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FOR
AUDIT, COMPLIANCE, AND RISK MANAGEMENT
COMMITTEE**

Committee Meeting: 8/23/2017

**Board Meeting: 8/24/2017
Austin, Texas**

*Ernest Aliseda, Chairman
David J. Beck
Kevin P. Eltife
R. Steven Hicks
Sara Martinez Tucker
Rad Weaver*

	Committee Meeting	Board Meeting	Page
CONVENE IN OPEN SESSION TO RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551	<i>2:00 p.m. Chairman Aliseda</i>		
<p style="margin-left: 40px;">Deliberation Regarding Security Devices or Security Audits - Section 551.076</p> <p style="margin-left: 40px;">U. T. System Board of Regents: Discussion and appropriate action regarding safety and security issues, including security audits and the deployment of security personnel and devices</p>			
RECONVENE IN OPEN SESSION TO CONSIDER AGENDA ITEMS			
1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration	<i>2:20 p.m. Discussion</i>	Action	51
2. U. T. System: Report and discussion on Information Security Program	<i>2:21 p.m. Report/Discussion Ms. Mohrmann</i>	Not on Agenda	52
3. U. T. System: Approval of the U. T. Systemwide Annual Internal Audit Plan for Fiscal Year 2018	<i>2:35 p.m. Action Mr. Peppers</i>	Action	61
4. U. T. System: Report on Audits of the Systemwide Cancer Prevention and Research Institute of Texas Grants	<i>2:50 p.m. Report/Discussion Mr. Peppers</i>	Not on Agenda	75
5. U. T. System: Report on Systemwide internal audit activities, including an update on organizational changes and the status of External Quality Assessments, Priority Findings and Annual Audit Plan	<i>2:55 p.m. Report/Discussion Mr. Peppers</i>	Not on Agenda	76
Adjourn	<i>3:00 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

The proposed Consent Agenda item assigned to this Committee is [Item 5](#).

2. U. T. System: Report and discussion on Information Security Program

REPORT

Ms. Helen Mohrmann, Chief Information Security Officer, will report on the Office of Information Security and various initiatives. A PowerPoint presentation is set forth on the following pages.

BACKGROUND INFORMATION

The Office of Information Security oversees security for information systems managed by U. T. System Administration and provides a stewardship and service function to U. T. System institutions. Following a November 10, 2011 report to the U. T. System Board of Regents (Board) by Deloitte & Touche LLP on its comprehensive information security effectiveness review of the U. T. System, the Board approved an allocation of \$29,255,000 of Available University Funds to invest in Systemwide information security enhancements.

The Information Security Office administers the investment of these funds through a centrally managed program and submits an annual progress report to the Chancellor and to the Board. This is the sixth annual report.

Office of Information Security

Helen Mohrmann, Chief Information Security Officer

U. T. System Board of Regents' Meeting
Audit, Compliance, and Risk Management Committee
August 2017



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FOURTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.

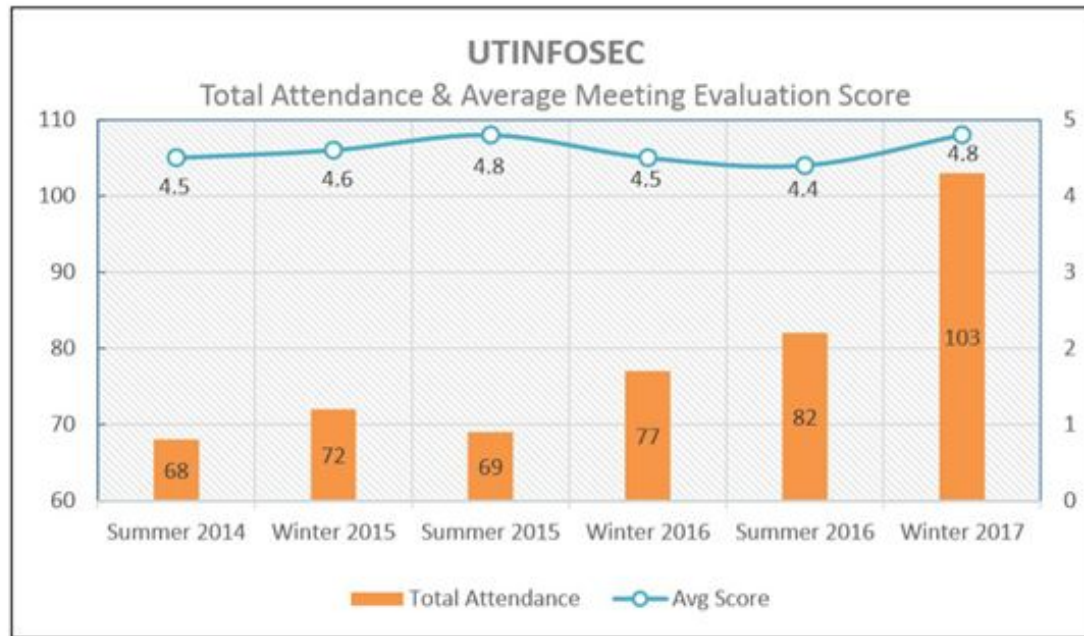
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Office of Information Security Mission

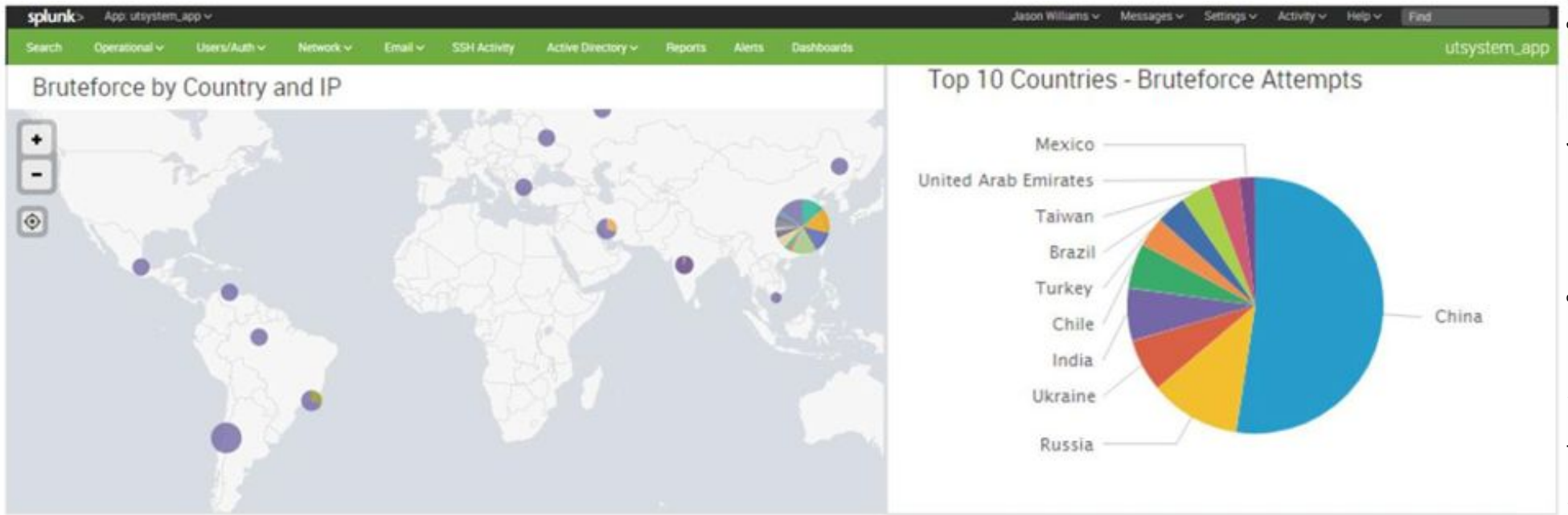
1. To protect U. T. System Administration data
 - Office of Employee Benefits
 - Shared Information Systems
 - Office of Strategic Initiatives, Office of Risk Management
 - Wide Area Network, Shared Data Centers
 - University Lands
2. To support the institutions



Biannual Conferences Facilitate Knowledge Sharing



Shared Tools Reduce Cost and Improve Effectiveness



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Coordination with Department of Information Resources and Internal Audit

	Calendar Year Odd Years				Calendar Year Even Years			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
DIR Agency Security Plan							■	
Annual Report to the President				■				■
Internal Audit IT Risk Assessment		■				■		
Internal Audit TAC 202 Controls Review				■				



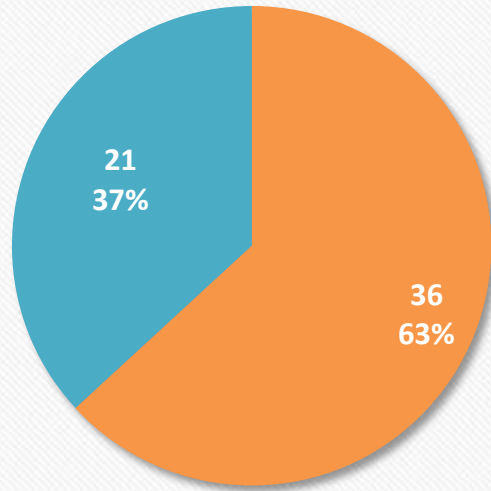
Emerging Threats

- Medical devices
- Internet of Things
- Phishing via social media (in addition to email)
- State sponsored intrusions
- New ways to hold operations hostage



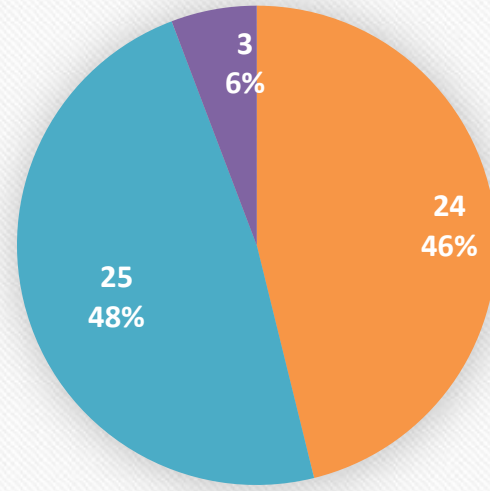
Information Security Assurance Initiative (ISAI) Results

57 High Priority Recommendations



Fully Implemented Partially Implemented
Not Addressed

52 Medium Priority Recommendations

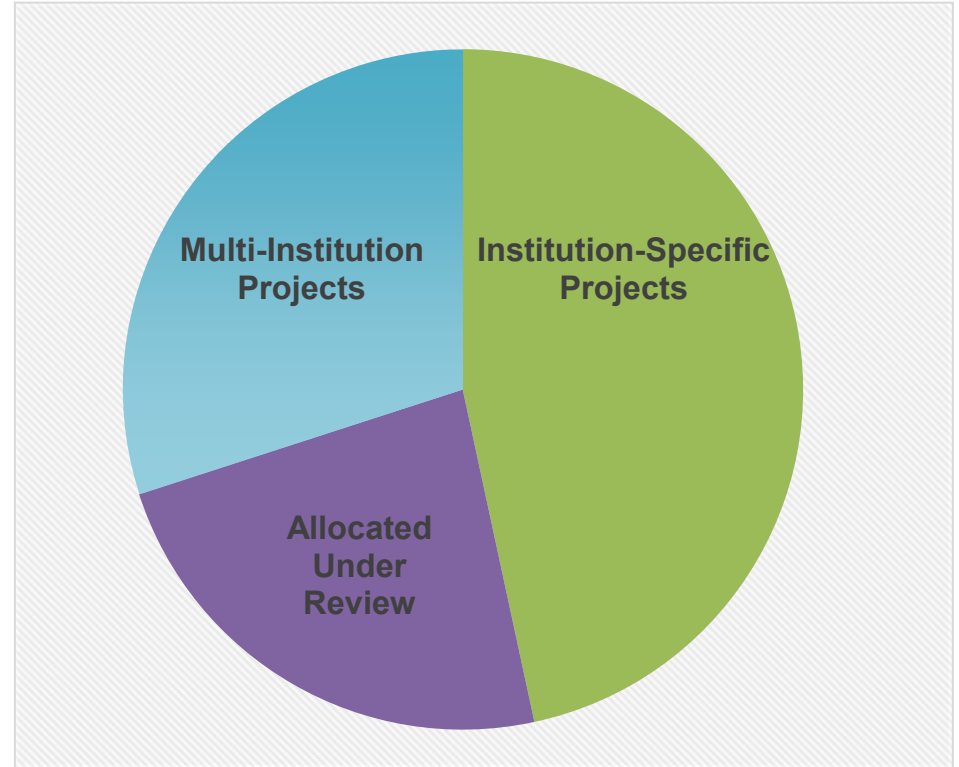


Fully Implemented Partially Implemented
Not Addressed



ISAI Expended and Allocated Funds as of 6/30/2017

■ Multi-Institution Projects	\$ 8,772,750
■ Allocated Under Review	\$ 6,841,582
■ Institution-Specific Projects	
U. T. Austin	\$ 3,807,040
U. T. San Antonio	\$ 2,069,307
U. T. System Administration	\$ 1,949,030
U. T. Health Science Center - San Antonio	\$ 1,317,748
U. T. Arlington	\$ 1,279,610
U. T. Rio Grande Valley	\$ 1,031,990
U. T. Southwestern Medical Center	\$ 849,895
U. T. Health Science Center - Tyler	\$ 508,412
U. T. Tyler	\$ 296,002
U. T. El Paso	\$ 252,709
U. T. Medical Branch	\$ 143,864
U. T. Permian Basin	\$ 91,519
U. T. Health Science Center - Houston	\$ 43,541
U. T. Dallas	\$ -
U. T. M. D. Anderson Cancer Center	\$ -



3. U. T. System: Approval of the U. T. Systemwide Annual Internal Audit Plan for Fiscal Year 2018

RECOMMENDATION

Chief Audit Executive Peppers recommends approval of the proposed Fiscal Year 2018 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. A PowerPoint is set forth on the following pages. The Audit Plan executive summary and the individual annual audit plans were provided to the Audit, Compliance, and Risk Management Committee members 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. Also, the U. T. System 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.

U. T. Systemwide FY 2018 Annual Audit Plan

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

U. T. System Board of Regents' Meeting
Audit, Compliance, and Risk Management Committee (ACRMC)
August 2017



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Overall Audit Plan Process

- Guidance from System Audit Office to institutional internal audit on the development methodology of the annual audit plan (audit plan)
- Draft audit plans reviewed by institutional management, System Audit Office, and the Offices of Academic and Health Affairs
- Final audit plans reviewed and approved by each internal audit committee before approval by the ACRMC



Risk Assessment Methodology

- Audit plans developed based on risks that could impact achievement of important objectives
- Standardized risk assessment process used with common terms and criteria to enable Systemwide comparisons and identification of trends
- Risks rated as Critical, High, Medium, or Low based on Probability and Impact factors



Risk Assessment Methodology (cont.)

- Emphasis placed on collaboration with other functions that assess, handle, or manage risk
- Systemwide collaboration of internal audit with information technology (IT) and information security leadership to develop a pilot IT risk assessment methodology
- Additional focus on IT risks (most prevalent last year) to identify agreed-upon essential services and functions that could significantly impact business objectives



Audit Plan Total Budgeted Internal Audit Hours

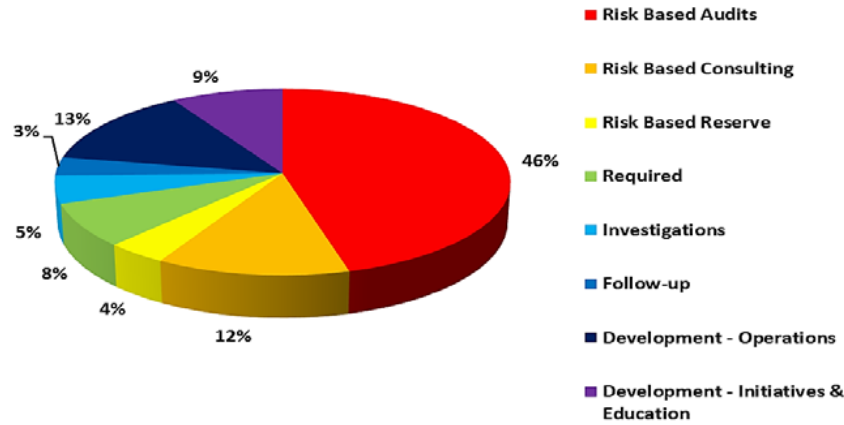
- Internal audit hours budgeted by each institution based on estimates of resources
- Potential changes in priorities and staffing may cause changes or reallocations to budgeted hours
- Changes reviewed and approved by internal audit committees

Institution	Budgeted Audit Hours
UTS	19,520
UTA	7,300
UTAUS	21,373
UTD	13,966
UTEP	11,515
UTPB	4,740
UTRGV	9,613
UTSA	9,350
UTT	4,610
UTSWMC	17,370
UTMB	12,569
UTHSCH	13,114
UTHSCSA	8,743
UTMDACC	16,292
<u>UTHSCT</u>	<u>3,813</u>
Total	173,888

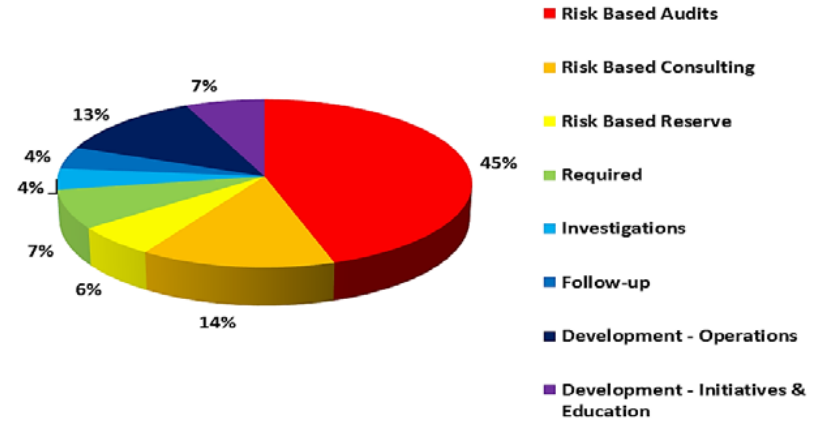


Total Budgeted Internal Audit Hours by Categories

Academic Institutions



Health Institutions



Audit Plan directs internal audit resources on audits and other engagements among these categories



Systemwide Risk Assessment Trends

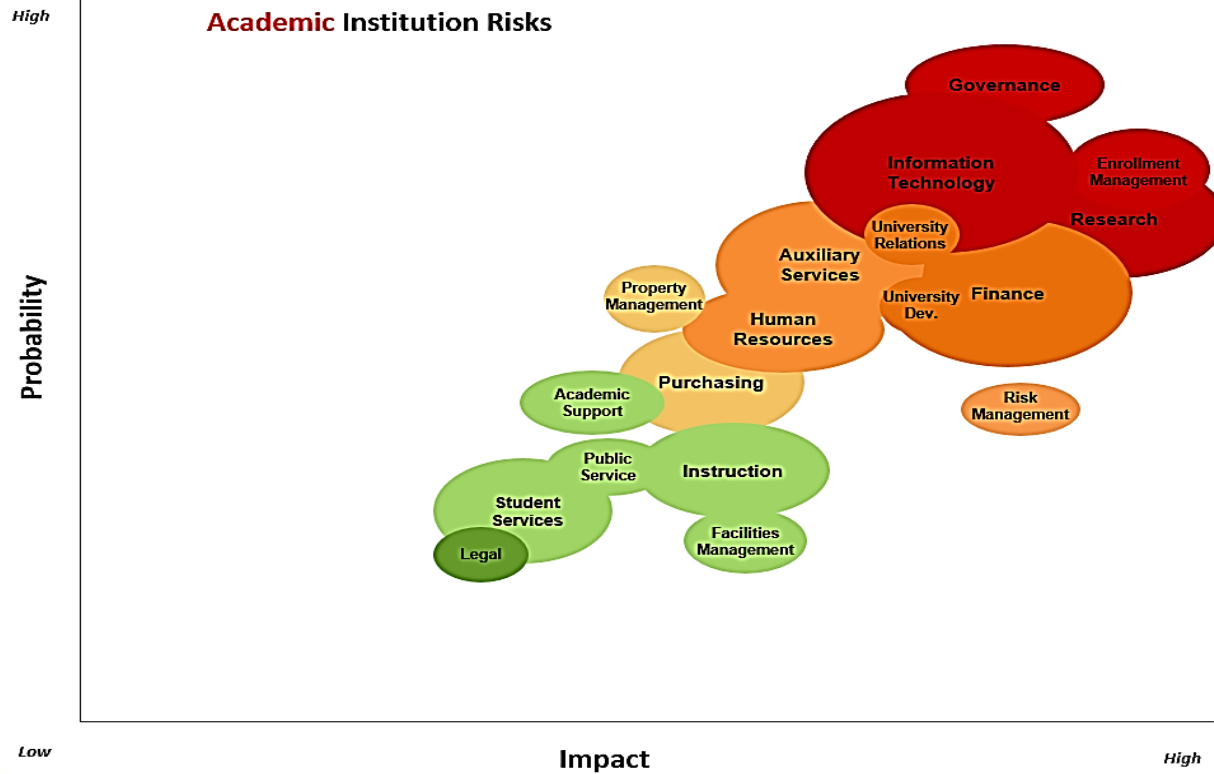
Approximately 2,000 risks were identified across the institutions and U. T. System Administration and evaluated for trends. The most critical and high risks were found in the following areas.

U. T. System Administration:

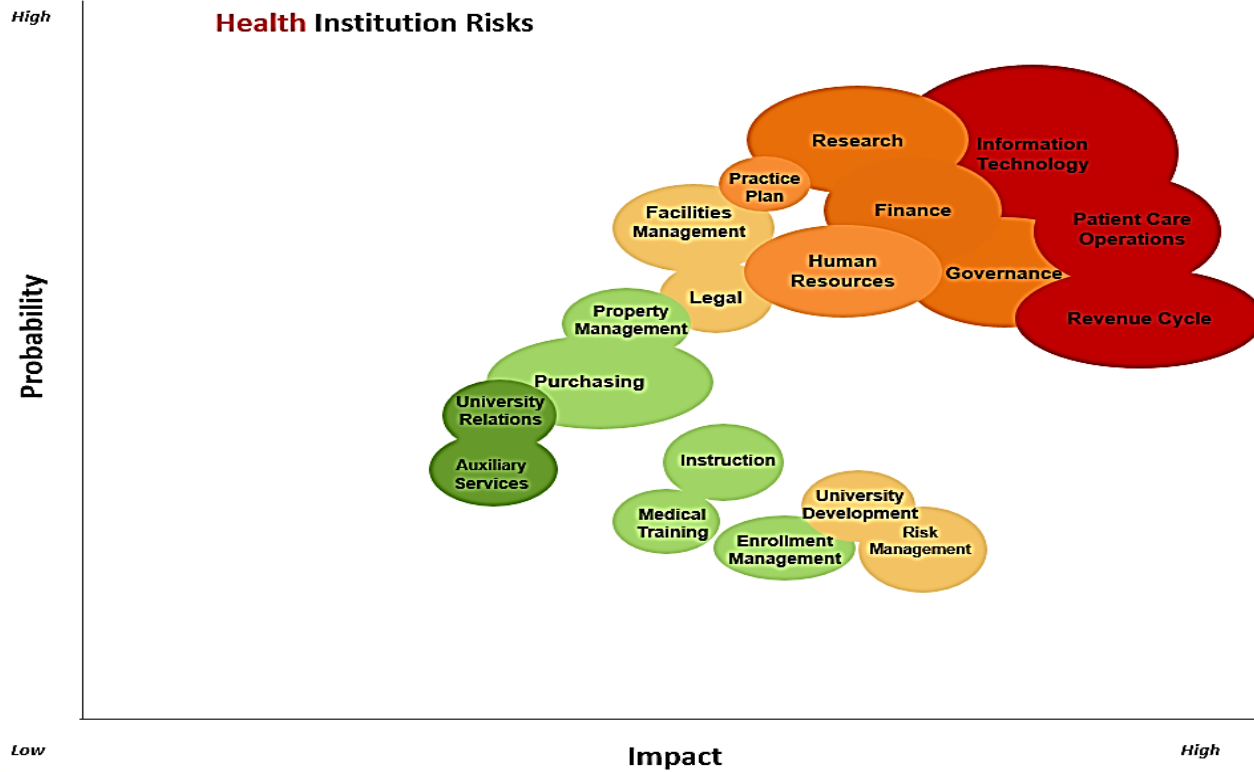
- Information technology
- Governance
- Finance
- Purchasing/Supply chain



Areas by Criticality and Number of Risks - Academic



Areas by Criticality and Number of Risks - Health



IT Risk Assessment Methodology

Value to Institutions

Uniform framework to define IT areas (Domains) and functions (Processes):

- Common language and organization for collaboration and comparison
- Systemwide use of reference materials and audit tools based on uniform framework
- Progress towards alignment of audit, IT, and information security risk assessments

Value to U. T. System

Improved visibility into U. T. System risk through Calibrated Risk Scores (CRS)

- Institution IT risks based on common definitions and evaluation criteria
- Ability to prioritize full inventory of IT risks for U. T. System-level audit resource allocation
- Identification of cross-institution risks and trends



IT Risk Assessment Methodology (cont.)

CRS = Numeric value calculated based on risk ratings (Critical, High, Medium, Low) with weighting applied based on institution and Domain/Process factors, such that Critical and High risks can be ranked by their significance to U. T. System as a whole

Institution Calibration Factors

- Multi-institution or Systemwide
- Academic versus Health
- Budget
- Research expenditures
- Faculty and staff headcounts
- Enrollment

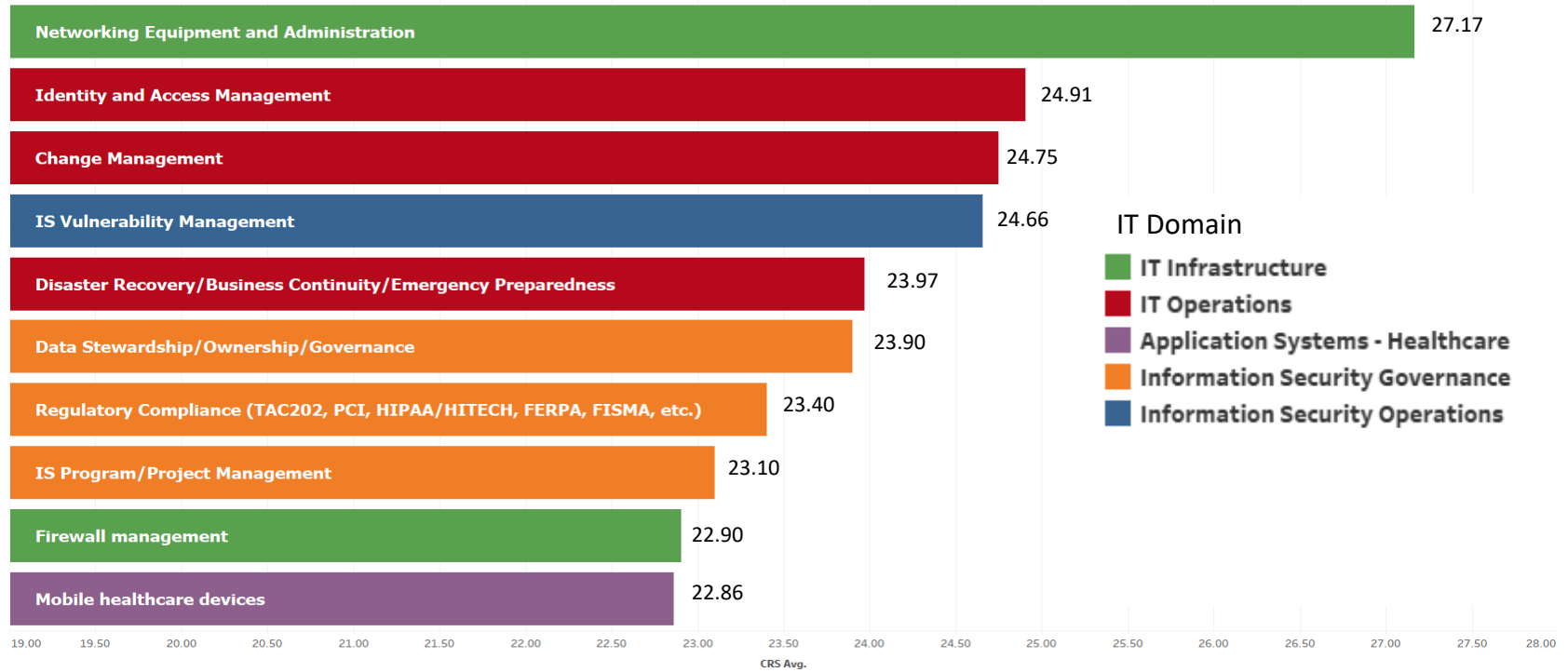
Process Calibration

- Based on relative risk among processes (e.g., identity/access management weighted higher than project management)

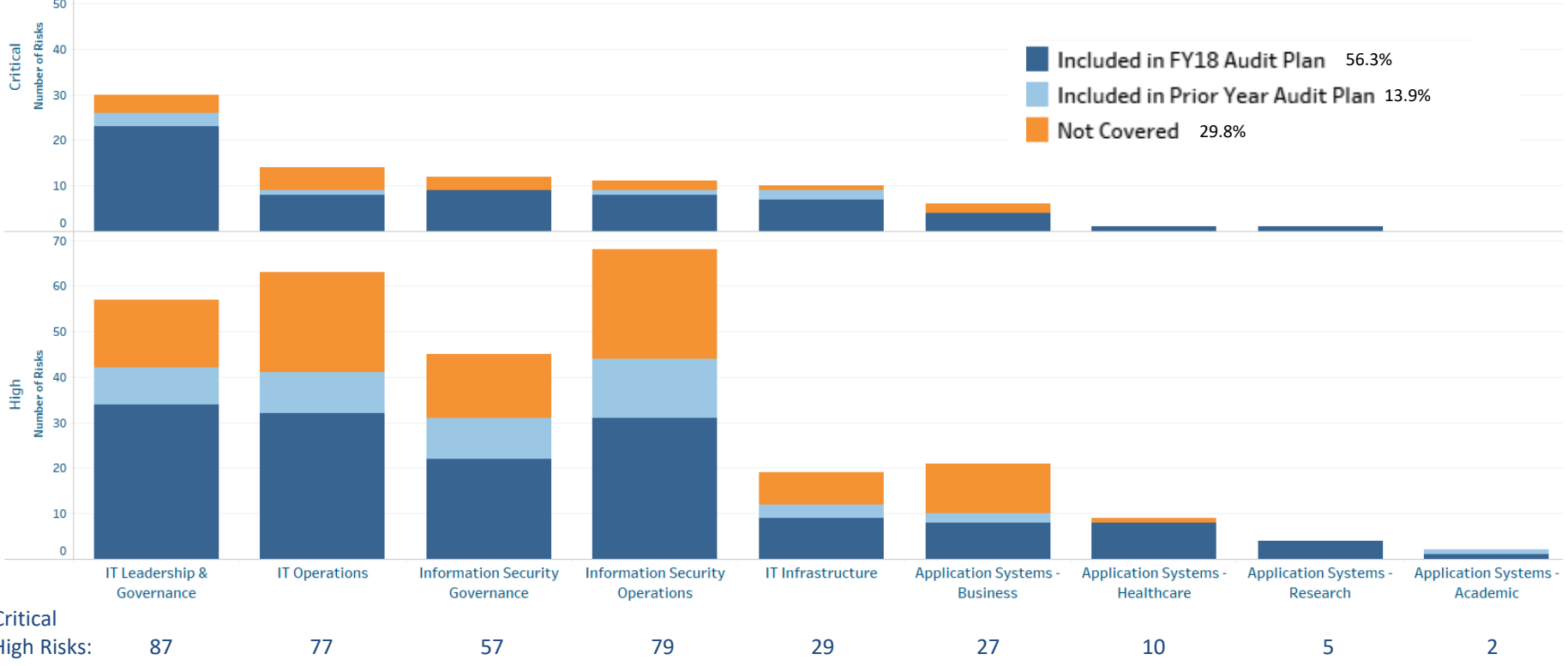


Top 10 IT Process by CRS (Critical and High Risks)

IT Process



Audit Plan Coverage – Critical and High Risks



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of Critical and High Risks:

87 77 57 79 29 27 10 5 2



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

REPORT

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

BACKGROUND INFORMATION

The engagement of Deloitte & Touche LLP to conduct the external financial statement audit of U. T. System also includes the performance of audits of Fiscal Year 2016 (FY) CPRIT grant activity for seven U. T. institutions. Four other U. T. institutions engaged Weaver & Tidwell to perform agreed upon procedures of FY 2016 grant activity.

5. **U. T. System: Report on Systemwide internal audit activities, including an update on organizational changes and the status of External Quality Assessments, Priority Findings, and Annual Audit Plan**

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 discuss organizational changes, provide the status of the External Quality Assessments, and present the FY 2017 Annual Audit Plan status as of May 31, 2017, which was provided to the Audit, Compliance, and Risk Management Committee prior to the meeting.

BACKGROUND INFORMATION

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

The internal audit profession is guided by the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*, within which there is a requirement for all internal audit functions to have external quality assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. *Texas Government Code*, Chapter 2102, Texas Internal Auditing Act (TIAA), establishes guidelines for State of Texas agencies' internal audit functions. The TIAA requires all state agencies to adhere to the U.S. Government Accountability Office Government Auditing Standards, which require a review at least once every three years by reviewers independent of the audit organization.

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 Risk Management Committee
August 2017



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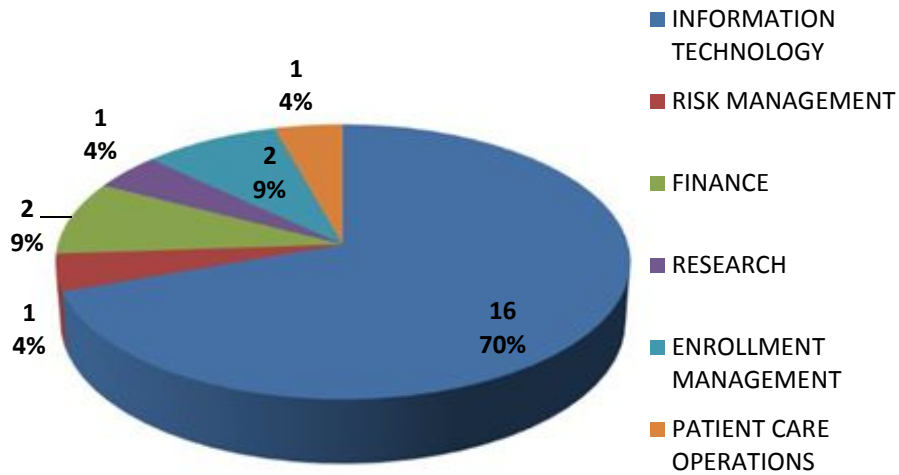
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Priority Findings Status – Changes Since Last Report

	May 2017	Implemented	New	Aug 2017	Past Due
U. T. Arlington	3	-	-	3	-
U. T. Austin	4	-	-	4	-
U. T. Dallas	1	-	-	1	-
U. T. El Paso	2	-	-	2	-
U. T. Permian Basin	1	-	-	1	1
U. T. Rio Grande Valley	1	-	-	1	-
U. T. Medical Branch	1	-	-	1	-
U. T. Health Science Center – San Antonio	2	1	-	1	-
U. T. M. D. Anderson Cancer Center	10	1	-	9	-
Totals	25	2	0	23	1

Priority Findings

Operational Area



Risk Factors

