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FOR
AUDIT, COMPLIANCE, AND RISK MANAGEMENT COMMITTEE

Committee Meeting: 8/23/2023

Board Meeting: 8/24/2023
Austin, Texas

Nolan Perez, Chairman
Christina Melton Crain
Jodie Lee Jiles
Janiece Longoria
Kelcy L. Warren
Rad Weaver

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

RECOMMENDATION

The Board will be asked to approve the Consent Agenda beginning on .

2. **U. T. System: Discussion and Appropriate Action regarding institutional Audit Committee chair changes; Report on the chief administrator travel, entertainment, and university residence maintenance expenses audit, the Systemwide Cancer Prevention and Research Institute of Texas (CPRIT) grants assurance work, the State Auditor's Office Statewide Single Audit Report for FY 2022 and Systemwide internal audit administrative items, including Required Communications and Annual Audit Plan Status**

RECOMMENDATION

Chief Audit Executive Peppers, on behalf of the Presidents at U. T. Arlington, U. T. Austin, U. T. San Antonio, and Stephen F. Austin State University recommends formal approval by the Audit, Compliance, and Risk Management Committee (ACRMC) of the appointment of the following individuals to serve as Chairs of the Institutional Audit Committees:

- Helen Dickey, Partner at Harris & Dickey LLC, U. T. Arlington

- Ayse McCracken, President at eNNOVATE Health Ventures, U. T. Austin;

- Jason Sechrist, Director of Sales Engineering at CrossComply, at U. T. San Antonio (reappointment); and

- Tom Mason, Executive Vice President and Chief Financial Officer at Hillwood Development, at Stephen F. Austin State University.

Details on the qualifications of the new Chair candidates were provided to the ACRMC members prior to the meeting.

REPORT

Mr. Peppers will:

1. provide a report on the chief administrator travel, entertainment, and university residence maintenance expenses audit;

2. provide a report on the State Auditor's Office (SAO) State of Texas Federal and Financial Portions of the Statewide Single Audit for Fiscal Year 2022;

3. provide a report on the Systemwide Cancer Prevention and Research Institute of Texas (CPRIT) grants assurance work;

4. discuss required communications to the Committee, including independence of the Chief Audit Executives; and

5. provide an update on the Fiscal Year 2023 Annual Audit Plan status as of May 31, 2023.

A summary of the chief administrator expenses audit results, SAO audit results, CPRIT assurance work, and details on required communications and Audit Plan status, including Priority Observations, were provided to the ACRMC members prior to the meeting.

BACKGROUND INFORMATION

The ACRMC annually reviews and approves nominations from all the institutional presidents for external member chairs of their institutional audit committees. Delegated approval was provided by the ACRMC Chairman and the Chancellor for those candidates with terms beginning between May ACRMC meetings.

Deloitte & Touche, LLP was engaged to conduct audits of FY 2022 CPRIT grant activity for six U. T. institutions. Five other U. T. institutions engaged Weaver & Tidwell to perform agreed upon procedures of FY 2022 CPRIT grant activity.

The Texas State Auditor's Office performs the Statewide Single Audit annually. The audit includes a federal portion, which is an audit of compliance and controls over the State's federal awards, and a financial portion, which includes an audit of the basic financial statements for the State of Texas. These reports are submitted to the federal government.

Required communications to the Committee include the discussion of internal auditing professional standards and confirmation of the organizational independence of the internal audit activity. Through their annual certification process, all institutional chief audit executives confirmed they are receiving adequate support to conduct the necessary audit services and there are institutional internal audit departmental processes to ensure compliance with professional standards.

Internal audit across the U. T. System uses a consistent classification process to evaluate audit results to identify Priority, High, Medium, or Low level reportable observations. A Priority Observation is defined as "an issue that, if not addressed timely, has a high probability to directly impact achievement of a strategic or important operational objective of a U. T. institution or the U. T. System as a whole." All reportable observations are rated based on an assessment of applicable risk factors and the probability of a negative outcome occurring if the risk is not adequately mitigated. The standard risk factors considered are: Qualitative (evaluates the probability and consequences across seven areas), Operational Control (evaluates operational vulnerability to risks by considering the existence of management oversight and effective alignment of operations), and Quantitative (evaluates the level of financial exposure or lost revenue).

3. **U. T. System: Approval of the U. T. Systemwide Annual Audit Plan for Fiscal Year 2024**

RECOMMENDATION

Chief Audit Executive Peppers will present the proposed Fiscal Year 2024 U. T. Systemwide Annual Audit Plan (Audit Plan) using the PowerPoint set forth on the following pages and will recommend its approval. 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 executive summary and the detailed 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.
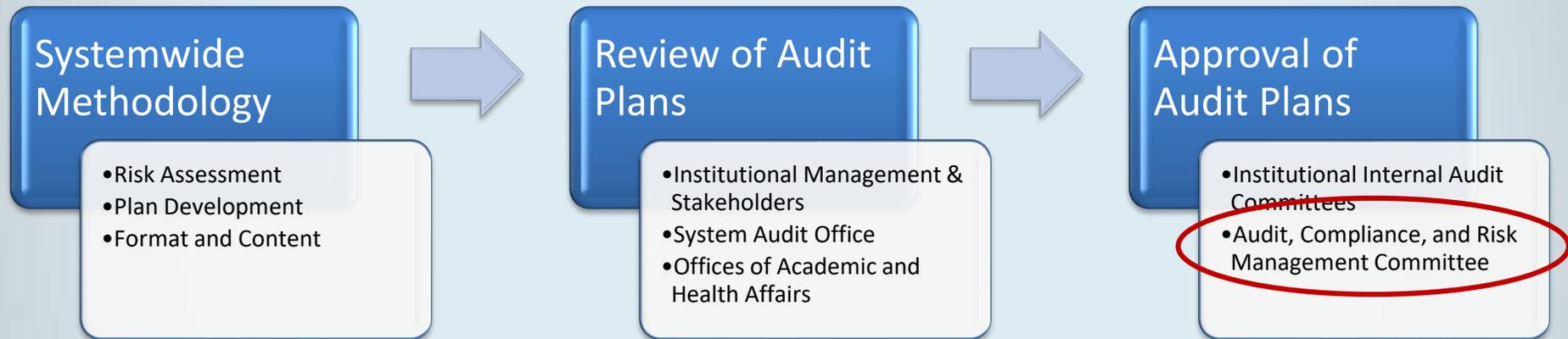
U. T. Systemwide FY 2024 Annual Audit Plan

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

U. T. System Board of Regents Meeting

Audit, Compliance, and Risk Management Committee

August 2023

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Overall Audit Plan Process

Systemwide Methodology
- Risk Assessment
- Plan Development
- Format and Content

Review of Audit Plans
- Institutional Management & Stakeholders
- System Audit Office
- Offices of Academic and Health Affairs

Approval of Audit Plans
- Institutional Internal Audit Committees
- Audit, Compliance, and Risk Management Committee

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FY 2024 Annual Work Plans

- Internal audit work plans across the System include 184k direct hours in the following categories:
  - Assurance, Advisory, and Required Engagements
  - Investigations
  - Reserve
  - Follow-up
  - Development Operations and Initiatives
- Diverse topics to maximize coverage of risk areas
- Commonality in high-risk area topics

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Systemwide Risk Count vs. Audit Hours by Taxonomy

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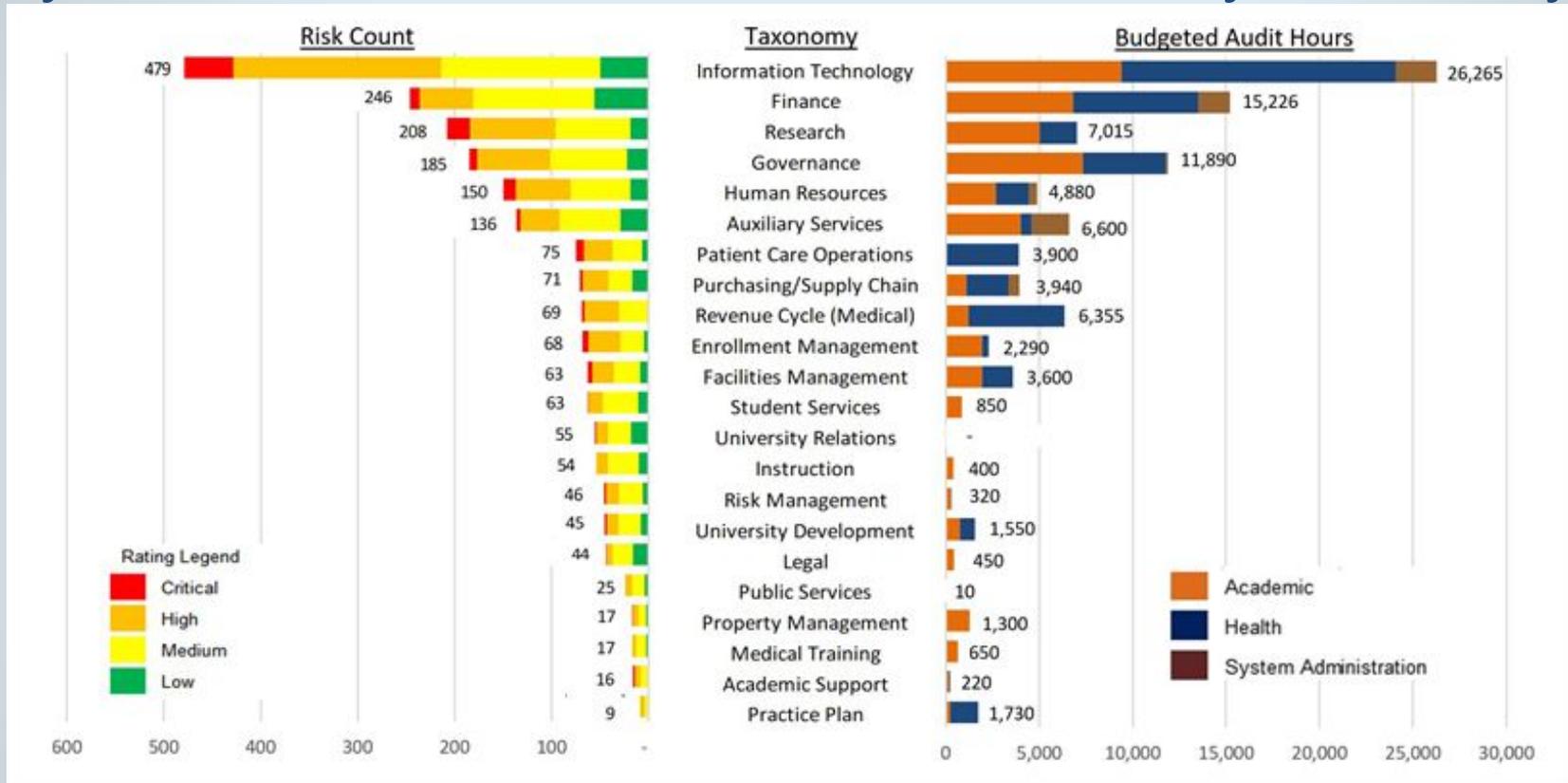
Most Common IT Topics

Information Security

- Cybersecurity protection and incident response

- Identity and access management

- Cloud/third-party security

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Most Common IT Topics (cont.)

Data Governance and Data Management

- Data governance

- Research data

- Shared data initiatives

- Payment Card Industry (PCI) data security compliance

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Other Common IT Topics

Disaster Recovery/ Business Continuity

Decentralized IT

Electronic Health Records

IT Asset Management

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Systemwide IT Critical/High Risk Count vs. Audit Hours by IT Process

Most Common Topics

Medical Services Revenue Cycle

- Evaluate processes and controls around various aspects of the medical services revenue cycle, including:

  - Billing practices
  - Charge capture for services provided
  - Clinical operations
  - Collections
  - Compliance with regulations

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Most Common Topics (cont.)

Purchasing/ Supply Chain

- Review processes, policies, and controls around purchasing:
  - Oversight of vendor activities and billing
  - Monitoring for conflicts of interest
  - Ensuring supply chain resilience
  - Compliance with statutes/regulations

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Most Common Topics (cont.)

Research Administration

- Ensure expenditure compliance with grant- or contract-specific requirements, including:
  - Evaluating processes and controls, policies and procedures

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Most Common Topics (cont.)

Foreign Influence

- Assess processes and controls to protect research and intellectual property from inappropriate foreign influence:
  - Data security
  - Identity and access management
  - Disclosure requirements
  - Compliance with federal, state, and other applicable regulations

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Most Common Topics (cont.)

Financial Reporting

- Assess processes, controls, and procedures for financial and accounting processes

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Other Common Topics

Account Reconciliation Segregation of Duties	Travel & Entertainment Expenses	Financial Aid	Gifts and Endowments
Practice Plan	Campus Security	Construction	Employee Onboarding & Offboarding

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Common Topics for Required Engagements

FY 2024 Internal Audit Resources

- Approximately 105 internal audit professionals Systemwide

- Co-source hours to meet long-term and immediate needs
  - Master Service Agreements with 15 service providers

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