



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

Committee Meeting: 8/12/2004

Open Session: *Frank E. Anderson Conference Hall, Rose Zone,
11th Floor*

Executive Session: *Wiess Conference Room, Rose Zone,
11th Floor*

Board Meeting: 8/12/2004

U. T. M. D. Anderson Cancer Center

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

	Committee Meeting	Board Meeting	Page
A. CONVENE			
1. U. T. System: Report on the status of the Sarbanes-Oxley Initiative, including the hiring of the Independent Audit Firm for the 2005 U. T. System Financial Statements Audit and the Governor's Fraud Initiative	8:30 a.m. <i>Chairman Estrada</i> 8:30 a.m. Action <i>Mr. Chaffin Mr. Wallace Deloitte representatives: Mr. George Scott Ms. Vicki Keiser Ms. Julia Petty</i>	Not on Agenda	22
2. U. T. System: Report on State Auditor's recommendations regarding protection of research data	8:45 a.m. Report <i>Mr. Chaffin Mr. Dan Updegrove Mr. Kirk Kirksey Mr. Jerry York</i>	Not on Agenda	23
3. U. T. System: Report on Internal Audit Activities including the status of significant audit recommendations, the status of the 2004 Audit Plan, the System-wide Internal Audit Strategic Action Plan, and the Fiscal Year 2005 Audit Plan process	8:55 a.m. Report <i>Mr. Chaffin Ms. Hagara</i>	Not on Agenda	24
4. U. T. System: Report on compliance high-risk area activity regarding U. T. System's response to time and effort compliance issues	9:00 a.m. Report <i>Dr. Shine</i>	Not on Agenda	25
5. U. T. System: Report on System-wide Compliance Program Activities including "hotline" reports and Compliance Program Peer Reviews	9:05 a.m. Report <i>Mr. Chaffin</i>	Not on Agenda	25

Committee Meeting

Board Meeting

Move to Wiess Conference Room

B. RECESS TO EXECUTIVE SESSION

9:10 a.m.

1. **U. T. Board of Regents: Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Texas Government Code Section 551.074**

Mr. Chaffin

Not on Agenda

2. **U. T. Board of Regents: Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - Texas Government Code Section 551.071**

U. T. System: Evaluation and duties of System and institutional employees involved in audit and compliance functions

Mr. Godfrey

Not on Agenda

C. RECONVENE IN OPEN SESSION AND ADJOURN

9:20 a.m.

Return to Frank E. Anderson Conference Hall

1. **U. T. System: Report on the status of the Sarbanes-Oxley Initiative, including the hiring of the Independent Audit Firm for the 2005 U. T. System Financial Statements Audit and the Governor's Fraud Initiative**

REPORT

Mr. Charles Chaffin, Chief Audit Executive, and Mr. Randy Wallace, Assistant Vice Chancellor - Controller and Chief Budget Officer, will update the Audit, Compliance, and Management Review Committee on the status of the initiative and the Action Plan to Implement the "Spirit" of the Sarbanes-Oxley Act of 2002, including the hiring of Deloitte to provide independent financial auditing services for the audit of the U. T. System financial statements for the fiscal year ending August 31, 2005. In addition, Mr. Chaffin will brief the Committee on the Governor's initiative to identify and prevent fraud, waste, and abuse in state government, including higher education.

Deloitte representatives Mr. George A. Scott, Lead Client Services Partner; Ms. Vicki Keiser, Health Care Assurance Partner; and Ms. Julia Petty, Engagement Senior Manager, will then report on the firm's plans for conducting the 2005 audit, including methodology, staffing, training, and associated timelines.

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 on June 3, 2004. A pre-proposal conference was held on June 9, with the following five firms participating: Deloitte, Ernst & Young, KPMG, McConnell Jones Lanier & Murphy, and PricewaterhouseCoopers. Written proposals were received from Deloitte and KPMG on June 30. Oral presentations and firm interviews were held on July 13 to allow the Regents an opportunity to further evaluate the firms.

Details regarding the RFQ process and the evaluation of firms were presented at the Board of Regents' meeting held on July 16. Regent Estrada, on behalf of the Audit, Compliance, and Management Review Committee, recommended that Deloitte be selected to provide independent financial auditing services for the audit of the U. T. System financial statements for the fiscal year ending August 31, 2005. The Board approved the selection of Deloitte and granted approval for U. T. staff to negotiate and

enter into an auditing services contract with the selected firm. The contract will terminate on April 1, 2006. The contract will give U. T. System an option to renew for two additional one-year terms.

On July 12, 2004, Governor Rick Perry issued Executive Order RP36 calling for state agencies to develop and implement programs to detect and eliminate fraud in government programs. The Governor's Order directs state agencies to develop anti-fraud measures and report those efforts to his office by October 1, designate a staff member to implement fraud prevention and fraud elimination activities, and identify policy and organizational changes and provide legislative recommendations to improve fraud detection and prosecution efforts. The U. T. System is currently in the process of implementing the Order.

2. **U. T. System: Report on State Auditor's recommendations regarding protection of research data**

REPORT

The State Auditor's Office recently concluded an audit of the protection of research data at three U. T. institutions: U. T. Austin, U. T. Southwestern Medical Center - Dallas, and U. T. Health Science Center - San Antonio. The audit report was issued in June 2004 and includes several recommendations regarding the need for comprehensive information security programs for research data and improved network security. The report further states that, while issues were noted that increase the risk of loss of research data, no specific instances of research data loss or misuse were identified. The Executive Summary of the State Auditor's report, "An Audit Report on Protection of Research Data at Higher Education Institutions", is set forth on Pages 23.1 – 23.3.

Mr. Dan Updegrave, Vice President for Information Technology at U. T. Austin; Mr. Kirk Kirksey, Vice President for Information Resources at U. T. Southwestern Medical Center – Dallas; and Mr. Jerry York, Vice President and Chief Information Officer at U. T. Health Science Center - San Antonio will report on each institution's response to the State Auditor's report and actions being taken to resolve the issues noted.

Protection of Research Data at Higher Education Institutions

Overall Conclusion

Higher education institutions should do more to protect research data. Security of research data at the institutions we audited was inconsistent and sometimes inadequate. Although we identified instances in which research data was very well protected, we identified inconsistent security measures at each of the three institutions we audited that expose other research data to the risk of loss or misuse. This could significantly impede researchers' progress or, ultimately, result in the loss of research funding.

The institutions have ultimate responsibility for research data because they are the owners of this data and receive benefits from research such as patents, royalties, and associated funding for indirect costs. However, while institutions generally provide some degree of security to all users through perimeter firewalls or other types of network protection, they rely on decentralized departments and individual researchers to further protect research data.

Inadequate security can lead to the loss or misuse of research data, which could jeopardize institutions' reputations and their ability to achieve their missions. Although the following examples did not occur at institutions we audited, they demonstrate the importance of protecting research data:

- Not properly backing up research data has the potential to impede the progress of research. For example, Tropical Storm Allison caused the Baylor College of Medicine and the Medical School at The University of Texas Health Science Center at Houston to lose 10 years' worth of data on spinal cord injuries.
- Not securing workstations with antivirus software can leave workstations vulnerable to potential attacks, and inadequate security associated with a single workstation has the potential to have an impact on the institution's entire network. For example, in May 2004 the Sasser computer virus reportedly infected nearly one-third of the computers at The University of Texas M.D. Anderson Cancer Center and delayed some patient treatment. It is suspected that the virus entered the institution through a notebook computer.
- Because of their need for free exchange of information and open computing environments, higher education institutions in particular face a significant risk that intruders will be motivated to hack into their systems and use their extensive computing resources for unauthorized purposes. For example, hackers recently targeted and

Background Information

We audited the protection of research data at the following institutions:

- The University of Texas at Austin (UT Austin)
- The University of Texas Southwestern Medical Center at Dallas (UT Southwestern)
- The University of Texas Health Science Center at San Antonio (UT Health Science Center)

These three institutions received more than \$774 million in research funding and spent \$571 million on research in fiscal year 2003. Research expenditures for Texas's public higher education institutions totaled nearly \$2.2 billion during fiscal year 2003.

compromised TeraGrid, a network that institutions use to conduct and share research. Because of this attack, institutions that use TeraGrid took certain computers off line, which disrupted research for several days.

To minimize the risks associated with public disclosure, this report summarizes the issues we identified but does not reveal specific vulnerabilities. We provided the institutions we audited and The University of Texas System with confidential vulnerability assessments that included specific recommendations. We identified some practices being implemented at the institutions we audited that we feel are worth considering at other institutions. We have noted these as “best practices” in our report.

The institutions generally agreed with our recommendations. The institutions were already aware of the weaknesses we identified and had begun making progress and continue to make progress to address areas of concern. They have provided detailed plans for addressing their respective issues.

Key Points

Institutions should develop comprehensive information security programs for research data.

Not all of the institutions we audited have comprehensive security programs. Specifically, institutions do not always address the risk to research data in the information security policies, security risk assessments, and disaster recovery plans. Because researchers have limited guidance to follow when attempting to secure information resources, there are wide variations in security practices. In addition, none of the institutions we reviewed ensures that all users receive security awareness training to educate them on how to protect data.

Institutions should develop comprehensive protection at the user layer.

The research labs we reviewed receive varying levels of technical support. Individuals who manage information resources in these labs are researchers or instructors who may have varying levels of expertise in information security or for whom information security is not their primary responsibility. This has led to several weaknesses in data backups, antivirus software, security patches, user access, and passwords.

Institutions should develop comprehensive protection at the network and outer layers.

Each institution we audited must address specific weaknesses in its approach to network security and ensure that network equipment is properly protected. In addition, we identified unauthorized wireless access points at all of these institutions, which may expose the institutions' networks to the risk of intrusion.

Summary of Information Technology Review We focused on the security of research data on servers and workstations in individual research labs, as well as the management of central information resources that affect research. We conducted technical vulnerability scans, but we did not attempt to exploit the vulnerabilities we identified. We also conducted wireless leakage tests in selected areas. During our audit, we identified issues that increase the risk of loss of research data, but we did not identify any specific instances in which research data had been lost or misused. We did not review administrative systems or applications such as financial, accounting, or student information systems.

Summary of Objectives, Scope, and Methodology The objectives of the audit were to determine whether selected higher education institutions have (1) adequate controls for major research information systems to ensure that proprietary research information is sufficiently protected from loss or misuse, (2) access and security controls for the networks and information systems used for research, and (3) adequate physical security and disaster recovery plans to ensure that research information systems and data are not lost in the event of an emergency or disaster. The scope of the audit included reviewing selected research labs' workstations and servers that contain proprietary research data and the management of central information resources that affect research. The audit methodology consisted of interviewing staff, reviewing disaster recovery and information security plans and policies, inspecting major data centers and selected research labs, and conducting network and wireless scans to identify potential information system vulnerabilities. *iii*

3. **U. T. System: Report on Internal Audit Activities including the status of significant audit recommendations, the status of the 2004 Audit Plan, the System-wide Internal Audit Strategic Action Plan, and the Fiscal Year 2005 Audit Plan process**

REPORT

Mr. Charles Chaffin, Chief Audit Executive, will report on System-wide audit activity for the third quarter of 2004, including the status of significant audit recommendations and progress toward audit plan completion.

The third quarter activity report on the Status of Outstanding Significant Recommendations is located on Pages 24.1 – 24.4. Additionally, a list of other audit reports that have been issued by the System-wide audit program, the State Auditor's Office, and the Comptroller of Public Accounts follows on Page 24.5.

Significant audit findings/recommendations are submitted to and tracked by the 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. Board of Regents. Additionally, the Committee members receive a detailed summary of new significant recommendations quarterly.

Mr. Chaffin will present a recently established protocol for notifying institutional management of any significant findings or other issues prior to reporting to this Committee. This process is intended to ensure that institutional management is aware of such issues and is allowed an adequate opportunity for discussion and comments. A description of the new protocol is set forth on Page 24.6.

Mr. Chaffin will also report on the System-wide Internal Audit Strategic Plan and Action Plan, as set forth on Pages 24.7 – 24.16. The plan is the result of collaboration among institutional audit directors and the System Audit Office and includes objectives, strategies, and performance measures to address six primary initiatives for the 2005 Fiscal Year.

Ms. Kimberly Hagara, Assistant Director for System-wide Compliance, will report on the 2005 Audit Plan development and approval process. A flowchart depicting the process is set forth on Page 24.17.

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	2nd Quarter		3rd Quarter		Targeted Implementation Date	Overall Progress Towards Completion (See note)	Ranking Significance
			Ranking	# of Significant Findings	Ranking	# of Significant Findings			Material to Component's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")
1	1998-07	UTHSC - Houston		1		1	8/31/2004	Satisfactory	C
2	2000-04	UTHSC - Houston		1		1	8/31/2004	Satisfactory	C
3	2001-04	UTPA		1		1	8/1/2004	Satisfactory	O
4	2001-08	UTMDACC - Houston		3		3	4/1/2005	Satisfactory	O
5	2001-10	UTHSC - San Antonio		1		1	9/1/2004	Satisfactory	C, O
6	2001-10	UTMDACC - Houston		1		1	6/30/2004	Satisfactory	O
7	2001-11	UTTY		2		2	9/1/2005	Unsatisfactory	O
8	2002-02	UTHSC - Houston		1		1	8/31/2004	Satisfactory	C
9	2002-04	UTB		1		1	8/31/2004	Satisfactory	O
10	2002-05	UTARL		2		1	8/31/2004	Satisfactory	O
11	2002-05	UTSYS ADM		1		1	11/1/2004	Satisfactory	O
12	2002-07	UTHSC - Houston		1		1	8/31/2004	Satisfactory	F, C
13	2002-08	UTHSC - San Antonio		2		2	6/30/2004	Satisfactory	C
14	2002-08	UTSYS ADM		1		1	8/31/2004	Satisfactory	O, C
15	2002-09	UTAUS		1		1	6/30/2004	Satisfactory	O, C
16	2002-10	UTAUS		1		1	6/30/2004	Satisfactory	O, C
17	2002-10	UTSYS ADM		1		1	1/1/2005	Satisfactory	O, F
18	2002-11	UTMDACC - Houston		1		1	6/1/2004	Satisfactory	O
19	2003-02	UTMDACC - Houston		1		0	9/1/2004	Completed	O
20	2003-02	UTSYS ADM		1		0	6/1/2004	Completed	O
21	2003-03	UTPA		5		5	12/31/2004	Satisfactory	O

24.1

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	2nd Quarter		3rd Quarter		Targeted Implementation Date	Overall Progress Towards Completion (See note)	Ranking Significance
			Ranking	# of Significant Findings	Ranking	# of Significant Findings			Material to Component's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")
22	2003-05	UTMB - Galveston		2		2	11/30/2004	Satisfactory	O
23	2003-06	UTARL		1		1	8/31/2004	Satisfactory	C,O
24	2003-06	UTAUS		1		1	8/31/2004	Satisfactory	O
25	2003-06	UTD		2		2	8/31/2004	Satisfactory	C,O
26	2003-07	UTMDACC - Houston		1		1	6/1/2004	Satisfactory	O
27	2003-08	UTPA		1		1	6/30/2004	Satisfactory	F, C
28	2003-08	UTMB - Galveston		1		1	6/30/2004	Satisfactory	O, F
29	2003-08	UTMB - Galveston		2		2	8/31/2004	Satisfactory	C, O
30	2003-09	UTSYS ADM		1		1	8/31/2004	Satisfactory	F
31	2003-09	UTB		3		2	7/31/2004	Satisfactory	O
32	2003-09	UTHSC - Houston		8		8	8/31/2004	Satisfactory	C, O
33	2003-09	UTHC - Tyler		2		1	8/31/2007	Satisfactory	O, F
34	2003-09	UTHC - Tyler		6		5	7/31/2004	Satisfactory	O
35	2003-10	UTD		1		0	9/1/2004	Completed	F, C, O
36	2003-10	UTMB - Galveston		1		0	3/1/2004	Completed	C, O
37	2003-11	UTAUS		1		1	8/31/2004	Satisfactory	F
38	2003-11	UTSA		1		1	9/30/2004	Satisfactory	O
39	2003-11	UTMB - Galveston		1		0	3/1/2004	Completed	C, O
40	2003-11	UTMDACC - Houston				2	7/31/2004	-	O
41	2003-12	UTARL		2		0	1/5/2004	Completed	C
42	2003-12	UTD		1		1	8/31/2004	Satisfactory	C, O

24.2

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	2nd Quarter		3rd Quarter		Targeted Implementation Date	Overall Progress Towards Completion (See note)	Ranking Significance	
			Ranking	# of Significant Findings	Ranking	# of Significant Findings			Material to Component's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")	
43	2003-12	UTPB	AFR FYE 8/31/03		1		1	8/31/2004	Satisfactory	F
44	2004-01	UTEP	Information Technology - General Controls Review				2	10/1/2004	-	O
45	2004-01	UTSA	Lab Safety		3		2	8/1/2004	Satisfactory	C, O
46	2004-01	UTMDACC - Houston	PeopleSoft Payroll		1		1	8/31/2005	Satisfactory	O
47	2004-01	UTMDACC - Houston	2003 Mainframe Disaster Recovery Test		1		1	12/1/2004	Satisfactory	O
48	2004-02	UTAUS	Compliance Inspection: Account Reconciliation and Segregation of Duties		3		3	8/31/2004	Satisfactory	C
49	2004-02	UTMB - Galveston	Compliance Inspection: Account Reconciliation and Segregation of Duties		4		3	8/31/2004	Satisfactory	F, O
50	2004-02	UTHSC - San Antonio	MSRDP Front-End Billing				3	8/31/2005	-	O
51	2004-02	UTMDACC - Houston	Compliance Inspection: Account Reconciliation and Segregation of Duties		2		1	9/1/2004	Satisfactory	F, C
52	2004-02	UTHC - Tyler	Inventories Audit FY 2003		2		2	8/31/2004	Satisfactory	F, O
53	2004-03	UTAUS	Information Security Management				2	8/31/2004	-	C, O
54	2004-03	UTB	Contracts and Grants		1		1	12/1/2004	Satisfactory	C, O
55	2004-03	UTB	Payroll System - Application Controls		1		0	7/1/2004	Completed	O
56	2004-03	UTD	Key Shop		1		1	12/31/2004	Satisfactory	C, O
57	2004-03	UTPA	Accounts Receivable and Allowance for Bad Debts				2	11/30/2004	-	C
58	2004-03	UTSA	Information Technology Organization and Planning Controls				2	10/31/2004	-	F, O
59	2004-04	UTARL	Tuition and Fees				1	11/1/2004	-	O
60	2004-04	UTPA	External Quality Assurance Review				3	6/30/2004	-	O
61	2004-04	UTHC - Tyler	Capital Assets FYE 8/31/03				2	8/31/2005	-	C, O
62	2004-04	UTHC - Tyler	Discretionary Funds				2	8/31/2004	-	F, O
			Totals		89		95			

24.3

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	2nd Quarter		3rd Quarter		Targeted Implementation Date	Overall Progress Towards Completion (See note)	Ranking Significance
			Ranking	# of Significant Findings	Ranking	# of Significant Findings			Material to Component's Fin. Stmt. ("F"), Compliance ("C"), and/or Operations ("O")


STATE AUDITOR'S OFFICE AUDITS


1	2002-05	UTMDACC - Houston	Statewide Single Audit report for Year Ended August 31, 2001		1		1	8/31/2004	Satisfactory	n/a
2	2002-09	UTB	A Financial Review		1		1	12/31/2004	Satisfactory	n/a
3	2002-11	UTMB - Galveston	Security Over Electronic Protected Health Information at Selected Texas Academic Medical Institutions		3		2	4/20/2005	Satisfactory	n/a
4	2002-11	UTHSC - Houston	Security Over Electronic Protected Health Information at Selected Texas Academic Medical Institutions		3		0	6/30/2003	Completed	n/a
5	2002-11	UTMDACC - Houston	Security Over Electronic Protected Health Information at Selected Texas Academic Medical Institutions		3		3	7/1/2005	Unsatisfactory	n/a
6	2003-02	UTAUS	Statewide Audit FYE 8/31/02		4		2	8/31/2005	Satisfactory	n/a
7	2003-04	UTEP	Statewide Audit FYE 8/31/02		1		0	4/30/2004	Completed	n/a
8	2003-04	UTSA	Statewide Audit FYE 8/31/02		1		0	4/30/2004	Completed	n/a
9	2004-02	UTSA	Financial Review		4		3	12/31/2004	Satisfactory	n/a
10	2004-03	UTAUS	Statewide Audit FYE 8/31/03				3	12/31/2004	-	n/a
11	2004-03	UT Southwestern	Statewide Audit FYE 8/31/03				1	5/31/2004	-	n/a
Totals					<u>21</u>		<u>16</u>			


24.4

n/a - State Auditor's Office recommendations are significant by definition.

Color Legend:

 Any audit with institutionally significant findings. Not necessarily a failure - just an area that needs high level attention.

 A red audit becomes a yellow when significant progress has been made.

 All issues have been appropriately resolved.

Note: **Completed** - The component Internal Audit Director deems the significant issues have been appropriately addressed and resolved.

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

Unsatisfactory - The component 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 - 3/2004 through 5/2004**

Month Received by System	Institution	Audit
2004 - 03	UT Dallas	Lena Callier Trust for the Hard of Hearing & the Deaf
2004 - 04	UT Dallas	Department of Athletics
2004 - 04	UT Dallas	Office of the Dean of Natural Sciences
2004 - 04	UT Pan American	Office of Research and Sponsored Projects
2004 - 04	HC Tyler	Office of the Chief Medical Officer Dept Audit FY 2004
2004 - 05	UT Dallas	Department of Molecular and Cell Biology
2004 - 05	UT Dallas	Time and Effort Reporting
2004 - 05	UT Dallas	Salaries and Wages
2004 - 05	UT Dallas	Endowment Compliance
2004 - 05	UT El Paso	Equipment Depreciation
2004 - 05	UT Permian Basin	Office of Purchasing - Change in Management
2004 - 05	UT Permian Basin	Follow-Up Audit Fiscal Year 2004
2004 - 05	UT San Antonio	IT Technical Support - Data Backup & Recovery
2004 - 05	UT Southwestern	Documentation & Preliminary Assessment of Financial Internal Controls
2004 - 05	UT Southwestern	Office of Grants Management
2004 - 05	UT Southwestern	General Controls Review
2004 - 05	UT Southwestern	Radiology Information Systems & IDX Interfaces Review
2004 - 05	UT Southwestern	Wireless Network Access Controls
2004 - 05	HSC San Antonio	Laredo Campus Extension Audit
2004 - 05	HSC San Antonio	Institutional Follow-Up Audit
2004 - 05	HSC San Antonio	Capital Assets Audit
2004 - 05	MD Anderson	General Controls Review - Systems Development Methodology
2004 - 05	MD Anderson	Pathology and Laboratory Medicine Clinical Laboratory Improvement Amendments of 1988 (CLIA) Compliance
2004 - 05	MD Anderson	Consulting: Year-End Inventories
2004 - 05	MD Anderson	Dining Services Cash Handling Controls
2004 - 05	MD Anderson	Main Cashier Controls
2004 - 05	MD Anderson	State Auditor's Office Scan
2004 - 05	MD Anderson	Returned W-2's
2004 - 05	MD Anderson	Performance Measures
2004 - 05	MD Anderson	Physician Scheduling and Support
2004 - 05	MD Anderson	Compliance - HUB
2004 - 05	MD Anderson	Practice Plan
2004 - 05	MD Anderson	Accounts Receivable and Allowances
2004 - 05	MD Anderson	Procurement Services - Pre-bid Process
2004 - 05	UT System Admin	West Texas Operations - Forest Oil Corporation

*** STATE AUDITOR'S OFFICE AUDITS COMPLETED - 3/2004 through 5/2004**

Report Issuance Date	Institution	Audit
2004-03	UT Austin	Statewide Single Audit for the FYE 8/31/03
2004-03	UT Arlington	Statewide Single Audit for the FYE 8/31/03
2004-03	UT El Paso	Statewide Single Audit for the FYE 8/31/03
2004-03	UT HSC-Houston	Statewide Single Audit for the FYE 8/31/03
2004-03	UTMB-Galveston	Statewide Single Audit for the FYE 8/31/03
2004-03	UT Southwestern	Statewide Single Audit for the FYE 8/31/03
2004-03	UT System Admin	Statewide Single Audit for the FYE 8/31/03

AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE

Significant Findings Tracking System

Process for Adding Significant Findings Not Reported by Individual Institutions and Other Uses of Color Coded Reporting

“Significant” audit findings are defined in Business Procedure Memorandum #18 as reportable audit findings or recommendations considered significant at the institutional level by the component internal audit committee or their designee. The UT System Audit Office is responsible for providing oversight of Internal Audit activities at component institutions and for ensuring a timely audit response to significant System-wide risks.

Significant Findings Not Reported by Individual Institutions

Periodically, significant findings are included in the tracking system based on identification and response to system-wide risks by the System Audit Office. These include audit findings that may not initially be considered significant by an individual institution, but may have system-wide significance based on events transpiring at other institutions within or outside of the UT System. Significant findings may also be added based on the results of special audits initiated by the Director of the System Audit Office in response to critical, high-visibility internal control events that present an immediate, system-wide risk concern (i.e. publicity related to the 2003 fraud scheme at the University of North Texas). Special system-wide audits of high-risk areas are designed to provide assurance to the UT Board of Regents and executive management that an appropriate system of internal controls is in place at each institution to minimize a significant recognized risk.

Other Uses of Color Coded Reporting

The color coded reporting format used in the Significant Findings Tracking System may also be used to report issues to the Audit, Compliance, and Management Review Committee (ACMRC), where a clearly defined color coded chart illustrates the component status on an issue.

Notification Process

Prior to including findings in the Significant Findings Tracking System that were not initially reported as significant by an individual institution, the System Audit Office will notify the institution President, Chief Business Officer, and Internal Audit Director of its intent to do so and allow a two-week period for discussion and comments.

Prior to using the color coded reporting format to report an issue to the ACMRC, the System Audit Office will notify all Presidents, Chief Business Officers, and Internal Audit Directors of its intent to do so and the color code for the component to allow a two-week period for discussion and comments.

The University of Texas System-Wide Internal Audit Strategic Plan for 2005

System-wide Internal Audit Mission Statement

The mission of the System-wide Internal Audit function is to assist the Board of Regents and executive management in accomplishing their goals by providing assurance and consulting activities to evaluate and improve the processes of risk management, control, and governance across the University of Texas System.

The University of Texas System-wide Internal Audit Strategic Plan is intended to articulate the broad framework, direction, and priorities of the System-wide audit function, and to support the mission of The University of Texas System, through the following strategic initiatives:

- I. Adequate and Sustained Resources
- II. Anticipation of and Response to Risk
- III. Effective Communication and Reporting
- IV. Collaboration and Partnerships
- V. Compliance with Standards and Requirements
- VI. Completion of Plan of Work

Strategic Initiatives:

I. Adequate and Sustained Resources

Objective: *To provide a professional, well-trained, and motivated team, at an appropriate level, for the benefit of The University of Texas System in the delivery of audit services.*

Strategies:

1. Expand collaboration in recruiting, selecting, and hiring highly qualified professionals; develop a System-wide Recruiting Program and Recruiter Training.
2. Establish processes to enhance career development and retain competent audit professionals; develop a System-wide Training Program.

Performance Measures:

1. Overall evaluation of "Exceeds Expectations" on an annual survey of executive officers and Board members.
2. Overall positive score on customer feedback surveys regarding quality of work performed for all engagements, based on average annual score at each component.
3. Overall positive score on annual system-wide survey of audit personnel regarding career development and job satisfaction.
4. Overall positive score on annual system-wide survey of UT component audit directors regarding value-added recruiting and training activities.

II. Anticipation of and Response to Risk

Objective: *To become and remain informed and aware of the risks in all environments that affect The University of Texas System and to develop a plan of work that addresses those risks.*

Strategies:

1. Risk Identification - Identify potential risks that may affect UT System's ability to successfully implement its strategy and achieve its objectives, including known risks that have changed in magnitude, impact, or both.
2. Risk Assessment - Consider how potential risks might affect the achievement of UT System objectives.
3. Risk Response - Identify and evaluate appropriate risk response options, communicate them to management, and incorporate appropriate response activities into the plan of work.

Performance Measures:

1. Effective identification, evaluation, and communication of at least three previously unknown or unrecognized system-wide risks annually.
2. Effective identification, evaluation, and communication of risk response options for newly identified risks, including options to address known risks that have changed in magnitude, impact or both.

III. Effective Communication and Reporting

Objective: *To provide a framework and process by which information can be exchanged and ideas expressed effectively amongst internal audit functions and between the system wide internal audit function and the ACMR.*

Strategies:

1. Quarterly Internal Audit Council Meetings.
2. Internal Audit directors communicate with liaisons on a bi-weekly basis via Liaison Reports.
3. Monthly teleconference calls between all internal audit functions.
4. Quarterly newsletter published.
5. Roundtable discussions amongst internal audit staff (seniors, etc.) to facilitate knowledge sharing on current events, audit approaches, and best practices.
6. Communication between System Wide Internal Audit function and ACMR.

Performance Measures:

1. Overall evaluation of "Exceeds Expectations" on an annual survey of executive officers and Board members regarding effectiveness of communication tools and processes.
2. Overall positive score on annual survey of system-wide internal audit personnel regarding effectiveness of communication tools and processes.

IV. Collaboration and Partnerships

Objective: *To foster an environment that facilitates open communication and develops relationships amongst the component internal audit functions to ensure accomplishment of the goals and objectives system wide.*

Strategies:

1. Identify, during the annual audit planning process, those areas where collaboration opportunities exist and incorporate them into the system-wide audit plan.
2. Collaborate on the development of the System-wide Annual Audit Plan.
3. Coordinate activities with external reviewers to maximize coverage of institutional risks and minimize duplication of efforts.

Performance Measures:

1. Participation in at least 2 system-wide collaborative projects annually by each component audit office.
2. Completion of at least 2 system-wide collaborative projects annually by the overall system-wide audit function.
3. Overall positive score on annual survey of system-wide internal audit personnel regarding value-added collaborative activities.

V. Compliance with Standards and Requirements

Objective: *To ensure University of Texas System internal auditing activities are conducted in accordance with relevant professional standards and other internal and external requirements.*

Strategies:

1. Maintain an internal audit charter that formally defines the internal audit activity's purpose, authority, and responsibilities
2. Maintain an active quality assurance program in every U. T. audit office to ensure appropriate operations.
3. Ensure compliance with governance and external documents, such as IIA Standards and Audit Committee charters.

Performance Measures:

1. Quality Assurance Reviews completed on 100% of engagements.
2. All internal audit departments conduct a self-review at least every 3 years.
3. All internal audit departments that undergo external peer reviews receive a "Conforms to IIA Standards" opinion from external quality assurance review team at least every 3 years.

VI. Completion of Plan of Work

Objective: *To accomplish activities outlined in the approved plan of work, developed through risk assessment to add value and improve operations.*

Strategies:

1. Perform risk-based assurance and consulting activities.
2. Report results of work to management in a timely manner.
3. Monitor accomplishment of plan of work.

Performance Measures:

1. At least 85% of the approved Plan of Work accomplished annually.
2. Reports or memorandums issued on average within 45 days of completion of work.

The University of Texas System-Wide Internal Audit 2005 Strategic Action Plan

Item #	Action Item / Goal	Item Due Date	Responsible Party
I. Adequate and Sustained Resources			
1.0	Expand collaboration in recruiting, selecting, and hiring highly qualified professionals; develop a System-wide Recruiting Plan Program and Recruiter Training		
1.1	Develop and adopt formal System-wide recruiting methodology (“white paper”) that includes “best practice” recruiting activities (training).	September 30, 2004	Kristi Fisher
1.2	Facilitate / coordinate training for UT audit directors on “Effective Recruiting”	October 31, 2004	Kristi Fisher
1.3	Survey the UT audit directors regarding skill sets needed to provide comprehensive audit coverage and those skills available in current staff. a. Inventory the skill sets present in the existing system-wide professional staff; b. Contrast to skills needed to appropriately carry out the system-wide audit function; c. Assess strengths and weaknesses and identify gaps.	October 15, 2004	Kristi Fisher
1.4	Establish core criteria or skill sets for all common positions and/or levels.	October 31, 2004	Kristi Fisher
1.5	Expand efforts and opportunities to identify candidates and fill positions: a. Document common methods for this activity – advertising (where and how), networking (contacts), etc. b. Develop and maintain a central contact list, including university placement and professional organization contacts. c. Track source(s) of applicants and source(s) of those hired. d. Participate in regional recruiting events such as job fairs and campus career days.	November 30, 2004	Kristi Fisher
1.6	Develop a centralized web-based database of potential applicants to be shared by all components.	November 30, 2004	Kristi Fisher
1.7	Consider and inventory external sources of personnel or resources, such as consulting firms and professional organizations.	October 31, 2004	Kristi Fisher
2.0	Establish processes to enhance career development and retain competent audit professionals; develop a System-wide Training Plan		
2.1	Develop a System-wide Training Plan / Program: a. Develop formal System-wide training methodology (“white paper”) and establish minimum guidelines for training for various staff levels and specialized audit functions. b. Adopt (or develop) a training curriculum that is specific to staff level or specialized audit function (1.iii) and based on identified skill set “gaps.”	(a) July 31, 2004 (b) Aug. 31, 2004	Bill Taylor and Brandon Duck
2.2	Conduct at least two System-wide training courses per year, such as CIA exam preparation and financial audit training.	August 31, 2005	Bill Taylor and Brandon Duck

24.10

The University of Texas System-Wide Internal Audit 2005 Strategic Action Plan

Item #	Action Item / Goal	Item Due Date	Responsible Party
2.3	Encourage attainment of related professional certifications: a. Identify all "related professional certifications." b. Designate system-wide "liaison" for each certification type to provide resources and communication.	August 31, 2004	Brandon Duck
2.4	Encourage participation in professional organizations: a. Identify and prioritize related professional organizations. b. Designate system-wide "liaison" for each organization to provide resources and communication.	August 31, 2004	Brandon Duck
2.5	Encourage the exploration and development of specializations: a. Implement process for identifying and maintaining a system-wide inventory of specializations needed to provide comprehensive audit coverage and system-wide "experts" in each area. b. Perform gap analysis between specializations needed and currently available. c. Ensure that specializations are included in staff development plans in each U. T. audit office.	August 31, 2004	Robin Timmins
II. Anticipation and Response to Risk			
1.0	Risk Identification - Identify potential risks that may affect UT System's ability to successfully implement its strategy and achieve its objectives, including known risks that have changed in magnitude, impact, or both.		
1.1	Establish methodology for identifying new potential risks related to UT System's major business processes to be adopted and implemented by the Internal Audit Council.	December 31, 2004	Bill Taylor
1.2	Develop comprehensive list of major UT System business processes.	November 30, 2004	Bill Taylor
1.3	Compile a comprehensive list of primary sources of risk information to be communicated to institutional Internal Audit Council members and other risk stakeholders within UT System.	December 31, 2004	Bill Taylor
1.4	Perform at least two system-wide surveys of key sources of risk information to identify new or emerging risks within major business processes.	August 31, 2005	Bill Taylor
1.5	Develop a process for quickly communicating newly identified risks to be adopted and implemented by the Internal Audit Council.	December 31, 2004	Bill Taylor
1.6	Develop a central web page containing information and URL links related to system-wide significant risks within each major business process.	August 31, 2005	Bill Taylor

24.11

The University of Texas System-Wide Internal Audit 2005 Strategic Action Plan

Item #	Action Item / Goal	Item Due Date	Responsible Party
2.0	Risk Assessment - Consider how potential risks might affect the achievement of UT System objectives.		
2.1	Establish methodology for periodically assessing the significance of new and existing risks, and develop a plan for quickly assessing newly identified risks with the potential for significant, short-term, or system-wide impact, to be adopted and implemented by the Internal Audit Council.	December 31, 2004	Bill Taylor
2.2	Survey the Internal Audit Council and key sources within each major business process area at least two times during the Fiscal year to assess the significance of both new and previously identified risks.	November 30, 2004 and May 31, 2005	Kristi Fisher
2.3	Include assessment and/or discussion of relevant new or existing system-wide risks in at least two of the Internal Audit Council meetings and two of the Internal Audit Committee meetings at each UT System component during Fiscal 2005.	August 31, 2005	Kristi Fisher
3.0	Risk Response - Identify and evaluate appropriate risk response options, communicate them to management, and incorporate appropriate response activities into the plan of work.		
3.1	Develop a process by which all UT System audit plans are formally evaluated relative to their coverage of system-wide risks at least two times each year.	December 31, 2004	Bill Taylor and Robin Timmins
3.2	Develop a process for documenting and monitoring each component's response strategy related to new and emerging risks, as well as for quickly formulating and implementing responses to significant newly identified risks, to be adopted by the Internal Audit Council.	December 31, 2004	Bill Taylor
3.3	Develop a roadmap for implementing Enterprise Risk Management within the UT System as proposed by the Internal Audit Council.	October 31, 2004	David Crawford
III. Effective Communication and Reporting			
1.0	Quarterly Internal Audit Council Meetings.	Quarterly	Kristi Fisher
1.1	Organize quarterly internal audit council meetings (face-to-face), ensuring that meetings are held quarterly and include an agenda prepared in advance including discussion on current topics/issues/training.	Quarterly	Kristi Fisher
2.0	Internal Audit Directors communicate with liaisons on a bi-weekly basis via Liaison Reports.		

24.12

The University of Texas System-Wide Internal Audit 2005 Strategic Action Plan

Item #	Action Item / Goal	Item Due Date	Responsible Party
2.1	Establish a workgroup to address enhancing the usefulness of communication medium: a. Information sharing between all components vs. just between System Administration and components. b. Change in format to include additional information: i. Current audits in progress ii. Current events (even if they don't directly affect UT System)	October 30, 2004	Bill Taylor
2.2	Document the role of the component liaison in white paper format to include: a. Internal Audit Committee responsibilities b. Liaison reporting c. Audit report review & summarization responsibilities d. Audit finding consultation responsibilities	October 30, 2004	Bill Taylor
3.0	Conduct monthly teleconference calls between all internal audit functions.	Monthly	Kristi Fisher
4.0	Quarterly newsletter published.	Quarterly	Robin Timmins
5.0	Organize and facilitate roundtable discussions amongst component internal audit staff (via videoconference or in conjunction with Audit Council meetings) to facilitate knowledge sharing on current events, audit approaches, and best practices.	December 31, 2004 & April 31, 2005	Eric Polonski
6.0	Ensure regular & timely system wide communication between System Wide Internal Audit function and ACMR.		
6.1	Ensure that, as appropriate, issues presented to the ACMR are system wide in nature (status of system wide audit plan, etc.)	Quarterly	Kristi Fisher
6.2	Ensure that presentations by component internal audit directors occur at each quarterly ACMR meeting.	Quarterly	Kristi Fisher
IV. Collaboration and Partnerships			
1.0	Identify, during the annual audit planning process, those areas where collaboration opportunities exist and incorporate them into the system-wide audit plan.		
1.1	Compile a list of areas or projects that are suitable for collaboration, prioritize them, and include in the system-wide audit plan as proposed by the Internal Audit Council.	August 31, 2004	Kimberly Hagara

24.13

The University of Texas System-Wide Internal Audit 2005 Strategic Action Plan

Item #	Action Item / Goal	Item Due Date	Responsible Party
1.2	Develop a "white paper" or guideline to establish the process for accomplishing a system wide audit/project to include: a. Consistent audit approach b. System Wide audit program developed c. System Wide reporting format	August 31, 2004	Kimberly Hagara
1.3	Organize a committee/task force to develop approach for system wide database to share information. Examples include: a. Audit Program Library b. Application Library (timekeeping system, etc.) c. ACL Routines d. Audit Manuals e. Best Practice Tools f. Training Materials	November 30, 2004	Kimberly Hagara
2.0	Collaborate on the development of the System-wide Annual Audit Plan.		
2.1	Adopt consistent audit universe approach and format for the audit plan (including consistent risk assessment methodology).	August 31, 2004	Kimberly Hagara
3.0	Coordinate activities with external reviewers, such as the State Auditor's Office and independent audit firms, to maximize coverage of institutional risks and minimize duplication of efforts.	August 31, 2004	Kimberly Hagara
V. Compliance with Standards and Requirements			
1.0	Maintain an internal audit charter that formally defines the internal audit activity's purpose, authority, and responsibilities.		
1.1	Ensure that each U.T. audit office obtains approval from its (institutional) Internal Audit Committee of a charter that is consistent with the IIA's <i>Standards for the Professional Practice of Internal Auditing</i> .	December 31, 2004	David Crawford
2.0	Maintain an active quality assurance program in every U.T. audit office to ensure appropriate operations.		
2.1	Ensure that each U.T. audit office maintains a current audit manual that provides guidance for the documentation of engagements and the review of working paper; work collaboratively to develop a Table of Contents for distribution.	December 31, 2004	Brandon Duck
2.2	Ensure that each U.T. audit office has a system for performing quality assurance reviews of all individual engagements; designate a QAR responsible party at each component.	December 31, 2004	Brandon Duck

24.14

The University of Texas System-Wide Internal Audit 2005 Strategic Action Plan

Item #	Action Item / Goal	Item Due Date	Responsible Party
2.3	Ensure that each U.T. audit office conducts a self-review and undergoes an external quality assurance review every 3 years to comply with the Governmental Auditing Standards (Texas Internal Auditing Act)	July 31, 2004	Brandon Duck
2.4	Facilitate participation in quality assurance reviews of other institutions: a. All audit managers participate in a QAR at least every two years b. Three U. T. auditors participate in non-UT QARs annually, one of which is a non-higher education QAR	(a) Aug. 31, 2006 (b) Aug. 31, 2005	Brandon Duck
2.5	Ensure that each U.T. audit office uses post audit surveys and questionnaires to obtain input from clients about their audit experiences and has developed a process for compiling and distributing information received during the customer survey process; develop a process for compiling system-wide survey results and addressing trends.	September 30, 2004	Brandon Duck
3.0	Ensure compliance with governance and external documents, such as IIA Standards and Audit Committee charters.		
3.1	Business Procedures Memorandum – 18-10-98 – Internal Audit Activities Ensure the BPM is current. Provide periodic training on BPM guidelines.	September 30, 2004	David Crawford
3.2	Business Procedures Memorandum - 50-01-02 - Statement of Operating Policy Pertaining to Dishonest or Fraudulent Activities Ensure the BPM is current. Provide periodic training on BPM guidelines.	September 30, 2004	David Crawford
3.3	Business Procedures Memorandum - 63-02-02 - Institutional Compliance Program Ensure the BPM is current. Provide periodic training on BPM guidelines.	September 30, 2004	David Crawford
3.4	Business Procedures Memorandum - 53-02-96 – Policy for the Use and Protection of Information Resources Ensure compliance with key sections during audit engagements. Provide internal training on BPM guidelines.	September 30, 2004	David Crawford
3.5	United States Sentencing Commission, Guidelines Manual, §8A1.2 (“Federal Sentencing Guidelines”) Ensure that goals, objectives, infrastructure, and activities of the Institutional Compliance Programs continue to address each of the requirements of the Sentencing Guidelines.	September 30, 2004	David Crawford

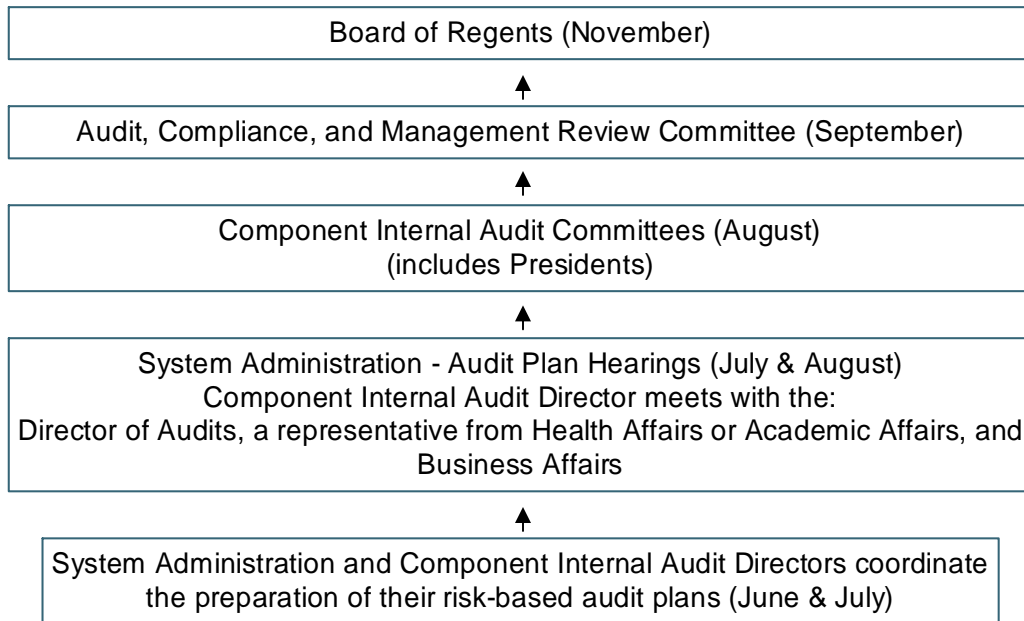
24.15

The University of Texas System-Wide Internal Audit 2005 Strategic Action Plan

Item #	Action Item / Goal	Item Due Date	Responsible Party
VI. Completion of Plan of Work			
1.0	Perform risk-based assurance and consulting activities.		
1.1	Develop an annual plan of work which indicates auditing and consulting activities to be performed.	August 31, 2004	Kimberly Hagara
2.0	Report results of work to management in a timely manner.		
2.1	Ensure the timely issuance of reports or memorandums at the completion of each engagement; include in quarterly report – days from completion of fieldwork to final report issuance date.	Quarterly	Kimberly Hagara
2.2	Provide information to the institutional audit committee on results of activities.	Quarterly	Kristi Fisher
2.3	Provide information to the ACMR committee on results of activities.	Quarterly	Kristi Fisher
3.0	Monitor accomplishment of plan of work.		
3.1	Develop a plan/schedule for accomplishment of the plan of work that ensures completion of the plan.	August 31, 2004	Robin Timmins
3.2	Perform a periodic assessment of completion of work status	Monthly	Robin Timmins
3.3	Provide information to the institutional audit committee on the status of completion of the plan of work	Quarterly	Kristi Fisher
3.4	Provide information to the ACMR committee on the status of the completion of the plan of work.	Quarterly	Kristi Fisher
3.5	Establish consistent follow-up guidance through the development of a “white paper”	August 31, 2004	Eric Polonski

24.16

**The University of Texas System
Fiscal Year 2005 Annual Audit Plan
Approval Process**



4. **U. T. System: Report on compliance high-risk area activity regarding U. T. System's response to time and effort compliance issues**

REPORT

The Office of the Inspector General of the Department of Health and Human Services regularly conducts compliance audits of higher education institutions, some of which have emphasized time and effort reporting on federal grants provided by the National Institutes of Health. In several recent cases involving non-U. T. institutions, universities have reached settlement agreements and repaid millions of dollars to the federal government.

Dr. Kenneth Shine, Executive Vice Chancellor for Health Affairs, will report on the U. T. System's activities in response to federal time and effort compliance issues.

5. **U. T. System: Report on System-wide Compliance Program Activities including "hotline" reports and Compliance Program Peer Reviews**

REPORT

Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, will update the Audit, Compliance, and Management Review Committee on the quarterly report of the System-wide Compliance Program, as follows on Pages 25.1 - 25.2. Activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on a quarterly basis.

Next, Mr. Chaffin will report on the overall number and types of compliance "hotline" calls that have been received System-wide during the 2004 Fiscal Year. A summary of calls received is set forth on Page 25.3.

Mr. Chaffin will then brief the Audit, Compliance, and Management Review Committee on the status of the Compliance Program Peer Review process. A schedule and status of component peer reviews is attached on Page 25.3.

**The University of Texas System
System-wide Compliance Program**

**System-wide Compliance Quarterly Report
3rd Quarter Fiscal Year 2004**

Organizational Matters

The Audit, Compliance, and Management Review Committee of the Board of Regents met on May 12, 2004. The purpose of the committee is to provide Board of Regent oversight of U. T. System's processes to manage business and financial risk and for compliance with significant applicable legal, ethical, and regulatory requirements. The topics discussed included program status, implementation status of the Spirit of Sarbanes-Oxley Action Plan, account reconciliation and segregation of duties compliance, compliance program peer reviews, non-retaliation policy, and the 3rd Effective Compliance Systems Conference.

The Internal Audit and Executive Compliance Committee met on February 19, 2003. The focus of this committee is to provide guidance and oversight to the System-wide Compliance Function. The topics discussed included the status of the program, U. T. System Whistleblower Policy, Compliance Program Peer Reviews, and the 3rd Effective Compliance Systems Conference.

The Compliance Officers met on March 9, 2004. The focus of this committee is to facilitate the communication and sharing of ideas, best practices, exposures, and other information related to institutional compliance programs among the institutional compliance officers. Topics discussed included accountability, the "Electronic Media Abuse" Task Force, U. T. System Non-Retaliation Policy, implementation of BPM 66 – Confidentiality of SSN's, and Compliance Program Peer Reviews and their impact.

Summary of Quarterly Activity

Compliance Program Peer Reviews – System-wide Compliance is facilitating Compliance Program Peer Reviews at the component institutions. Reviews have been completed at U. T. Dallas, U. T. El Paso, U. T. Pan American, U. T. Tyler, U. T. HSC-Houston, and U.T. HC Tyler. Additionally, a training review was conducted at U. T. HSC-San Antonio. The reviews are being conducting using the **Peer Review Guide** and **Peer Review Engagement Agreement** documents developed last summer by System-wide Compliance in collaboration with the Compliance Officers. System-wide Compliance has also provided a report template, checklists, and additional guidance to institutions and review teams during each review. Several of the completed reviews are in the reporting phase. Additional reviews are currently being scheduled. Initial reviews have identified many best practices and program issues including resource allocation, reporting structure, and the refreshing of general compliance training.

3rd Effective Compliance Systems Conference – The conference was held April 20-22, 2004, at the Omni Hotel in Austin with over 175 participants representing more than 60 institutions of higher education nationally. The keynote speaker was Laura P. Hartman,

Associate Vice President for Academic Affairs at DePaul University, on “Building an Ethical Corporate Culture.” Additional presenters included representatives of California Institute of Technology, Northwestern University, PricewaterhouseCoopers, The University of Minnesota, The University of Michigan, Stanford University, Vinson & Elkins, the National Institutes of Health, Deloitte & Touche and The University of Texas at Austin. The focus of the conference included compliance program fundamentals, research and high-risk area compliance, and enterprise risk management (ERM).

University Compliance Group (UCG) - System-wide Compliance is actively participating in monthly meetings (via conference call) of this group. System-wide Compliance hosted the first face-to-face meeting with this group in April in conjunction with the Compliance Conference. The UCG is comprised of compliance representatives from large research institutions, including Duke, Minnesota, UCLA, Michigan, Stanford, and Harvard. Discussion topics over the past months have included Export Controls, the Updated Federal Sentencing Guidelines, Effort Reporting, Conflict of Interest, and Research Compliance.

System-wide Compliance Hotline and Policy – A System-wide Compliance Hotline Policy has been approved and addresses the handling of calls received at the System-wide level. Additionally, a System-wide contract has been established with The Network to provide confidential reporting lines to all institutions. This was a coordinated effort with Dale Sump in System Administration Compliance and the Compliance Officers resulting in savings to the institutions for an external hotline. All institutions now have an external, third party, confidential reporting mechanism in place as a result of the system-wide contract.

U. T. System Non-Retaliation (“Whistleblower”) Policy – System-wide Compliance facilitated the development of a U. T. System Non-Retaliation Policy. The policy has been approved as a Business Procedure Memorandum and is currently being distributed.

National Presentations & Presence

The System-wide Compliance Officer made a presentation on the Institutional Compliance Program at the National Council of University Research Administrators on March 1, 2004.

The Assistant Director for System-wide Compliance presented as part of a panel that included the Massachusetts Institute of Technology and the University of Pennsylvania at the Council on Governmental Relations meeting on June 10, 2004.

The Manager for System-wide Compliance serves on the Steering Committee for the Open Compliance & Ethics Group, a national organization with a mission to help organizations align their governance, compliance, and risk management activities to business performance and promote equity.

Summary of Hotline Complaints		
Type	Number	% Of Total
Improper Use of University Property & Resources	31	10%
Human Resources	213	65%
Healthcare/Privacy	36	11%
Fiscal Reporting/Audit	4	1%
Miscellaneous	42	13%
TOTAL	326	100%

**U. T. System-wide Compliance Program
Peer Review Status and Schedule**

June 30, 2004

	On-Site Assessment Dates	Institution	Status
1	Dec. 8-9	UT Dallas	Completed
2	Feb. 9-11	UT Pan Am	Completed
3	Feb. 24-26	UTHSC San Antonio (*training review)	Completed*
4	Apr. 6-8	UTHSC Houston	Management Response
5	May 5-7	UT El Paso	Management Response
6	May 17-19	UT Tyler	Completed
7	May 24-26	UTHC Tyler	Management Response
8	Jun. 28-30	UT San Antonio	Report Drafted
9	Jul. 19-21	UT System Administration	Confirmed
10	August 2004	UT Arlington	Tentative
11	August 2004	UT MD Anderson (external review)	Tentative
12	August 2004	UT Brownsville	Tentative
13	September 2004	UTIMCO	Tentative
14	October 2004	UT Southwestern	Tentative
15	October 2004	UT Austin	Tentative
16	Spring 2005	UTMB Galveston	Tentative
17	February 2005	UT Permian Basin	Tentative