveston and U. T. M. D. Anderson Cancer Center; however, no findings were identified. This report was issued on February 27, 2015.

The findings from the SAO's previous financial portion of the Statewide Single Audit, related to the SEFAs, were reissued as new findings, except for U. T. Southwestern, which was implemented, in the FY 2014 audit report.

Report on State of Texas Compliance with Federal Requirements for Selected Major Programs at U. T. Medical Branch - Galveston for Fiscal Year 2014

U. T. Medical Branch - Galveston (UTMB) spent \$68.9 million in funds from the Disaster Grants – Public Assistance (Presidentially Declared Disasters) Program in FY 2014. UTMB had one finding (Significant Deficiency/ Questioned Cost: \$0) related to equipment and real property management. The SAO found that UTMB did not obtain the required approvals from a representative of the Office of Sponsored Programs for the asset disposition tested prior to the disposition of that asset. UTMB management has responded appropriately to the related recommendation. In addition, the SAO performed follow-up on the one finding from the previous audit report, found it had been partially implemented, and reissued it.

4. **U. T. System: Report on Systemwide audits, including Proportionality of Higher Education Benefits Audits and the Presidential Travel and Entertainment Expenses Audit**

REPORT

Chief Audit Executive Peppers will report on the status of two Systemwide engagements:

- the Proportionality of Higher Education Benefits Audits, and
- the Presidential Travel and Entertainment Expenses Audit.

Summaries of these engagements were provided to all members of the Board prior to the meeting.

BACKGROUND INFORMATION

The Proportionality of Higher Education Benefits audits were performed by each institution's respective internal audit department. This audit was requested by former Governor Rick Perry to ensure benefits funding proportionality is being applied according to guidelines established in Article IX, Section 6.08, of the *General Appropriations Act*.

The System Audit Office conducted the Presidential Travel and Entertainment audit, which included all of the U. T. System institutions. This audit is required by Regents' *Rules and Regulations*, Rule 20205, Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences.

5. **U. T. System: Report on the Systemwide internal audit activities and audit administrative items, including Priority Findings, Annual Audit Plan status, and Chief Audit Executive Annual Statements; and consideration and appropriate action regarding an Institutional Audit Committee chair change**

RECOMMENDATION

Chief Audit Executive Peppers will report on:

- Systemwide Priority Findings (a PowerPoint presentation is set forth on [Pages 99 - 103](#))
- FY 2015 Annual Audit Plan status as of February 28, 2015 (set forth on [Page 104](#))
- Chief Audit Executive Annual Statements

Chief Audit Executive Peppers, on behalf of U. T. Permian Basin President Watts, recommends, for consideration and approval by the Audit, Compliance, and Management Review Committee (ACMRC), Mr. Donald E. Wood, President of Permian Enterprises, to serve as Chair of the Institutional Audit Committee. The nomination has been reviewed by the U. T. System Chief Audit Executive. The nomination form, which includes a profile of the candidate's qualifications and accomplishments, was provided to all members of the Board prior to the meeting.

BACKGROUND INFORMATION

A Priority Finding is defined as "an issue identified by an audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a U. T. System institution or the U. T. System as a whole." A Priority Findings Matrix is used by the chief audit executives to aid in the determination of a Priority Finding. The matrix provides three categories of standard factors to consider, each alone with the potential to result in a Priority Finding. They are: Qualitative Risk Factors (evaluates the probability and consequences across seven high risks), Operational Control Risk Factors (evaluates operational vulnerability to risks by considering the existence of management oversight and effective alignment of operations), and Quantitative Risk Factors (evaluates the level of financial exposure or lost revenue).

The Chief Audit Executive Annual Statement process is a way to routinely and consistently obtain assurance that the chief audit executives are receiving adequate support to conduct the necessary audit services and that there are institutional internal audit departmental processes for certifying compliance with the Institute of Internal Auditors' International Professional Practices Framework and internal auditor independence and objectivity. Each of the chief audit executives responded positively to the statement, noting no exceptions or requests to attend an ACMRC Executive Session meeting.

At the May 14, 2014 meeting, the ACMRC reviewed and approved nominations from all of the institutional presidents for external member chairs of their institutional audit committees. Any changes in the external member chairs will be presented to the ACMRC for review and approval.

U. T. Systemwide Priority Findings

Mr. J. Michael Peppers, U. T. System Chief Audit Executive

U. T. System Board of Regents' Meeting
Audit, Compliance, and Management Review Committee
May 2015



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Priority Findings Status as of March 31, 2015

INSTITUTION	General				Academic	TOTAL	PAST DUE	Risk Factors					
	FINANCE	INFORMATION TECHNOLOGY	LEGAL	RESEARCH	ACADEMIC SUPPORT			REPUTATION	INFORMATION SECURITY	COMPLIANCE	LIFE SAFETY	MANAGEMENT OVERSIGHT	PAYMENTS / EXPENDITURES
U. T. Arlington	1	7	0	0	0	8	1	X	X	X		X	
U. T. Austin	2	5	0	0	0	7	0	X	X	X			
U. T. Brownsville	0	0	0	0	0	0	0						
U. T. Dallas	0	4	0	0	0	4	0	X	X		X		
U. T. El Paso	0	1	0	1	1	3	0	X	X	X		X	X
U. T. Pan American	0	0	0	0	0	0	0						
U. T. Permian Basin	0	0	0	0	0	0	0						
U. T. San Antonio	0	2	0	1	0	3	0		X	X			
U. T. Tyler	0	0	0	0	0	0	0						
U. T. Southwestern	0	0	0	0	0	0	0						
U. T. Medical Branch	0	0	1	0	0	1	0			X		X	
U. T. HSC Houston	0	0	0	0	0	0	0						
U. T. HSC San Antonio	0	0	0	0	0	0	0						
U. T. MDACC	0	4	0	0	0	4	0		X	X			
U. T. HSC Tyler	0	0	0	0	0	0	0						
U. T. System	0	0	0	0	0	0	0						
TOTALS	3	23	1	2	1	30	1						

Past due: The recommendation made to address the Priority Finding was not fully implemented by the approved implementation date.



Changes Since Last Report

	Feb 2015	Implemented	New	May 2015
IT related Priority Findings	20	(2)	5	23
Non-IT related Priority Findings	<u>10</u>	<u>(4)</u>	<u>1</u>	<u>7</u>
Total Priority Findings	30	(6)	6	30
Past due Priority Findings	1	(1)	1	1

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New Priority Findings Since Last Report

- U. T. Arlington:
 - Information Technology (5)
 - Inadequate documentation related to maintaining separate departmental server, including approvals, access, logs, and backup plans
 - Lack of a comprehensive server management monitoring process
 - Limited enforcement of consequences for policy noncompliance
 - Unclear definition of a server
 - *Risk Factors: Information Security*
 - Finance (1)
 - Distribution of incorrect amounts for various federal grants, outdated report and policy documents, and inadequate access controls over related systems
 - *Risk Factors: Reputation, Compliance*



Priority Findings Implementation Dates

- Past due Priority Findings
 - There is one Priority Finding, related to the lack of documented approval for maintaining separate departmental servers, that is past due at U. T. Arlington.
- Priority Findings with revised implementation dates
 - There are 14 Priority Findings at seven institutions with recommendations that have had implementation date extensions, ranging from one to four requests.
 - All extensions were reviewed and approved by the respective institutional audit committee.
 - Eleven of the 14 Priority Findings are IT related. In general, it is not unusual for the execution of recommendations to address IT findings to take longer than initially expected.



**The University of Texas System Internal Audit Program
FY 2015 2nd Quarter Audit Plan Status (as of February 28, 2015)**

	Financial	Operational	Compliance	Information Technology	Follow-up	Projects	Reserve (Note 3)	Total Actual Hours (Note 1)	Total Budget Hours (Note 2)	Variance (Hours)	Percentage Completion	Tickmark
U. T. System Administration	2,002	936	1,182	372	328	596	-	5,415	10,795	5,380	50%	*
Academic:												
U. T. Arlington	144	367	439	267	404	767	397	2,784	6,900	4,116	40%	
U. T. Austin	-	1,697	1,377	1,366	159	1,114	2,235	7,948	20,833	12,886	38%	A
U. T. Brownsville	227	-	114	95	-	531	39	1,005	2,302	1,297	44%	
U. T. Dallas	231	2,458	922	857	122	614	265	5,467	14,143	8,676	39%	B
U. T. El Paso	556	1,193	138	424	150	725	371	3,556	8,703	5,147	41%	
U. T. Pan American	766	628	145	326	245	1,315	202	3,626	6,871	3,245	53%	
U. T. Permian Basin	169	281	532	206	145	439	2	1,773	4,116	2,343	43%	
U. T. San Antonio	1,304	886	225	202	98	1,108	459	4,281	7,500	3,219	57%	
U. T. Tyler	511	359	341	123	24	873	32	2,263	4,550	2,287	50%	
Subtotal	3,907	7,867	4,231	3,865	1,346	7,486	4,002	32,702	75,918	43,216	43%	
Health:												
U. T. Southwestern	980	2,555	330	805	153	1,332	723	6,876	14,699	7,823	47%	
U. T. Medical Branch - Galveston	252	859	958	1,213	272	482	1,052	5,088	12,577	7,489	40%	
U. T. HSC - Houston	941	1,371	482	1,355	235	797	201	5,382	12,352	6,971	44%	
U. T. HSC - San Antonio	860	510	482	3	108	349	7	2,318	8,809	6,491	26%	C
U. T. MDA Cancer Center	802	1,161	715	20	880	644	352	4,573	16,683	12,111	27%	D
U. T. HSC - Tyler	392	110	675	102	70	295	-	1,643	3,003	1,360	55%	
Subtotal	4,227	6,565	3,641	3,497	1,718	3,898	2,334	25,879	68,123	42,244	38%	
TOTAL	10,135	15,367	9,054	7,734	3,391	11,979	6,336	63,996	154,836	90,840	41%	
Percentage of Total	16%	24%	14%	12%	5%	19%	10%	100%				

NOTE 1

Total Actual Hours are for the time period from 9/1/2014 through 2/28/2015, which represents 50% of the annual audit plan year.

NOTE 2

The FY 2015 Total Budget Hours originally approved by the ACMRC were amended during the fiscal year since institutions may alter the number of budgeted hours and/or the allocation of budgeted hours among the various categories due to changes in priorities and staffing resources. These changes are communicated to/approved by the institution's respective president and/or internal audit committee.

NOTE 3

Reserve hours were originally budgeted for TBD engagements (e.g., unknown special requests, investigations, consulting, etc.). As the fiscal year progresses and engagements become known, these hours are sometimes reallocated to the applicable categories (e.g., financial, operational, compliance, etc.).

* - These hours represent only the Engagements section of U. T. System Administration's Annual Audit Plan. Additional hours for Operations and Initiatives that are part of the annual audit plan are not shown above.

A - U. T. Austin's lower percent completion was due to higher than expected staff vacancies (expected 2 FTEs, actual 4 FTEs) in addition to a concentration of hours spent for training in the first two quarters (primarily due to timing of when training events were offered).

B - U. T. Dallas' lower percent completion was due to additional training and the learning curve required for new staff as well as time spent on administrative activities completed by audit staff related to the internal audit restructure (the office does not have an administrative staff person).

C - U. T. Health Science Center - San Antonio's lower percent completion was due to higher than expected staff vacancies (expected 4 FTEs, actual 7 FTEs).

D - U. T. M. D. Anderson's lower percent completion was due to several IT and Construction audits, which are outsourced, not starting until the third quarter for completion in the fourth quarter in addition to higher than expected staff vacancies.

6. **U. T. System: Report on the status of the Systemwide Compliance Program**

REPORT

Interim Systemwide Compliance Officer Dendy will provide a brief history and update on the current status of the Systemwide Compliance Program, including the scope and timeline of the planned external assessment.

7. **U. T. System: Presentation on the U. T. Systemwide Endowment Compliance Program**

REPORT

Vice Chancellor Safady will report on the U. T. Systemwide Endowment Compliance Program for the fiscal year ended August 31, 2014, using a PowerPoint presentation set forth on the following pages.

Endowment Compliance Program FY 2014

Dr. Randa Safady, Vice Chancellor for External Relations

U. T. System Board of Regents' Meeting
Audit, Compliance, and Management Review Committee
May 2015



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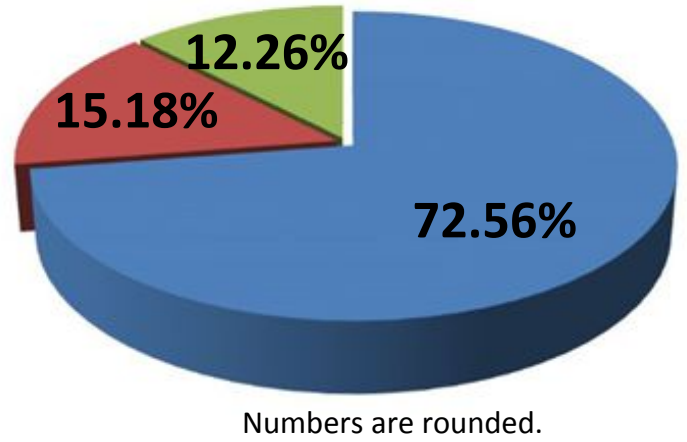
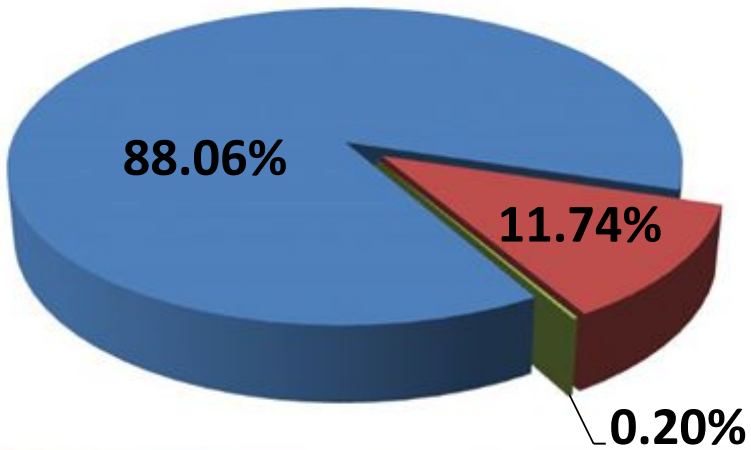
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Endowment Landscape as of August 31, 2014

Total Number of Endowments: 12,735 Total Endowment Market Value: \$9.3B

■ Board:	11,215
■ U. T. Affiliate:	1,495
■ Others:	25

■ Board:	\$6.77B
■ U. T. Affiliate:	\$1.42B
■ Others:	\$1.14B

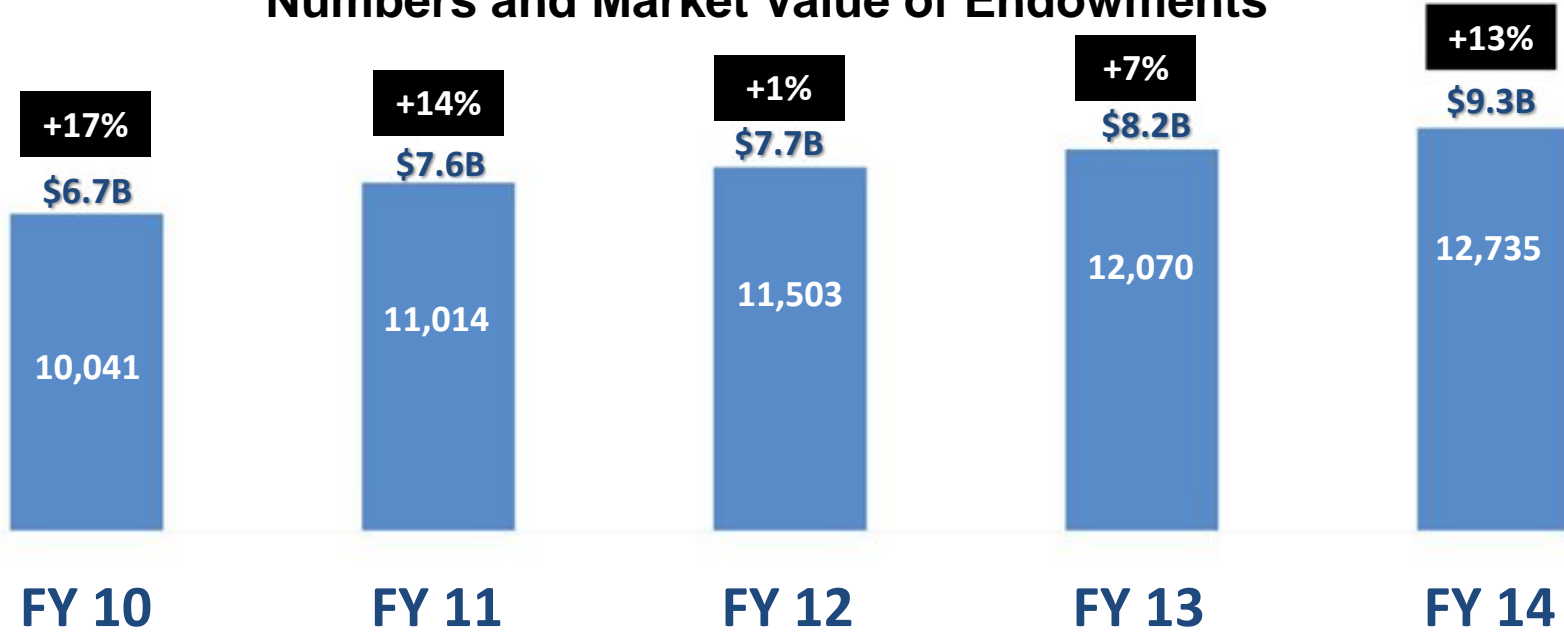


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Growth in Endowments

Numbers and Market Value of Endowments



Percentages above relate to market value.



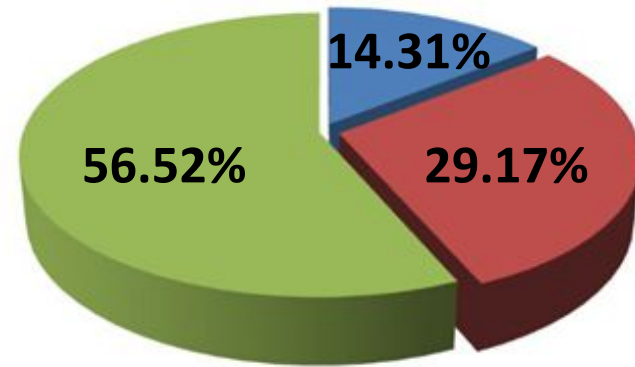
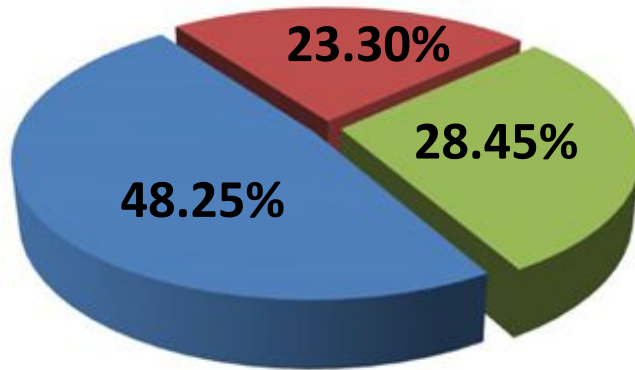
How Endowments Are Used

Total Number of Endowments: 12,735

Total Endowment Market Value: \$9.3B

- Student Support: 6,145
- Academic Positions: 2,967
- Program Support: 3,623

- Student Support: \$1.33B
- Academic Positions: \$2.72B
- Program Support: \$5.27B



Numbers are rounded.

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Endowments August 31, 2014: Academic Institutions

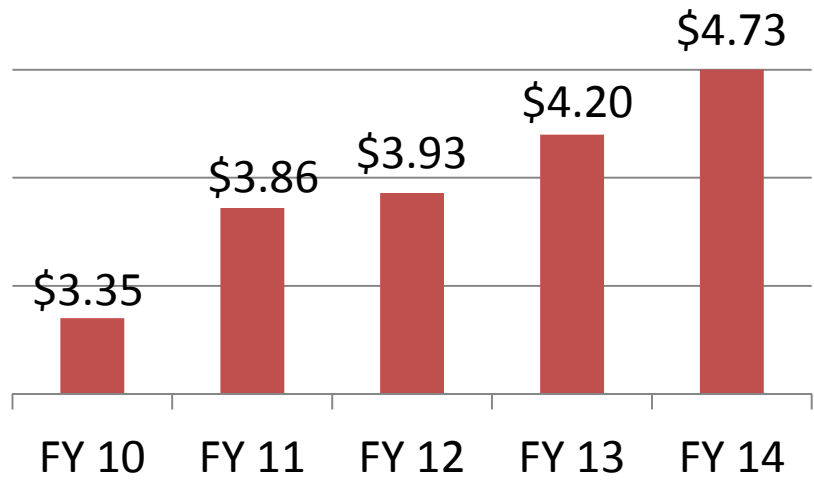
Institutions	Number of New Endowments	Total Endowments	% Increase Over 2013 Total	Total Market Value	% Market Value +/- Over 2013
U. T. Arlington	32	625	5%	\$119,909,775	18%
U. T. Austin	333	6,372	6%	\$3,705,550,607	12%
U. T. Brownsville	-2	119	-2%	\$10,291,884	12%
U. T. Dallas	51	369	16%	\$393,878,805	22%
U. T. El Paso	26	667	4%	\$187,067,036	13%
U. T. Pan American	17	323	6%	\$73,298,394	10%
U. T. Permian Basin	16	137	13%	\$49,183,371	16%
U. T. San Antonio	9	371	2%	\$113,909,431	13%
U. T. Tyler	8	262	3%	\$81,851,725	10%

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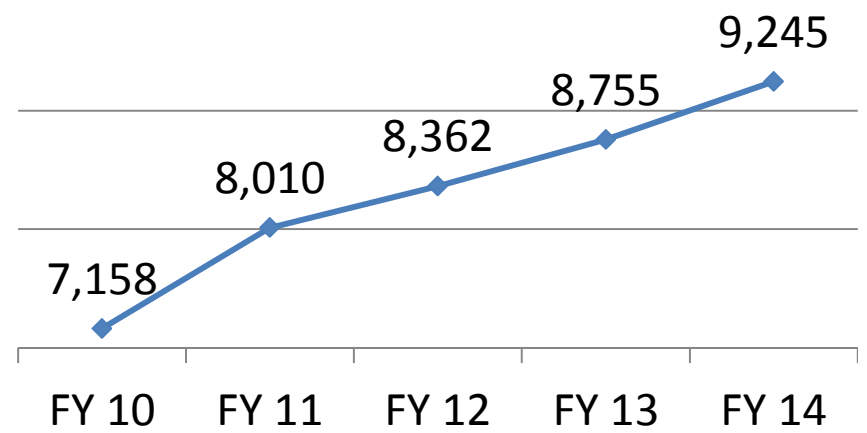


Endowments: Academic Institutions FY10 – FY14

Market Value (Billions)



Number of Endowments



112



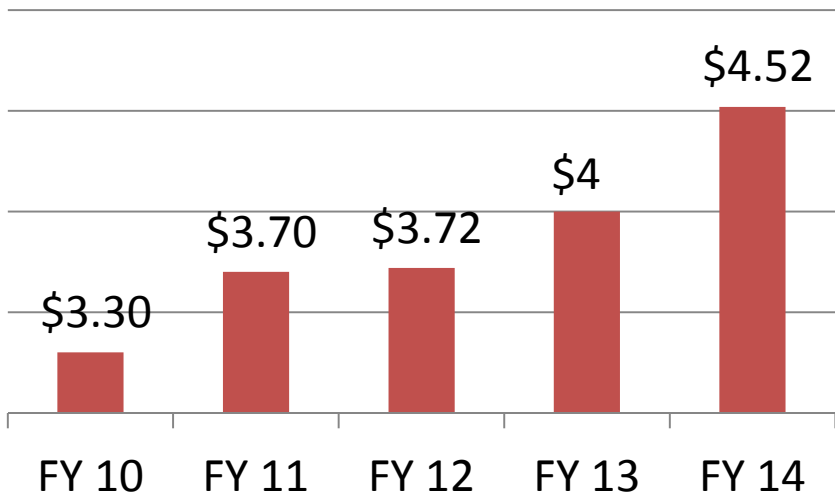
Endowments August 31, 2014: Health Institutions and Others

Institutions	Number of New Endowments	Total Endowments	% Increase Over 2013 Total	Total Market Value	% Market Value +/- Over 2013
U. T. Southwestern	21	918	2%	\$1,385,624,942	13%
U. T. Medical Branch - Galveston	18	783	2%	\$1,582,945,932	16%
U. T. HSC – Houston	26	507	5%	\$224,215,561	13%
U. T. HSC – San Antonio	37	449	9%	\$215,674,533	16%
U. T. MD Anderson	22	516	4%	\$1,101,495,214	12%
U. T. HSC – Tyler	0	42	0%	\$13,047,653	13%
U. T. System Administration	53	268	25%	\$47,255,329	12%
Multi-Institution	-2	7	-22%	\$19,062,215	2%

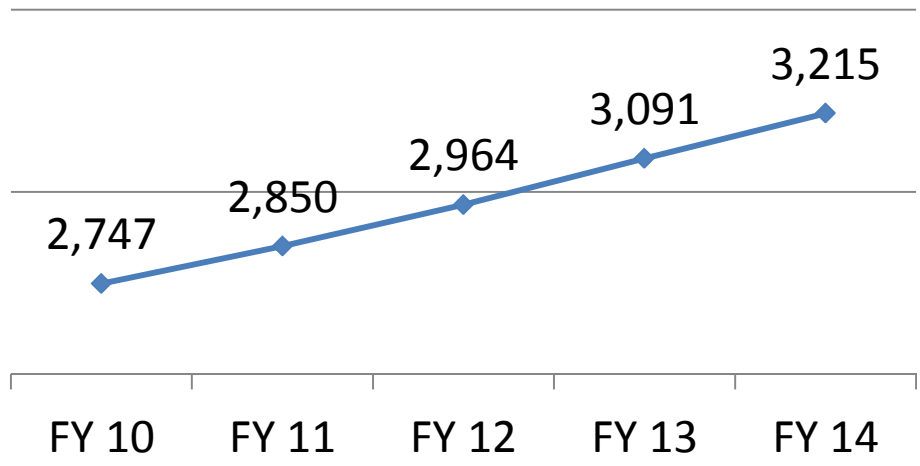


Endowments: Health Institutions FY10 – FY14

Market Value (Billions)



Number of Endowments



114



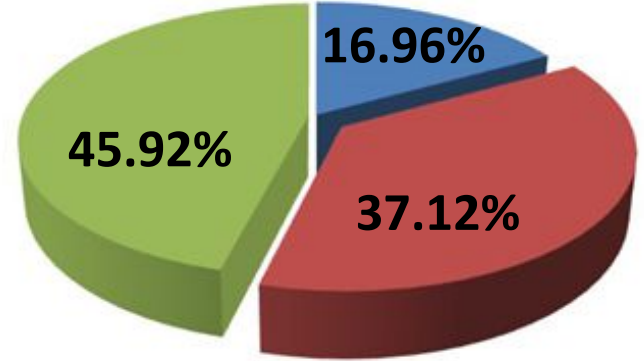
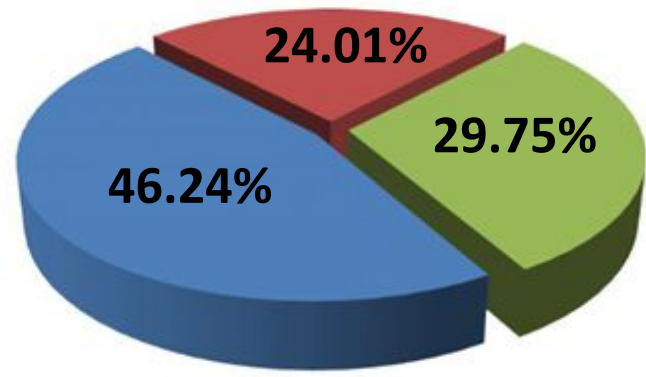
Board-held Endowments: August 31, 2014

Total Number of Endowments: 11,215

Total Endowment Market Value: \$6.77B

- Student Support: 5,186
- Academic Positions: 2,693
- Program Support *: 3,336

- Student Support: \$1.15B
- Academic Positions: \$2.51B
- Program Support *: \$3.11B

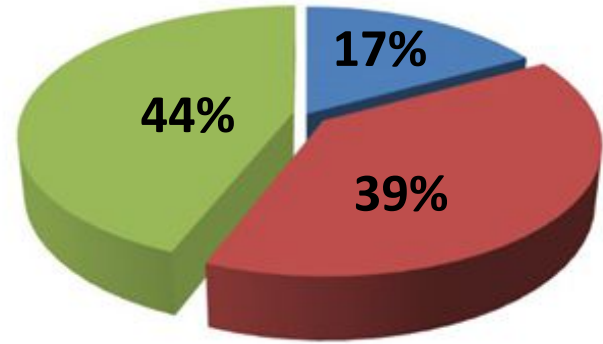


Numbers are rounded.

* Program Support includes 730 endowments, with a \$1.3B market value, designated to research.

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Board-held Endowments – Annual Distributions:



■ Student Support:	\$48.5M
■ Academic Positions:	\$110M
■ Program Support *:	\$123.7M
Total	\$282.3M

* Program Support includes 730 endowments, with \$54.7M in distributions, designated to research. Numbers are rounded.

Endowment Compliance Program

- WHY do it?
- HOW is it done?
- WHAT is the benefit?



WHY:

- To honor the intent of endowment donors and to provide assurance of the appropriate use of endowment gifts through accurate, complete, and timely reporting.



WHY (cont.)

- U. T. System Board of Regents' Rule 60102:
- *...Administration and management of the endowments are the joint responsibility of the U. T. System and each institution.*
- All endowments must be managed and administered to:
 - Comply with laws, policies, and endowment agreements
 - Increase effectiveness of the funds available for expenditure
 - Promote adequate and timely reporting to donors and U. T. System leadership
 - Strengthen stewardship with endowment donors



HOW - Funding for the Program:

- Each U. T. System institution is eligible to receive an annual fee of 0.08% to 0.20% of the market value of its endowments.
- For a fee greater than 0.08%, the U. T. System institution must submit an audited assessment of its actual endowment-related expenses, updated at least every two years.



HOW – Endowment Compliance Process Overseen by U. T. Institution Endowment Executive and Committee:



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HOW - Annual Endowment Compliance Report

- Each U. T. institution and U. T. System Administration reviews between 1/3 and all of its endowments (based on its total number), focusing on five primary risks:
 - 1) Inappropriate expenditures
 - 2) No expenditures
 - 3) Excessive accumulations of operating fund balances
 - 4) Inappropriate reinvestments of >10% of annual distributions
 - 5) Fully-funded endowed academic positions unfilled for 24 months or longer



HOW - Annual Endowment Compliance Report (cont.)

- Each U. T. institution and U. T. System Administration also reviews:
 - Endowment Compliance Staff Training (nature of training, number trained)
 - Annual Reporting to Donors, the President, and Executive Officers
- Annual Endowment Compliance Report data is reviewed and analyzed in the U. T. System Office of External Relations.
- Findings are reported to the U. T. institution President, U. T. System Chancellor and Executive Officers, and U. T. Board of Regents.



Summary of Findings for FY14:

Data was provided on 11,809 Board-approved endowments, and a pool of endowments was further reviewed for each primary risk, with the following findings:

Risk Monitored	# of Endowments Reviewed	# of Endowments In Compliance	Percentage of Reviewed in Compliance
Inappropriate Expenditures	5,752	5,686	98.85%
No Expenditures *	6,326	6,167	97.49%
Excessive Accumulations *	6,326	6,156	97.31%
Reinvestment > 10%	6,326	6,326	100%
Unfilled Academic Positions **	2,566	2,422	94.39%

* These endowments did not demonstrate justifiable reasons for “no expenditures” or “excessive accumulations.”

** All fully-funded positions were reviewed; only those unfilled \geq 24 months were counted.



Summary of Findings for FY14 (cont.):

Risk Monitored	# of Known Donors	# To Whom Reports Were Sent	Percentage To Whom Reports Were Sent
Reporting to Known Donors	9,441	9,387	99.43%

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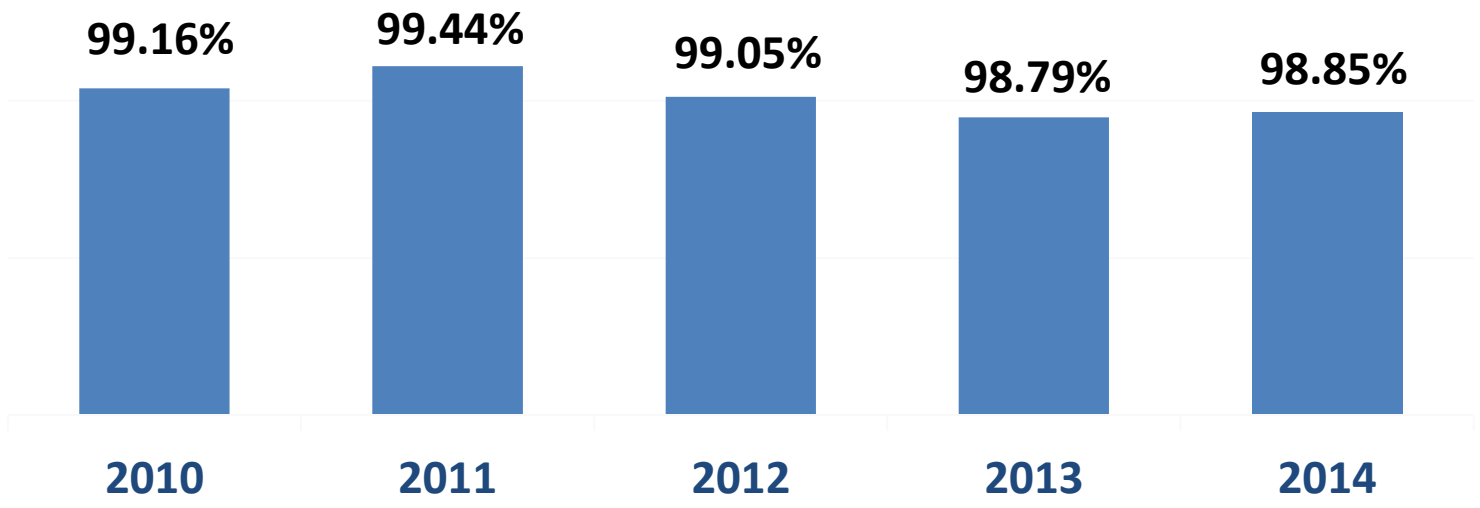
Five-Year Trends in Reporting

- Percentage of endowments in compliance remains high year-to-year.
- Endowment distributions are being spent, with particular emphasis on spending student support endowments.
- Faculty positions continue to be filled.
- Progress is being made to deliver annual reports to 100% of endowment donors.



Five-Year Trends in Reporting – Inappropriate Expenditures

Percentage of Reviewed Endowments in Compliance

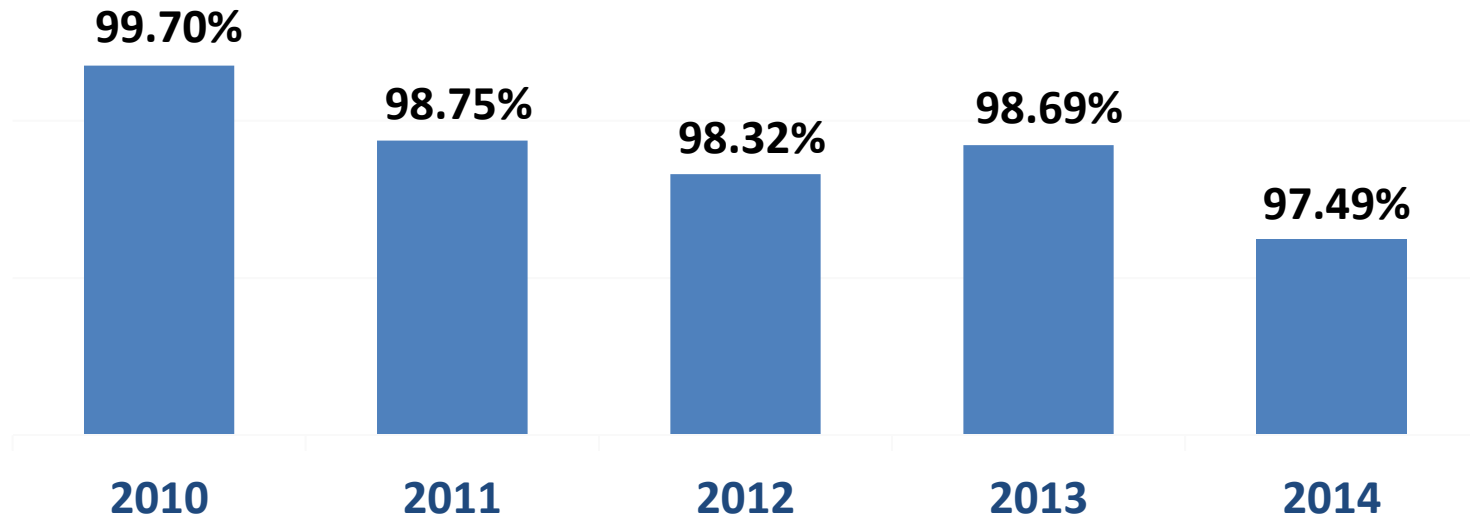


When inappropriate expenditures are identified, reimbursements from appropriate sources are immediately addressed.

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Five-Year Trends in Reporting – No Expenditures

Percentage of Reviewed Endowments in Compliance

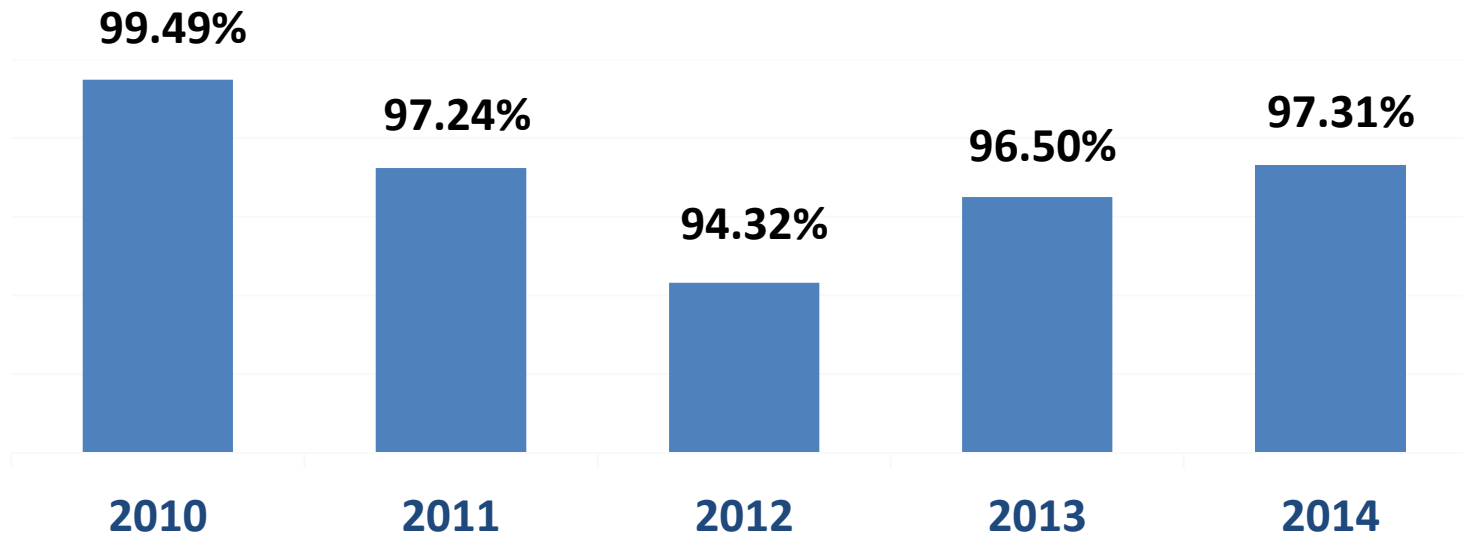


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Five-Year Trends in Reporting – Excessive Accumulations

Percentage of Reviewed Endowments in Compliance

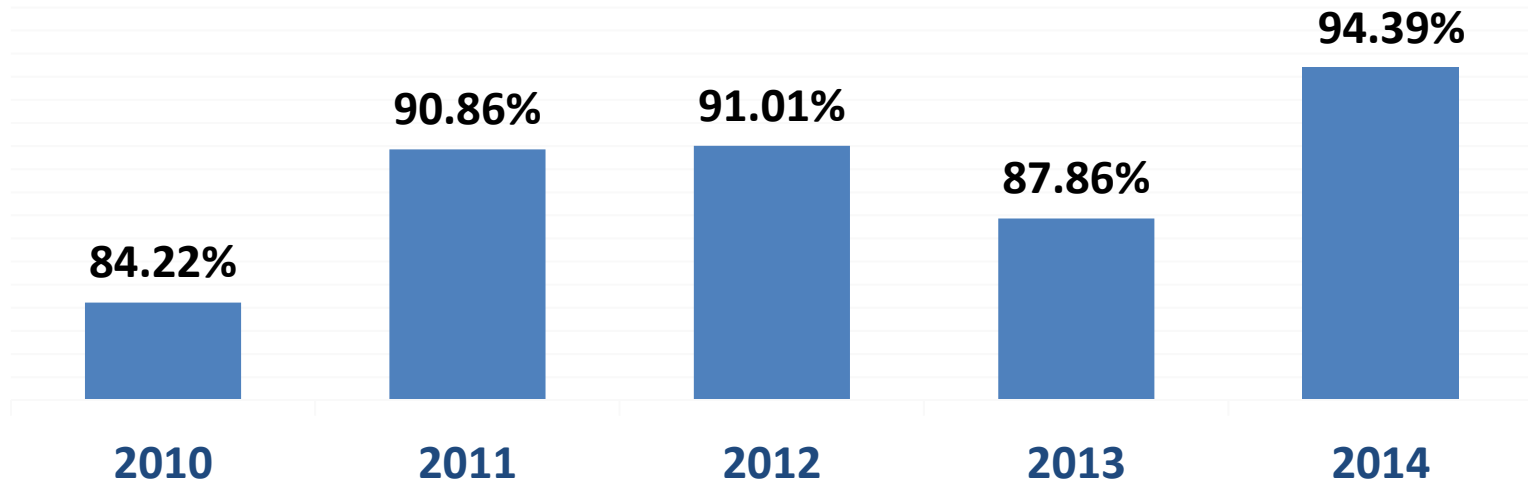


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Five-Year Trends in Reporting – Unfilled Academic Positions

Percentage of Academic Positions Filled



Beginning in FY14, only endowments unfilled for 24 months or longer were counted as unfilled. Previous years counted those unfilled for 12 months or longer.



What is the Benefit?

- Increases effective use of endowment resources
- Ensures University-wide awareness of compliance issues
- Standardizes processes and findings
- Fosters philanthropy through increased stewardship and donor trust



8. **U. T. System: Discussion and appropriate action related to work of the Texas Public Information Act compliance working group, including report on revisions to U. T. Systemwide Policy UTS139 regarding procedures and application of the Texas Public Information Act**

RECOMMENDATION

Vice Chancellor and General Counsel Sharphorn and Senior Associate General Counsel and Managing Attorney Syed will report on the Texas Public Information Act (TPIA) compliance working group, including a report on revisions to U. T. Systemwide Policy UTS139 regarding procedures and application of the TPIA.

In addition, consistent with Regents' *Rules and Regulations*, Rule 10801 (Policy on Transparency, Accountability, and Access to Information), Section 6, Mr. Sharphorn and Mr. Syed will outline plans and a timetable for the phased online posting of documents responsive to TPIA requests received by U. T. System Administration.

BACKGROUND INFORMATION

On May 8, 2013, the Audit, Compliance, and Management Review Committee recommended that Chancellor Cigarroa explore and provide recommendations on a review of U. T. System compliance with the TPIA. On August 22, 2013, Chancellor Cigarroa recommended and the U. T. System Board of Regents approved a targeted review of procedures and application of the TPIA at U. T. System Administration, U. T. Austin, U. T. San Antonio, and U. T. Southwestern Medical Center.

Preliminary findings and recommendations were presented to Chancellor Cigarroa in August 2014. Chancellor Cigarroa then formed a working group of subject matter experts at U. T. System Administration, U. T. Austin, U. T. El Paso, U. T. San Antonio, U. T. Medical Branch - Galveston, and U. T. Southwestern Medical Center to review and suggest revisions to U. T. Systemwide Policy UTS139 (Texas Public Information Act) regarding procedures and application of the TPIA based on those recommendations. The resulting revised policy (UTS139) was subsequently approved by Chancellor McRaven and is set forth on the following pages for information. UTS139 requires all employees as well as members of the Board to take the Attorney General's and the U. T. System's TPIA training within 90 days of beginning employment or service and at each two-year interval.

This report to the Audit, Compliance, and Management Review Committee is consistent with commitments to keep the Committee informed of the activities of the working group.

See related Item 8 on [Page 24](#), regarding proposed amendment to Regents' *Rules and Regulations*, Rule 10801, concerning Policy on Transparency, Accountability, and Access to Information.

**The University of Texas System
Systemwide Policy**

Policy: UTS139

1. Title

Compliance with the Texas Public Information Act

2. Policy

Sec. 1 Applicability. This policy is binding on U. T. System and applies to all requests submitted to U. T. System under the Texas Public Information Act (the "TPIA"). This policy does not apply to a subpoena duces tecum or a request for discovery issued in compliance with an applicable statute or rule of civil or criminal procedure, since neither is a request for information under the TPIA.

Sec. 2 Transparency. As described in Regents' Rule 10801, U. T. System intends this policy to promote transparency, accountability, and access to and disclosure of information to the public.

Sec. 3 Officers for Public Information and Designated Agents.

3.1 Delegation of Authority. The Chancellor is the officer for public information for U. T. System Administration, and each institution's president is its officer for public information. The Chancellor and each president delegate their authority under the TPIA to the Public Information Officer(s) ("Officer") described in Section 3.2.

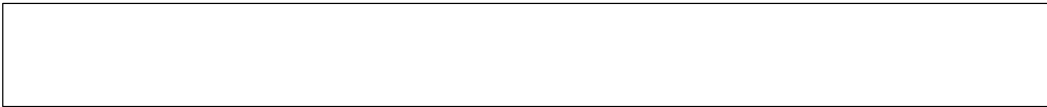
3.2 Officer. The Officer for U. T. System Administration is the Vice Chancellor and General Counsel. The Officer for each institution is its chief legal officer, its chief business officer, or another employee designated in writing by its president.

3.3 Designated Agent. The Officer is the designated agent for coordinating an institution's responses to requests for public information.

3.4 Officer's Designee. The Officer may delegate his or her duties to a public information coordinator(s) or other designee(s) ("Designee"), but retains ultimate responsibility for compliance with the TPIA.

Sec. 4 General Duties of Officer.

4.1 Make Available, Protect, and Maintain Information. The Officer shall protect and maintain public information and make it available for public inspection and copying as required by the TPIA.



**The University of Texas System
Systemwide Policy**

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- 4.2 Evaluate Resources. Every two years, the Officer shall reevaluate the adequacy of the staffing level; administrative, technical, and physical safeguards; and other resources allocated at the institution to comply with the TPIA and inform the Chancellor or president, as appropriate, of any changed needs in writing. The Officer shall certify, in writing, the completion of this evaluation and maintain the certification in a readily-accessible file.

- Sec. 5 Sign. The Officer shall prominently display a sign in the form prescribed by the Attorney General as required by the TPIA.

- Sec. 6 Training Requirements.
 - 6.1 Each employee of U. T. System shall complete the System-required TPIA training no later than 90 days after his or her employment begins.
 - 6.2 Each Officer and Designee, and each member of the U. T. System Board of Regents, shall complete both the System-required TPIA training and the Attorney General's TPIA training no later than 90 days after his or her appointment begins.
 - 6.3 Each member of the Board of Regents and all employees of U. T. System shall complete the System-required TPIA training at least once every two years.

- Sec. 7 Receiving and Referring Requests.
 - 7.1 Written Requests. All requests for public information must be made in writing. A written request includes a request submitted by hand delivery, U.S. mail, electronic mail, or facsimile.
 - 7.2 Hand Delivery and U.S. Mail Requests. Any U. T. System employee who receives a written request for information by U.S. mail or hand delivery shall forward it immediately to the institution's Officer or Designee.
 - 7.3 Email and Facsimile Requests. Email and facsimile requests do not trigger the TPIA unless sent directly by the requestor to the designated email address or facsimile line.
 - 7.4 Requests for Clarification. All formal inquiries by an Officer or Designee to the requestor for clarification or narrowing of a request shall be made in writing and sent by email or facsimile. If the request for information included the requestor's physical or mailing address, the Officer or Designee shall send the



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Systemwide Policy**

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communication by certified mail to the requestor's physical or mailing address. In accordance with the TPIA, a request can and will be narrowed or clarified only if the requestor responds and agrees to that narrowing or clarification.

Sec. 8 Identifying and Gathering Responsive Information.

- 8.1 Identifying Location of Information. After receiving a request, the Officer or Designee shall identify all offices, departments, and individuals of the institution that most likely maintain information responsive to the request.
- 8.2 Gathering Information. The Officer or Designee shall contact these offices, departments, and individuals by email or other written electronic method; instruct them to submit all potentially responsive information to the Officer or Designee by a specified deadline; and apprise them of *Texas Government Code* Sections 552.351 and 552.352. See Appendix 1.
- 8.3 Written Certification. Each office, department, or individual contacted under Section 8.2 must submit a written certification to the Officer or Designee confirming that:
 - (a) a diligent search was performed and all potentially responsive information was provided to the Officer or Designee; or
 - (b) a diligent search was performed and no potentially responsive information was located.

This certification must follow the format shown in Appendix 1 to this policy.

- 8.4 Information Technology Searches. As the Officer or Designee deems necessary to fulfill the institution's obligations under the TPIA, the Officer or Designee may use centralized information technology searches to identify and gather responsive information. Because these searches have limitations, they should not be the only method used to identify information responsive to a request.
- 8.5 Record of Process. The Officer or Designee shall preserve the names of the identified offices, departments, and individuals; all contact emails or writings; all records of information technology searches conducted; and all written certifications in an electronic file and retain that file in accordance with the applicable records retention schedule.



**The University of Texas System
Systemwide Policy**

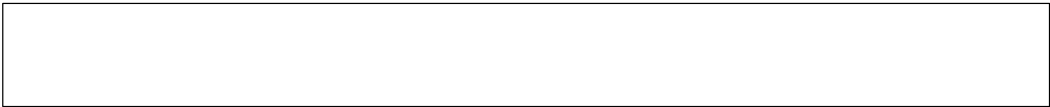
Policy: UTS139

- 8.6 Review. The Officer or Designee shall review all information identified to determine if it is responsive; to the extent feasible, preserve all information reviewed in an electronic file or other readily-accessible file; and retain that electronic file in accordance with the applicable records retention schedule.
- 8.7 Preserve Responsive Information. The Officer or Designee shall preserve all information ultimately deemed responsive in an electronic file or other readily-accessible file and retain that file in accordance with the applicable records retention schedule.

Sec. 9 Requests That Do Not Require An Attorney General Opinion. If requested information is not excepted from required disclosure, the Officer or Designee should respond or coordinate responses to the request as required by the TPIA.

Sec. 10 Requests Requiring An Attorney General Opinion.

- 10.1 Discretionary Exceptions. U. T. System may invoke discretionary exceptions in the following instances:
 - (a) Discussions of Systemwide or institutional policy changes;
 - (b) Drafts of press releases and communications about those drafts;
 - (c) Draft budgets and communications about those drafts;
 - (d) Audit working papers and communications about working papers;
 - (e) Attorney-client privileged and work product materials;
 - (f) Claim settlement negotiations;
 - (g) Law enforcement information;
 - (h) Informer's privilege;
 - (i) Bidding;
 - (j) Real estate information;
 - (k) Academic test items;
 - (l) Library records;
 - (m) Communications with the Legislative Budget Board;
 - (n) Legislative bill analysis;
 - (o) Litigation or settlement negotiations; and
 - (p) Other compelling reasons identified by the Officer or Designee in writing.
- 10.2 Consultation with Office of General Counsel Regarding Discretionary Exceptions. If an institution wishes to assert a discretionary exception to disclosure or is not clear whether requested information is excepted from required disclosure, it



**The University of Texas System
Systemwide Policy**

Policy: UTS139

must consult with the Office of General Counsel to determine whether an Attorney General ruling will be requested.

To begin this consultation, an institution's Officer or Designee should provide the following to the Office of General Counsel in an electronic format no later than 7 business days after the institution receives a request:

- (a) the request for information;
- (b) the requested information or a representative sample of the requested information;
- (c) a list of all possible exceptions the institution believes may apply.

10.3 **Deadlines.** To determine whether an exception applies, U. T. System must request a ruling from the Attorney General no later than 10 business days after a request is received and notify the requestor as required by the TPIA.

If an Attorney General ruling is not requested within 10 business days and/or the requestor is not notified of the request for a ruling as required by the TPIA, the institution must release the information as soon as practicable unless the information is confidential by law or there is a compelling reason to withhold it.

10.4 **Representative Samples.**

(a) If the Office of General Counsel deems it necessary to submit to the Attorney General a representative sample of the information being withheld, the representative sample should include:

- (1) at least one exemplar of each type of information that faithfully represents the responsive information; and
- (2) at least one exemplar of information subject to each exception asserted in briefing to the Attorney General.

10.5 **Request for Texas Attorney General Opinion.** Only the Office of General Counsel is authorized to submit a request for a ruling and the corresponding briefing to the Attorney General on behalf of U. T. System.

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Sec. 11 Website.

- 11.1 Each institution must maintain a publicly-accessible website dedicated to displaying public information requests it has received.
- 11.2 No later than 3 business days after an institution receives a public information request, it shall post the request on this website.
- 11.3 An institution shall enter each request it receives on the website verbatim unless, in the Officer's or Designee's judgment, a verbatim entry is likely to violate applicable privacy laws, in which case the request shall be paraphrased.
- 11.4 All institutions' websites shall follow the format shown in Appendix 2 to this policy.

Sec. 12 Requests from Legislators and Other Governmental Offices.

- 12.1 System Administration Notice to Vice Chancellor for Governmental Relations. The Vice Chancellor and General Counsel shall notify the Vice Chancellor for Governmental Relations when System Administration receives requests for public information from members of the Legislature or other governmental offices.
- 12.2 Institutional Notice to Vice Chancellor for Governmental Relations. An institution's Officer or Designee shall notify the Vice Chancellor for Governmental Relations when the institution receives requests for public information from members of the Legislature or from other governmental offices.

3. Definitions

Chief Administrative Officer – the Chancellor of The University of Texas System and the president of each U. T. System institution

Institution – one of the institutions that comprises the U. T. System, including System Administration

Public Information – this term is defined by *Texas Government Code* § 552.002

System Administration – U. T. System Administration

U. T. System – System Administration and all U. T. System institutions



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4. Relevant Federal and State Statutes

[Texas Government Code, Chapter 552, Public Information](#)

[Texas Government Code Section 559.004](#)

[Texas Government Code Section 559.003](#)

[Texas Administrative Code, Title 1](#)

5. Relevant System Policies, Procedures, and Forms

Appendix 1 – Section 8.2 request and Section 8.3 certification

Appendix 2 – model format to display TPIA requests

6. System Administration Office Responsible for Policy

Office of General Counsel (with approval of proposed substantive changes by the Board)

7. Dates Approved or Amended

June 10, 2005

June 8, 2010

May 26, 2011

October 11, 2011

March 8, 2012

May 1, 2015

8. Contact Information

Questions or comments about this policy should be directed to:

- bor@utsystem.edu

**The University of Texas System
Systemwide Policy**

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Appendix 1
(Send by e-mail to recipient)

[date]

Dear [Office, Department, and/or Individual]:

Choose an item. received a Texas Public Information Act ("TPIA") request assigned [Institution ID Number]. That request seeks [describe information requested].

We believe you [and your office or department] may maintain information that is responsive to this request. Please provide us with all potentially responsive information by [deadline]. Also, if you believe any other university employee has some or all of this information, please let us know immediately so we may contact that person to obtain it.

Before you respond to this request, please note that, according to Section 552.351 of the TPIA, a person may be charged with a misdemeanor punishable by fine and/or confinement in county jail if he or she willfully destroys, mutilates, removes without permission as provided under the TPIA, and/or alters public information. Also, according to Section 552.352 of the TPIA, a person may be charged with a misdemeanor punishable by fine and/or confinement in county jail if he or she distributes information considered confidential under the TPIA. A violation under this section constitutes official misconduct.

After you complete your search and provide us the requested information, please reply to this email with one of the following two statements:

I performed a diligent search of all locations and devices (electronic or physical, work-issued or personal) where I believe responsive information is likely to be stored, and am providing all potentially responsive information.

[Insert your signature block, including your contact information]

OR

I performed a diligent search of all locations and devices (electronic or physical, work-issued or personal) where I believe responsive information is likely to be stored, but did not locate any potentially responsive information.

[Insert your signature block, including your contact information]

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Appendix 2

Request ID	Request Date	Description	Category	
1	1/1/2015	2014 agreement with Custodial, Inc. for custodial services provided for building located at 123 Main Street	Contract	RequestResponsiveDocuments Button
2	1/2/2015	A copy of the police report taken of my arrest on 12/1/2014	Police Reports	RequestResponsiveDocuments Button
3	1/3/2015	All complaints made by my coworkers regarding me	Personnel	RequestResponsiveDocuments Button
4	1/4/2015	Invoices from Company X for the month of November 2014	Financial	RequestResponsiveDocuments Button
5	1/5/2015	All emails sent by your institution's president to the provost yesterday	Other	RequestResponsiveDocuments Button
6	1/6/2015	Bids submitted in response to RFP0010100	Contract	RequestResponsiveDocuments Button
7	1/8/2015	Names of students graduating this semester	Directory	RequestResponsiveDocuments Button
8	1/9/2015	Copy of my sexual assault report	Police Reports	RequestResponsiveDocuments Button