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FOR
AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW
COMMITTEE**

Committee Meeting: 8/24/2016

Board Meeting: 8/25/2016
Austin, Texas

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

	Committee Meeting	Board Meeting	Page
Convene	<i>1:00 p.m.</i> <i>Chairman Hildebrand</i>		
1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration	<i>1:00 p.m.</i> Discussion	Action	112
2. U. T. System Board of Regents: Proposed amendments to Regents' Rules and Regulations, Rule 20205, regarding Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences	<i>1:01 p.m.</i> Action	Action	113
3. U. T. System: Approval of the U. T. Systemwide Annual Internal Audit Plan for Fiscal Year 2017	<i>1:10 p.m.</i> Action <i>Mr. Peppers</i>	Action	119
4. U. T. System: Report on Audits of the Systemwide Cancer Prevention and Research Institute of Texas (CPRIT) Grants	<i>1:20 p.m.</i> Report/Discussion <i>Mr. Peppers</i>	Not on Agenda	124
5. U. T. System: Report on the Systemwide internal audit activities, including Priority Findings and Annual Audit Plan status	<i>1:30 p.m.</i> Report/Discussion <i>Mr. Peppers</i>	Not on Agenda	125
6. U. T. System: Report on U. T. System Risk Management and Compliance Strategic Plan	<i>1:40 p.m.</i> Report/Discussion <i>Mr. Dendy</i>	Not on Agenda	129
Adjourn	<i>2:00 p.m.</i>		

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

RECOMMENDATION

No Consent Agenda items are assigned for review by this Committee. The Consent Agenda begins on [Page 319](#).

2. U. T. System Board of Regents: Proposed amendments to Regents' Rules and Regulations, Rule 20205, regarding Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences

RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor, the Executive Vice Chancellor for Business Affairs, the Chief Audit Executive, and the Vice Chancellor and General Counsel that Regents' *Rules and Regulations*, Rule 20205, regarding expenditures for travel and entertainment by chief administrators and for the maintenance of University residences, be amended as set forth in congressional style on [Pages 115 - 118](#).

BACKGROUND INFORMATION

Regents' Rule 20205 mandates specific review and approval procedures to ensure expenditures for travel and entertainment for chief administrators and for the maintenance of University residences for chief administrators are reasonable, for a public purpose, and in compliance with laws and policies. The Rule was first approved by the Board in 2006 for the purpose of:

1. assigning responsibility for ensuring compliance with related applicable laws and policies to the chief business officer for the U. T. System institutional presidents and to the General Counsel to the Board for the Chancellor,
2. ensuring the review of expenses addresses the reasonableness of expenses as well as compliance with laws and policies, and
3. ensuring required levels of review are documented.

U. T. System Auditors have conducted annual audits of expenses and compliance with Regents' Rule 20205 since Fiscal Year 2007 with no reports of significant noncompliance. The proposed substantive changes outlined below streamline the review and approval, align more closely with the actual risk of noncompliance, and assure compliance with IRS regulations.

1. Reimbursement requests must be submitted within 60 days.
2. Expenditure reports may be compiled annually, rather than quarterly.
3. Only expenditures exceeding \$1,000 must be reported on the expenditure report. Currently, the Rule requires reporting of expenditures that exceed \$100.
4. The required annual certification documenting review of each president's expenses will be the responsibility of each institutional chief business officer, rather than the Executive Vice Chancellors for Academic or Health Affairs.
5. Rather than conducting annual audits, System Audit will, at a minimum, audit the expenses of the first full year after a chief administrator assumes office and every four years thereafter. More frequent audits may be required following review of the annual risk assessment performed by System Audit.

Upon approval of the proposed changes by the Board of Regents, each chief administrator will still be required to file the FY 2016 Fourth Quarter Expense Report, due on October 30, 2016, with the appropriate Executive Vice Chancellor. The annual certifications documenting review of the FY 2016 Quarterly Expense Reports will be the last ones required to be performed by the Executive Vice Chancellors. Expenses incurred in FY 2017 will follow the new process outlined in the amended Rule.

This agenda item was reviewed by the U. T. System institutional presidents and representatives of the Student Advisory Council, the Faculty Advisory Council, and the Employee Advisory Council.

**The University of Texas System
Rules and Regulations of the Board of Regents**

Rule: 20205

1. Title

Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences

2. Rule and Regulation

Sec. 1 Purpose. The University of Texas System Administration and U. T. System institutions are governed by State law and rules and regulations promulgated under those laws, as well as Systemwide and institutional policies and procedures concerning expenses incurred by officials for travel, entertainment, and housing. While recognizing the unique role of the Chancellor and presidents in representing the U. T. System and the institutions, the Board of Regents also recognizes the importance of oversight and accountability, transparency, and fiscal responsibility. The purpose of this Rule is to prescribe, clarify, and provide uniformity in the approval, review, and audit process for travel and entertainment expenses incurred by the Chancellor and presidents and for expenses for the maintenance of University residences.

Sec. 2 Prudent Use of Funds. In the performance of their unique roles, the chief administrators are frequently called upon to travel on behalf of the U. T. System and the institutions, to extend official hospitality to important visitors, and to entertain guests in conjunction with alumni and development activities, campus events, and other official functions. As a public institution, the U. T. System must make the most efficient and effective use of funds entrusted to it by various constituencies when making expenditures for those purposes and must be able to demonstrate compliance with applicable laws and rules. Additionally, individuals seeking reimbursement must certify that expenditures support the mission and purpose of the U. T. System and that the expenditures are not made for a private purpose.

Sec. 3 Travel Expenditures. All expenditures for travel by a chief administrator or his or her spouse must be for a business purpose of the U. T. System or the institution and must comply with all laws and policies of the institution and the U. T. System. All foreign travel must be approved in advance by the Chairman of the Board of Regents for the Chancellor and spouse and by the appropriate Executive Vice Chancellor for the presidents and spouses. Requests for approval of foreign travel must include a specific business purpose and an estimate of funds to be expended by U. T. System or by the institution.

**The University of Texas System
Rules and Regulations of the Board of Regents**

Rule: 20205

Sec. 4 Maintenance of University Residences. All expenditures that exceed \$10,000 for the furnishing, maintenance, or repair of a residence or its grounds owned by the U. T. System must be approved in advance by a committee composed of the Executive Vice Chancellor for Business Affairs, the Vice Chancellor and General Counsel, and the General Counsel to the Board of Regents. Prior approval by the committee is not required for expenditures made on an emergency basis to prevent damage to property.

Sec. 5 Documentation and Review. Each chief administrator shall comply with all documentation requirements imposed by law and U. T. System Administration and institutional policies for travel and entertainment expenses and for expenses for the maintenance of University residences, including providing ~~detailed receipts and information~~ appropriate receipts and documentation on the purpose of the expense and the individuals or groups attending the event.

5.1 Each chief administrator shall take all necessary and reasonable steps to ensure that all employees follow applicable procedures for expense reimbursement.

5.2 Reimbursements made directly to the Chancellor for travel and entertainment expenses must be reviewed and approved by the General Counsel to the Board of Regents before payment to assure compliance with applicable laws, rules, and policies. Payments made on the Chancellor's behalf in excess of \$100 must be reviewed and approved by the General Counsel to the Board but may be reviewed after payment, ~~with the quarterly report outlined in Section 7 below serving as documentation of that review.~~

Reimbursements made directly to a president of a U. T. System institution for travel and entertainment expenses and for expenses for the maintenance of a University residence must be reviewed and approved by the institution's chief business officer before payment to assure compliance with applicable laws, rules, and policies. Payments made on the president's behalf in excess of \$100 must be reviewed and approved by the institution's chief business officer but may be reviewed after payment, ~~with the quarterly report outlined in Section 7 below serving as documentation of that review.~~

Evidence of review, in all cases, must be documented ~~in writing.~~

**The University of Texas System
Rules and Regulations of the Board of Regents**

Rule: 20205

- Sec. 6 Timeliness of Requests for Reimbursements. A chief administrator must request any reimbursement for travel and entertainment expenses or expenses for the maintenance of University residences within ~~90~~ 60 days of the date on which the expense was incurred.
- Sec. 7 Reporting. Each chief administrator shall ~~file quarterly~~ prepare annual reports, based on fiscal year, of travel and entertainment expenses and expenses for the maintenance of University residences in a standard format. The Chancellor shall file the report with the General Counsel to the Board of Regents for review by the Chairman of the Board of Regents. Each president shall file the report with the institution's chief business officer ~~appropriate Executive Vice Chancellor~~. The reports are due not later than the 30th day of ~~January, April, July, and~~ October and are to be reviewed by the ~~appropriate Executive Vice Chancellor~~ institution's chief business officer for compliance.
- 7.1 ~~Quarterly~~ Annual Reporting on Travel and Entertainment Expenses and the Maintenance of University Residences. The ~~quarterly~~ annual reports must include each expense that exceeds ~~\$400~~ \$1,000 and that is reimbursed to the chief administrator during the ~~quarter~~ year or directly paid to a vendor on the chief administrator's behalf. (This does not apply to events hosted by a chief administrator for development activities or to honor faculty, staff, or other guests, at which more than 10 individuals are present.) The report must include the payee, the date and amount of the expense, the type, and if applicable, the location of the event/expense, the participants if any, the business purpose of the expense, and the account charged for the expense.
- 7.2 Reporting on Reimbursable Spousal Expenses. The ~~quarterly~~ annual reports must include each ~~travel, meal, or incidental~~ expense that exceeds ~~\$400~~ \$1,000 and that is reimbursed to a chief administrator's spouse during the ~~quarter~~ year or directly paid to a vendor on the spouse's behalf. The report must include the information specified by Section 7.1 above.
- 7.3 Annual Certification. The ~~Executive Vice Chancellor for Academic Affairs or Health Affairs~~ institution's chief business officer will provide an annual certification to the ~~Chancellor and the Board of Regents~~ Executive Vice Chancellor for Academic Affairs or Health Affairs who will forward to the General Counsel to the Board documenting review of the ~~president's annual~~ presidents' quarterly expense reports. The General Counsel to

**The University of Texas System
Rules and Regulations of the Board of Regents**

Rule: 20205

the Board will acknowledge to the Board the receipt of all certifications.

- Sec. 8 ~~Audits. Annually the travel and entertainment expenses and expenses for the maintenance of University residences for which the Chancellor or spouse has been reimbursed or that have been directly paid on the Chancellor's or spouse's behalf shall be audited by an entity that does not report directly to the Chancellor. The travel and entertainment expenses and expenses for the maintenance of University residences for which the presidents or their spouses have been reimbursed or that have been paid directly to a vendor on the presidents' or their spouses' behalf will be audited by the U. T. System Audit Office. All of the presidents will be subject to audit annually. The System Audit Office shall audit the travel, entertainment, and University residence maintenance expenses reimbursed to and directly paid to a vendor on behalf of the chief administrators and their spouses at a minimum of the first full fiscal year after assuming office and every four years thereafter. However, the annual risk assessment performed by System Audit may determine that more frequent audits are required.~~
- 8.1 The ~~independent entity~~ System Audit Office shall submit the results of the audit of the Chancellor and the Chancellor's spouse's ~~expenditures~~ expenses to the Chairman of the Board, the Chancellor, and to the General Counsel to the Board of Regents. The System Audit Office shall submit the results of the audit of the president and the president's spouse's ~~expenditures~~ expenses to the president and the appropriate Executive Vice Chancellor.
- 8.2 ~~All~~ A summary of the results from the audits shall be submitted to the Audit, Compliance, and Management Review Committee ~~for review during a quarterly meeting of the Committee.~~

3. **U. T. System: Approval of the U. T. Systemwide Annual Internal Audit Plan for Fiscal Year 2017**

RECOMMENDATION

Chief Audit Executive Peppers recommends approval of the proposed Fiscal Year 2017 U. T. Systemwide Annual Audit Plan (Audit Plan). Development of the Audit Plan is based on risk assessments performed at each institution. Implementation of the Audit Plan will be coordinated with the institutional auditors. The Audit Plan's executive summary is on the following pages. The full Audit Plan was provided to the Regents prior to the meeting.

BACKGROUND INFORMATION

Institutional audit plans, compiled by the internal audit departments after input and guidance from the U. T. System Audit Office, the Offices of Academic or Health Affairs, and the institution's management and institutional internal audit committee, were submitted to the respective institutional internal audit committee and institutional president for review and comments. Additionally, the institutional audit plans, some in draft versions, were presented at the U. T. System Administration Internal Audit Committee meeting held on July 11, 2016. Also, the Chief Audit Executive provided feedback by conducting audit plan presentations with each institution. After the review process, each institutional internal audit committee formally approved its institution's audit plan.

**The University of Texas System
Systemwide Internal Audit Program
Fiscal Year 2017 Annual Audit Plan Executive Summary**

Systemwide Annual Audit Plan

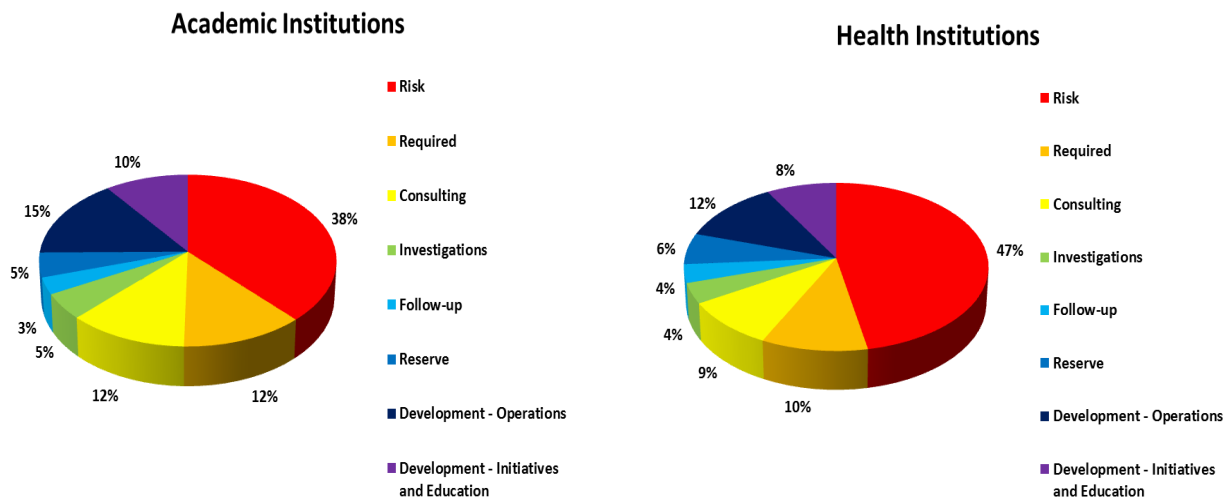
The University of Texas (U. T.) Systemwide Fiscal Year (FY) 2017 Annual Audit Plan (Audit Plan) outlines the internal audit activities that will be performed by internal audit throughout the System in FY 2017. To provide consistency at the Systemwide level, the U. T. System Audit Office provided the internal audit departments at the institutions with guidance in the spring of 2016 on the audit plan format, content, and development methodology, including the risk assessment process that supports the audits selected to be included on the plan. Individual institutional annual audit plans were prepared in June and July 2016. The U. T. System Audit Office, the Office of Academic or Health Affairs, and the institution’s management and internal audit committee provided input and guidance on the annual audit plans. Additionally, the U. T. System Chief Audit Executive provided direction to the institutional chief audit executives through feedback during annual audit plan presentations with each institution. After the review process, each institutional internal audit committee formally approved its institution’s annual audit plan. The FY 2017 Audit Plan, as summarized in the table and graphs that follow, is formally presented to the Audit, Compliance, and Management Review Committee and the U. T. System Board of Regents for consideration for approval at the August 2016 meeting. The detailed audit plans of System Administration and the institutions were provided to all of the Regents prior to the meeting.

The annual audit plans are prepared using a risk-based approach to ensure that areas and activities specific to each institution with the greatest risk are identified for consideration to be audited. Internal audit at each institution and System Administration conducted a risk assessment in which risks to important institutional objectives were identified and rated as critical, high, medium, or low based on probability, and impact (additional information on the results of this process is included on the following pages). The results were then used to develop risk-based audits that address critical and high risks to be conducted at System Administration and the institutions. Risk mitigation activities for the critical and high risks that were not addressed through audit and consulting work were presented as part of the audit plan presentations. Along with the audits derived directly from the risk discussions, the Audit Plan includes other required and/or recurring work that is performed at System Administration or the institutions that is required by policy, statute, contract, or an external entity.

The table below lists the FY 2017 Audit Plan total budgeted audit hours by institution. However, with potential changes in priorities and staffing resources that may occur during the fiscal year, institutions may request approval from their respective president and/or internal audit committee to change their budgeted hours or reallocate budgeted hours among audits and projects.

Institution	Budgeted Audit Hours
U. T. System Administration	23,075
U. T. Arlington	7,300
U. T. Austin	21,516
U. T. Dallas	14,056
U. T. El Paso	11,748
U. T. Permian Basin	4,716
U. T. Rio Grande Valley	11,454
U. T. San Antonio	9,675
U. T. Tyler	4,700
U. T. Southwestern Medical Center	20,120
U. T. Medical Branch - Galveston	10,973
U. T. Health Science Center - Houston	13,112
U. T. Health Science Center - San Antonio	9,773
U. T. M. D. Anderson Cancer Center	20,165
U. T. Health Science Center - Tyler	4,402
Total Budgeted Audit Hours	186,785

The FY 2017 Audit Plan directs internal audit resources on audits and other engagements allocated among different categories (i.e., Risk Based, Required, Consulting, Investigations, Follow-up, Development - Operations, Development - Initiatives and Education, and Reserve) to address the various risks of U. T. System. The pie charts below depict a percentage analysis of budgeted audit hours in these categories for the academic and health institutions.



Systemwide Risk Assessment

As part of the FY 2017 Audit Plan process, the institutional and System Administration internal auditors executed an objective based risk assessment for the second year. Lessons learned from the FY 2016 pilot year refined the process. The goals for this common risk assessment approach were to start at the top with an awareness of critical initiatives and objectives to ensure the risks assessed were the most relevant. The assessment process was standardized by creating common terms and criteria, enabling trending of risk and Systemwide comparisons. An emphasis was placed on collaboration with other functions that assess, handle, or manage risk.

A list of all risks were collected from each institution and System Administration auditors and evaluated for trends. The following list illustrates the areas with the most critical and high risks identified.

System Administration:

- Organizational assessment, transformation management and implementation
- Quantum Leap initiatives
- Information technology governance and data security

Academic:

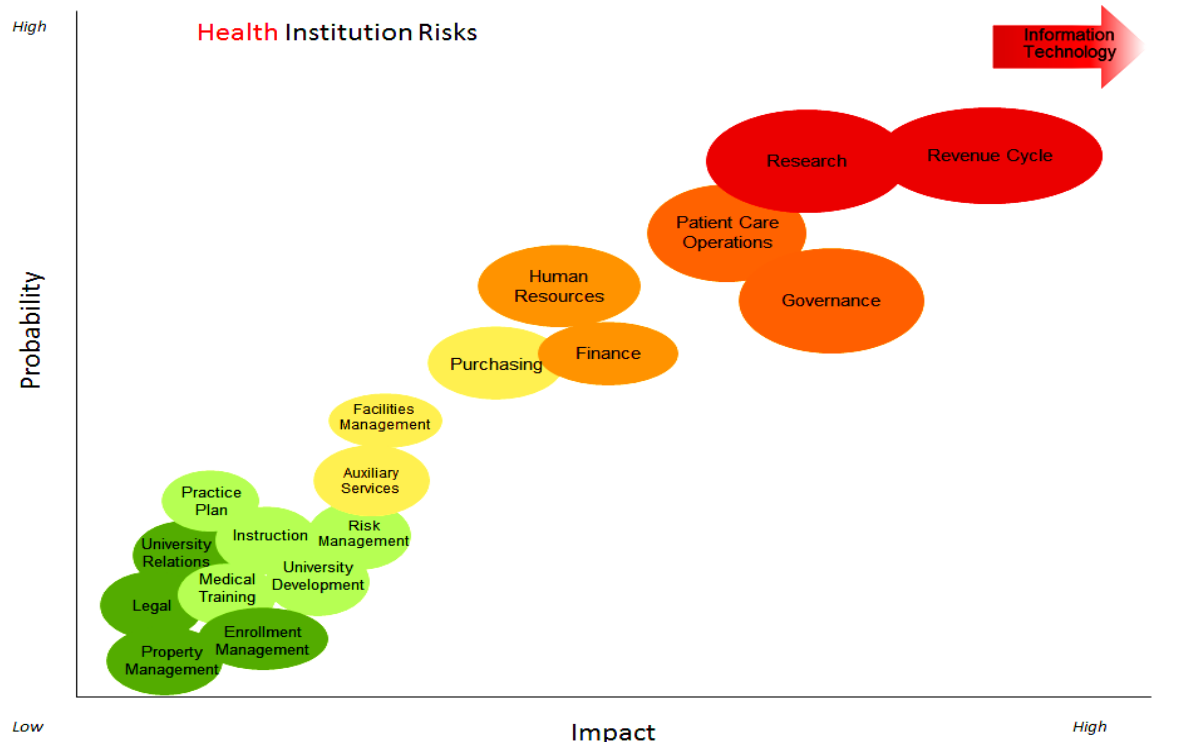
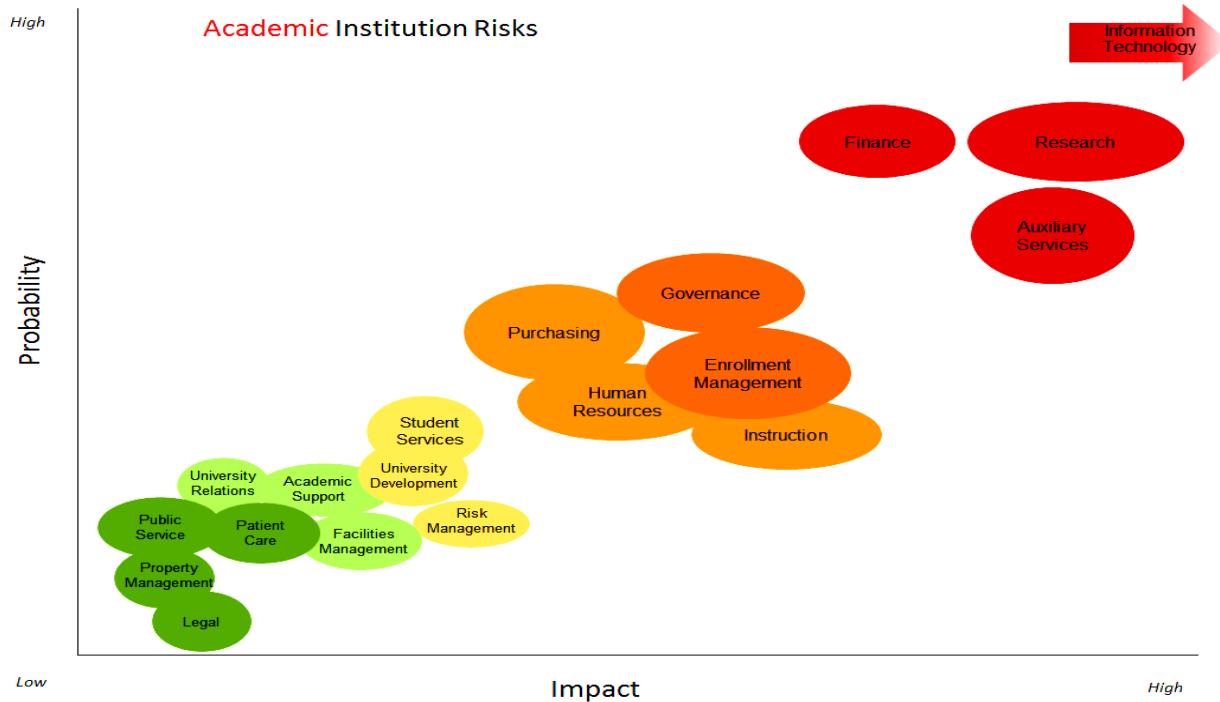
- PeopleSoft governance reset/stabilization and financial data processes
- Information technology infrastructure (capability/oversight), data management and security
- Attracting the best students and managing them through financial aid and enrollment
- Achieving top research and resourcing it effectively

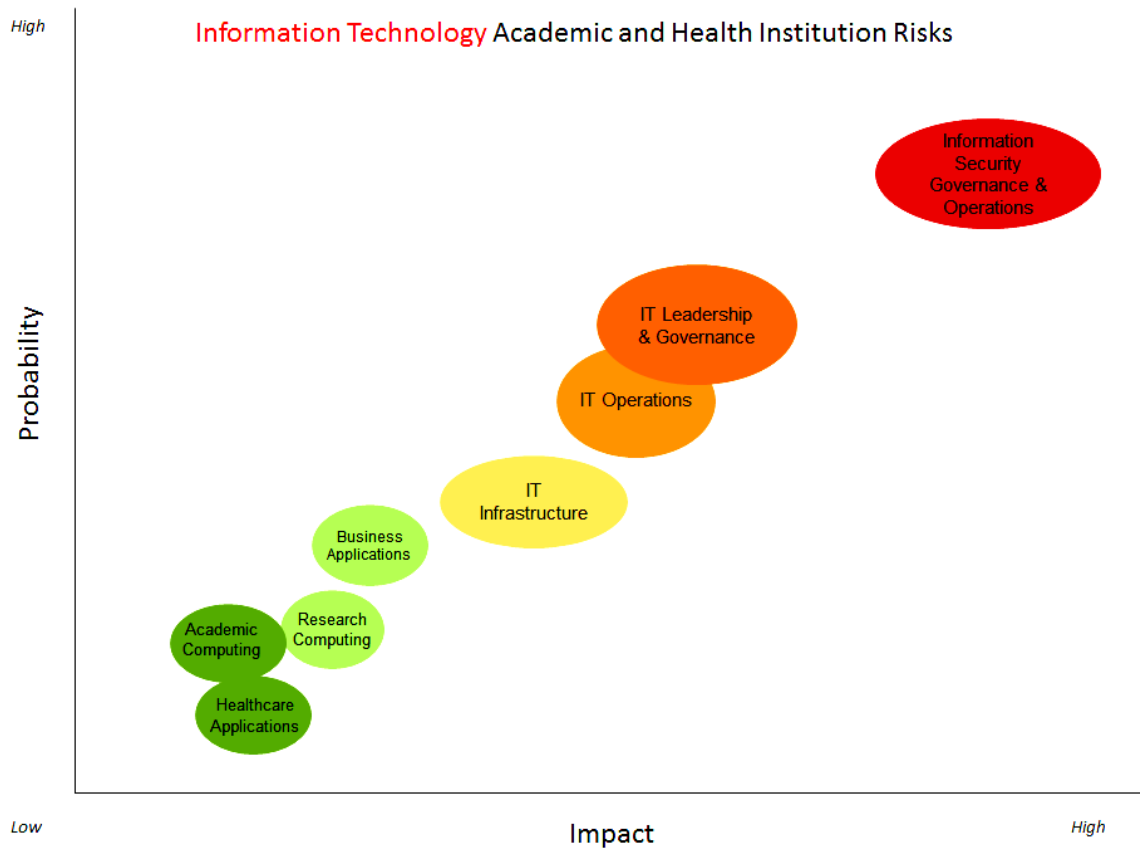
Health care

- Health care partnership management and marketplace position and competition response
- Securing technology, managing data and system/application implementation activities
- Health care quality outcomes, safety and related programs
- Coding, billing and collecting health care revenue for services performed

Risk Map resulting from Academic and Health Institution Risk Assessments

The following graphics cumulatively depict how broad areas of risk scored within the academic and health institutions. Information technology was so high compared to the other areas of risk it has been moved from the comparison and illustrated in more detail in a third graphic. The risk factors that were evaluated were probability and impact to the achievement of an objective. The more vulnerable an objective, and the more likely the risk, the higher the scored probability. The more important the objective, and the greater the level of impact in a risk event, the higher the scored impact.





4. **U. T. System: Report on Audits of the Systemwide Cancer Prevention and Research Institute of Texas (CPRIT) Grants**

REPORT

Chief Audit Executive Peppers will report on the audit work conducted on the Cancer Prevention and Research Institute of Texas (CPRIT) grants at U. T. System institutions. A summary of the results was provided to the Audit, Compliance, and Management Review Committee (ACMRC) members prior to the meeting.

BACKGROUND INFORMATION

The ACMRC approved engagement of Deloitte & Touche LLP, which also performs the external financial statement audit of U. T. System, to conduct the audits of Fiscal Year 2015 (FY) CPRIT grant activity for six U. T. System institutions at the May 11, 2016 meeting. Four other U. T. System institutions engaged Weaver & Tidwell to perform agreed upon procedures of FY 2015 grant activity.

5. **U. T. System: Report on the Systemwide internal audit activities, including Priority Findings and Annual Audit Plan status**

REPORT

Chief Audit Executive Peppers will report on Systemwide Priority Findings, using a PowerPoint presentation set forth on the following pages. Mr. Peppers will also present the FY 2016 annual audit plan status as of May 31, 2016, which was provided to the Regents 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).

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
August 2016



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Priority Findings Status

INSTITUTION	General			Academic	TOTAL		Risk Factors						
	FINANCE	INFORMATION TECHNOLOGY	RESEARCH	ACADEMIC SUPPORT	PAST DUE	REPUTATION	INFORMATION SECURITY	COMPLIANCE	ACCOMPLISHMENT OF OBJECTIVES	LIFE SAFETY	OPERATIONAL OVERSIGHT	MANAGEMENT OVERSIGHT	
U. T. Arlington	1	2	0	0	3	0	X	X	X				X
U. T. Austin	0	1	1	0	2	0		X	X		X		
U. T. Dallas	0	1	0	0	1	0		X					
U. T. El Paso	0	1	1	0	2	0		X	X				
U. T. Permian Basin	0	0	0	0	0	0							
U. T. Rio Grande Valley	0	0	0	0	0	0							
U. T. San Antonio	0	0	0	0	0	0							
U. T. Tyler	0	0	0	0	0	0							
U. T. Southwestern Medical Center	0	0	0	0	0	0							
U. T. Medical Branch - Galveston	0	0	0	0	0	0							
U. T. Health Science Center - Houston	0	0	0	0	0	0							
U. T. Health Science Center - San Antonio	0	0	0	0	0	0							
U. T. M. D. Anderson Cancer Center	0	3	1	0	4	0		X	X				
U. T. Health Science Center - Tyler	0	0	0	0	0	0							
U. T. System Administration	0	0	0	1	1	0	X		X	X		X	
TOTALS	1	8	3	1	13	0							



Changes Since Last Report

	<u>Reported May 2016</u>	<u>Implemented</u>	<u>New</u>	<u>Reported Aug 2016</u>
IT related Priority Findings	14	(6)	0	8
Non-IT related Priority Findings	<u>5</u>	<u>(1)</u>	<u>1*</u>	<u>5</u>
Total Priority Findings	19			13
Past Due Priority Findings	0			0

*New Priority Finding – One Finance related finding (risk factors – reputation, compliance, accomplishment of management’s objectives, and management oversight) at UTIMCO.



6. **U. T. System: Report on U. T. System Risk Management and Compliance Strategic Plan**

REPORT

Chief Compliance and Risk Officer Dendy will discuss the vision and missions of the Offices of Risk Management, Compliance, and Information Security and discuss the action plan for implementation of recommendations from the assessment of the Systemwide Compliance program. A PowerPoint presentation is set forth on the following pages.

Risk Management and Compliance Strategic Plan

Phillip Dendy, Chief Compliance and Risk Officer

U. T. System Board of Regents' Meeting
Audit, Compliance, and Management Review Committee
August 2016



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Historical Perspective

- Office of Risk Management
 - Effective and resourceful department delivering high quality risk finance and risk control services to the institutions resulting in significant savings and efficiencies
 - Deals with hazard and operational risks
 - Reported through Business Affairs



Historical Perspective (cont.)

- Office of Information Security
 - Effective and resourceful department delivering high quality shared and coordinated services to enable and protect the business and promote a positive information security culture throughout the U. T. System
 - Reported through Systemwide Compliance



Historical Perspective (cont.)

- **Office of Systemwide Compliance** (Observations by FTI Consulting)
 - Interim Compliance Officers since February 2014
 - The current operations of the Systemwide Compliance Program are not consistent with the fundamental elements of an effective compliance program
 - The Systemwide Compliance Program is not currently staffed or operated in a manner consistent with the size and complexity of the U. T. System or the current charter
 - There is no cohesive U. T. System Administration Compliance Program



Historical Perspective (cont.)

- Executive Compliance Committee directed external assessment of Systemwide Program
 - April 2015 - FTI Consulting selected for Assessment
 - June – August 2015 - Fieldwork completed
 - September 2015 - Presented to Chancellor and Deputy Chancellor
 - November 2015 - Presented to the Board of Regents
 - December 2015 - Posting and Recruitment for Chief Compliance and Risk Officer (CCRO)
 - July 2016 - CCRO Appointed



Work Performed by FTI Consulting

- Reviewed all historical information
- Interviewed 19 U. T. System Administration officials
- Interviewed 27 U. T. institutional compliance professionals
- Conducted research of compliance programs at peer institutions



FTI Consulting Recommendations

- The U. T. Systemwide Compliance Program should be restructured and should enhance its governance structure
- The U. T. System should consider hiring staff with expertise in academic, health care, research compliance, and privacy
- The U. T. System Administration Compliance Program should be reconstituted to operate an effective program
- The U. T. System Compliance Charter should be updated



FTI Consulting Recommendations (cont.)

The U. T. Systemwide Compliance Program should develop an action plan for an effective compliance program, including:

- Oversight - Staffing and Executive Compliance Committee
- Standards and procedures - Charter, policies, and standards of conduct
- Due diligence - Conflicts of interest and background checks
- Training and communication - Board, executive officers, staff



FTI Consulting Recommendations (cont.)

- Risk assessments, auditing, monitoring, and investigations
- Incentives and disciplinary measures, including enforcement
- Response to noncompliance - Response and reporting
- Additional observations
 - Conflicts of interest, privacy, and shared services



Priority Initiatives

- Recruit and hire Deputy Compliance Officer
 - Compliance professional responsible as the department head for Systemwide Compliance Office and work strategically with institutions and CCRO
- Recruit and hire Chief Inquiry Officer
 - Professional who will conduct or facilitate independent internal compliance and special investigations and provide related services to the institutions
- Implement methods to leverage expertise at the institutions
 - Title IX, Medical Billing Compliance, Cleary, Export Controls, NCAA

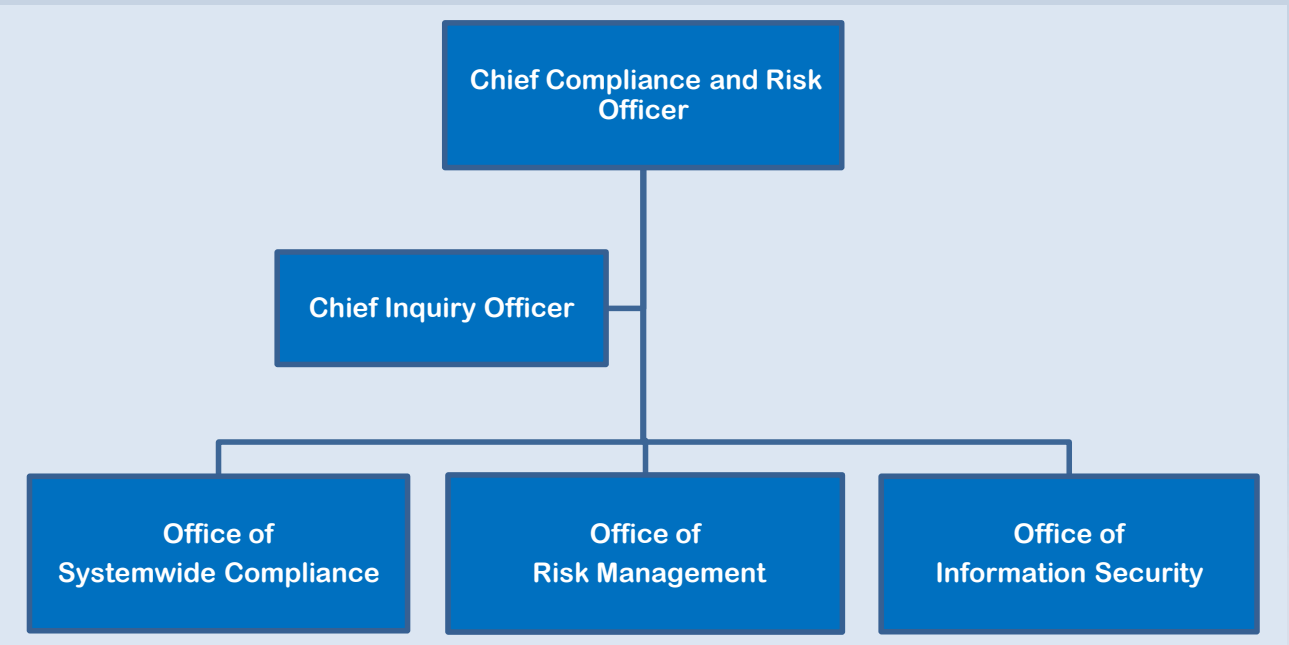


Priority Initiatives (cont.)

- Revise Compliance Charter
 - Originally adopted in 2009
 - Clarify governance structure
 - Ensure independence of compliance function at System and institutions
- Enhance communication network
- Recruit and hire appropriate staff with expertise in privacy, academic, health care, and research compliance
- Revise Systemwide committee structure
 - Compliance Council
 - Subcommittees



Risk Services Structure



Risk Services Structure (cont.)

Each of these departments, although independent, report to CCRO

- Enhance ability to develop processes for
 - Identification of risks
 - Coordination of risk assessments
 - Auditing and monitoring
 - Training
 - Shared services



What Will Risk Services Accomplish?

- Work closely with other System offices in providing a coordinated resource and support to the institutions in identifying, assessing, controlling, and monitoring risks across the enterprise
- Facilitate a collaborative environment for effective communication and interaction between institutions
- Provide an appropriate level of oversight while eliminating duplicative services and unnecessary bureaucracy

