



**INTERNAL AUDIT AND COMPLIANCE  
SUBCOMMITTEE  
THE UNIVERSITY OF TEXAS SYSTEM  
BOARD OF REGENTS**

January 7, 2003  
7:30 a.m.  
Conference Room, 9<sup>th</sup> Floor  
Ashbel Smith Hall  
Austin, Texas

**1. Welcome and Opening Remarks**

**Internal Audit**

- |      |   |                            |
|------|---|----------------------------|
| 7:30 | 2. <b>Change in Presentation of Reporting Activity (Red, Yellow, Green Project) (Tab 2)</b> | <i>Mr. Charles Chaffin</i> |
| 7:35 | 3. <b>Significant Findings Tracking System (Tab 3)</b>                                      | <i>Mr. Charles Chaffin</i> |
| 7:40 | 4. <b>State Auditor's Office Activity (Tab 4)</b>   | <i>Mr. Charles Chaffin</i> |
| 7:45 | 5. <b>Audit Summaries (Tab 5)</b>   | <i>Mr. Charles Chaffin</i> |

**Compliance**

- |      |   |                            |
|------|---|----------------------------|
| 7:50 | 6. <b>Program Status (Tab 6)</b>  | <i>Mr. Charles Chaffin</i> |
| 8:00 | 7. <b><u>RECESS TO EXECUTIVE SESSION (TEXAS GOVERNMENT CODE, CHAPTER 551)</u></b> |                            |

- a. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - Section 551.071
- b. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074

U. T. System and U. T. Institutions: Evaluation and Duties of Employees Involved in Audit and Compliance Functions

**8. Adjourn**

**Audits Tracked and Reported to the BOR Audit and Compliance Subcommittee**  
EXAMPLE - NOT REAL INFORMATION

**U. T. SYSTEM AUDITS - Significant Findings/Recommendations**

Report Date	Institution	Audit	Original # of Significant Findings	As of FYE 8/31/02		Quarter Ended 11/02		Quarter Ended 02/03		Quarter Ended 05/03		Quarter Ended 08/03		Ranking Significance Material to Component's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")	Overall Progress Towards Completion (Note 1)
				Ranking	# of Significant Findings	Ranking	# of Significant Findings	Ranking	# of Significant Findings	Ranking	# of Significant Findings	Ranking	# of Significant Findings		
11/01	U. T. San Antonio	Name of Audit - A	6	Red	4	Yellow	4	Yellow	3	Yellow	3	Yellow	3	F, C	Unsatisfactory
01/02	U. T. El Paso	Name of Audit - B	4	Yellow	4	Yellow	2	Green	2	Green	0	Green	0	F	Completed
04/02	U. T. System Administration	Name of Audit - C	5	Red	4	Red	4	Yellow	3	Yellow	2	Green	0	O	Completed
07/02	U. T. Medical Branch - Galveston	Name of Audit - D	3	Yellow	3	Yellow	2	Green	0	Green	0	Green	0	O	Completed
09/02	U. T. System Administration	Name of Audit - 1	1	Red	1	Red	1	Yellow	1	Green	1	Green	0	C	Completed
11/02	U. T. Arlington	Name of Audit - 2	4	Red	4	Red	4	Yellow	3	Green	0	Green	0	C	Completed
10/02	U. T. Arlington	Name of Audit - 3	2	Red	2	Red	2	Yellow	2	Green	0	Green	0	F	Completed
10/02	U. T. M. D. Anderson Cancer Center	Name of Audit - 4	3	Red	3	Red	3	Yellow	1	Yellow	1	Green	0	C	Completed
09/02	U. T. Dallas	Name of Audit - 5	2	Red	2	Red	2	Red	1	Red	1	Green	0	O	Completed
09/02	U. T. El Paso	Name of Audit - 6	1	Red	1	Red	1	Green	0	Green	0	Green	0	F	Completed
11/02	U. T. Pan American	Name of Audit - 7	1	Red	1	Red	1	Green	0	Green	0	Green	0	F	Completed
11/02	U. T. Permian Basin	Name of Audit - 8	1	Red	1	Red	1	Yellow	1	Green	0	Green	0	C, O	Completed
11/02	U. T. San Antonio	Name of Audit - 9	3	Red	3	Red	3	Yellow	2	Green	0	Green	0	F	Completed
11/02	U. T. Southwestern Medical Center - Dallas	Name of Audit - 10	5	Red	5	Red	5	Yellow	2	Yellow	1	Yellow	1	C	Unsatisfactory
01/03	U. T. Medical Branch - Galveston	Name of Audit - 11	1	Red	1	Red	1	Green	1	Green	0	Green	0	O	Completed
02/03	U. T. Health Science Center - Houston	Name of Audit - 12	2	Red	2	Red	2	Green	2	Green	0	Green	0	C, O	Completed
12/03	U. T. Health Science Center - San Antonio	Name of Audit - 13	2	Red	2	Red	2	Green	2	Green	0	Green	0	F, C	Completed
05/03	U. T. System Administration	Name of Audit - 14	3	Red	3	Red	3	Red	3	Red	3	Red	3	C	Unsatisfactory
03/03	U. T. Austin	Name of Audit - 15	4	Red	4	Red	4	Red	4	Red	4	Yellow	1	C	Satisfactory
04/03	U. T. Brownsville	Name of Audit - 16	1	Red	1	Red	1	Red	1	Red	1	Yellow	1	O	Satisfactory
08/03	U. T. Health Center - Tyler	Name of Audit - 17	2	Red	2	Red	2	Red	2	Red	2	Red	2	O	Satisfactory
08/03	U. T. Tyler	Name of Audit - 18	3	Red	3	Red	3	Red	3	Red	3	Red	3	F	Satisfactory
07/03	U. T. Southwestern Medical Center - Dallas	Name of Audit - 19	1	Red	1	Red	1	Red	1	Red	1	Red	1	C	Satisfactory

**STATE AUDITOR'S OFFICE AUDITS**

Report Date	Institution	Audit	Original # of Findings	As of FYE 8/31/02		Quarter Ended 11/02		Quarter Ended 02/03		Quarter Ended 05/03		Quarter Ended 08/03		Ranking Significance State Auditor Recommendations Significant by Definition	Overall Progress Towards Completion (Note 1)
				Ranking	# of Significant Findings	Ranking	# of Significant Findings	Ranking	# of Significant Findings	Ranking	# of Significant Findings	Ranking	# of Significant Findings		
10/01	U. T. San Antonio	Name of Audit - A	6	Yellow	6	Yellow	4	Yellow	2	Yellow	1	Green	0	n/a	Completed
11/02	U. T. Health Science Center - Houston	Name of Audit - B	2	Red	2	Red	2	Yellow	2	Green	0	Green	0	n/a	Completed
01/03	U. T. System Administration	Name of Audit - C	3	Red	3	Red	3	Red	3	Red	3	Yellow	1	n/a	Satisfactory

**\* OTHER U. T. SYSTEM AUDITS COMPLETED - Quarter Ended 8/2003**

Report Date	Institution	Audit
06/03	U. T. System Administration	Name of Audit
07/03	U. T. Arlington	Name of Audit
08/03	U. T. Health Science Center - Houston	Name of Audit

**Key Concepts**  
This is an example of the lead schedule for the information submitted to the Internal Audit and Compliance Subcommittee. We will track the progress of an audit by quarters. We only track those audits originally designated as a red (with institutionally significant findings). An audit falls off the tracking schedule after it appears as a green for one quarter.

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.

**\* Listed in Other Audits Completed Section**

No institutionally significant findings, may contain other findings, important for institution's executive management to be aware of.  
Routine audit, may contain departmentally significant findings

Note 1: **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.

U. T. System  
Significant Findings/Recommendations  
1st Qtr. FY 2003 Status

	Report Date	Fiscal Year	Component	Audit	# of Significant Recommendations in the Report (History)	# of Significant Recommendations Remaining From Prior Qtr. (3rd FY02)	New Rec./Added back	Current Quarter Results			Overall Progress Towards Implementation (see Note 1)
								Implemented	Partially Implemented	Not Implemented	
1	1997-10	1998	System	Employee Group Ins. Internal Controls & Processes	13	2	0	2			Completed
2	1997-12	1998	UTB	Information Resource Management Review	2	1	0	1			
3	1998-06	1998	System	Office of Human Resources	3	1	0		1		Satisfactory
4	1998-07	1998	HSCHouston	Federal Contracts & Grants Review	1	1	0			1	
5	1998-11	1999	System	1999 Employee Group Insurance Program Follow-up Audit	5	1	0		1		Satisfactory
6	1999-02	1999	UTPB	Compliance Program	2	1	0		1		
7	1999-07	1999	UTA	Electrical Engineering	2	1	0		1		
8	1999-09	2000	UTA	Dean's Office, College of Engineering	5	1	0	1			
9	1999-11	2000	UTD	Green Commons Club	3	1	0		1		
10	1999-11	2000	UTPA	Department of Environmental Health & Safety Follow-up Chemistry Department	1	1	0	1			
11	1999-12	2000	UTPA	Maintenance & Operations	2	2	0	1	1		
12	2000-04	2000	HSCHouston	Medical Service Research & Development Plan (MSRDP) Summary of Operations Review	2	1	0			1	
13	2000-04	2000	Southwestern	Design & Implementation of the Billing Compliance Program	3	1	0		1		
14	2000-04	2000	System	Trust Minerals	3	2	0		2		Satisfactory
15	2000-05	2000	HC-Tyler	IT Audit of Physical Security - Safeguarding & Storage of System Media	1	1	0		1		
16	2000-05	2000	HC-Tyler	IT Audit of Physical Security - Security Policies, Standards & Guidelines	1	1	0		1		
17	2000-05	2000	UTSA	Student Financial Aid	1	1	0	1			
18	2000-06	2000	UTA	Exercise, Sport and Health Studies	2	1	0	1			
19	2000-08	2000	UTPA	Review of the Institutional Compliance Program	1	1	0		1		
20	2000-09	2001	UTAus	Federal Funds Principal Investigators	5	4	0		4		
21	2000-10	2001	MB-Galveston	Fixed Assets	3	1	0		1		
22	2000-10	2001	UTA	ATP/ARP	2	1	0		1		
23	2000-10	2001	UTD	Revenues and Receipts	2	1	0		1		
24	2000-11	2001	HSC-SA	MSRDP/DSRDP Financial Review	1	1	0		1		
25	2000-11	2001	Southwestern	Inspection of the Institutional Review Board	4	1	0	1			
26	2001-01	2001	HSCHouston	Casual Appointments, Compensation Compliance & Monitoring Review	2	1	0		1		
27	2001-01	2001	MB-Galveston	Master Domain	2	2	0	2			

Note 1: This Column will be included and filled in for all components by the end of the 2nd quarter.

U. T. System  
Significant Findings/Recommendations  
1st Qtr. FY 2003 Status

	Report Date	Fiscal Year	Component	Audit	# of Significant Recommendations in the Report (History)	# of Significant Recommendations Remaining From Prior Qtr. (3rd FY02)	New Rec./Added back	Current Quarter Results			Overall Progress Towards Implementation (see Note 1)
								Implemented	Partially Implemented	Not Implemented	
28	2001-01	2001	MB-Galveston	Virus Prevention & Response Audit	2	1	0	1			
29	2001-01	2001	UTAus	Equipment Inventory Spot-check	1	1	0			1	
30	2001-04	2001	UTA	Office of Information Technology	4	1	0		1		
31	2001-04	2001	UTPA	Internet Security	2	2	0		2		
32	2001-05	2001	UTT	Physical Plant	4	2	0	2			
33	2001-08	2001	HC-Tyler	Review of East Texas Quality Care Network, Satellite Clinics, & Selected Internal Clinic	1	1	0		1		
34	2001-08	2001	MB-Galveston	Institutional E-mail Systems	2	2	0		2		
35	2001-08	2001	MD-Anderson	Lotus Notes Environment	3	3	0	1	2		
36	2001-08	2001	MD-Anderson	Physical Environment	1	1	0		1		
37	2001-08	2001	Southwestern	Front-End Billing Executive Report	4	2	0		2		
38	2001-08	2001	UTA	Grant and Contract Services	4	1	0	1			
39	2001-08	2001	UTA	Endowments Audit	2	1	0		1		
40	2001-08	2001	UTA	Student Registration System Review	1	1	0	1			
41	2001-09	2002	HC-Tyler	Medical Services, Research & Development Plan	1	1	0		1		
42	2001-10	2002	HSC-SA	Information Security	4	4	0	2	2		
43	2001-10	2002	MD-Anderson	Disaster Recovery/Business Continuity Planning	1	1	0		1		
44	2001-11	2002	HSCHouston	Report on University Care Plus (UCP)/Physician Business Services (PBS) Payment Process & A/R Credit Balance Review	3	3	0			3	
45	2001-11	2002	UTAus	Annual Financial Report-Equipment Inventory	5	2	0		2		
46	2001-11	2002	UTEP	Department of Chemistry	3	3	0		3		
47	2001-11	2002	UTEP	Model Institutions for Excellence	1	1	0		1		
48	2001-11	2002	UTPB	Follow-up Audit	1	1	0		1		
49	2001-12	2002	System	ARCO Permian Basin – Block 31 Gas Plant Audit	1	1	0		1		Satisfactory
50	2001-12	2002	System	Administration Inventory Audit	2	2	0	2			Completed
51	2001-12	2002	UTA	English	1	1	0			1	
52	2002-01	2002	Southwestern	Business Continuity Planning	2	1	0	1			
53	2002-01	2002	UTA	Formula Funding	1	1	0		1		
54	2002-01	2002	UTPA	Raiser's Edge	1	1	0		1		
55	2002-01	2002	UTSA	Intercollegiate Athletics Program: NCAA Agreed-Upon Procedures Report for FYE 8/31/01	2	2	0	2			

Note 1: This Column will be included and filled in for all components by the end of the 2nd quarter.

U. T. System  
 Significant Findings/Recommendations  
 1st Qtr. FY 2003 Status

Report Date	Fiscal Year	Component	Audit	# of Significant Recommendations in the Report (History)	# of Significant Recommendations Remaining From Prior Qtr. (3rd FY02)	New Rec./Added back	Current Quarter Results			Overall Progress Towards Implementation (see Note 1)	
							Implemented	Partially Implemented	Not Implemented		
56	2002-01	2002	UTSA	Capital Inventory Spot Checks	1	1	0	1			
57	2002-02	2002	HSCHouston	Environmental & Physical Safety Compliance Program Review	5	1	3	3	1		
58	2002-02	2002	HSCHouston	Time Management System (TMS) Post Implementation Review	4	3	1	2	1	1	
59	2002-02	2002	UTD	Follow-Up of Prior Audit Recommendations	3	3	0	1	2		
60	2002-03	2002	UTAus	Define-Accounts Payable System	2	0	2	2			
61	2002-03	2002	UTPA	Student Health Services (SHS)	2	0	2		2		
62	2002-04	2002	UTB	2002 General Controls Audit of Information Technology	1	0	1		1		
63	2002-04	2002	UTEP	IM3 and Texas Centers	1	0	1		1		
64	2002-04	2002	UTEP	Student Health Center	1	0	1		1		
65	2002-05	2002	HC-Tyler	Office of the Vice President for Finance & Administration Departmental Audit	1	1	0		1		
66	2002-05	2002	System	Office of Information Resources Follow-up	1	0	1		1		
67	2002-05	2002	System	Procurement Card	1	0	1	1			
68	2002-05	2002	UTA	Network Support Audit	5	0	5	2	3		
69	2002-07	2002	HC-Tyler	Clinics	1	0	1			1	
70	2002-07	2002	MB-Galveston	Clinical Interface Engine	3	0	3	1	2		
71	2002-07	2002	MB-Galveston	Outpatient Return to Clinic Visits	1	0	1		1		
72	2002-07	2002	UTAus	Student Accounts Receivable/Fee Billing System	1	0	1			1	
73	2002-07	2002	UTAus	Travel	3	0	3	1	2		
74	2002-07	2002	UTAus	Unit Heads	2	0	2	1	1		
75	2002-08	2002	System	Travel and Entertainment Expenditures	1	0	1		1		Satisfactory
76	2002-08	2002	UTEP	Information Technology Department	3	0	3	3			
<b>Totals:</b>				177	87	33	42	68	10		

Activity Recalculation	
87	Remaining from Previous Quarter
33	Plus: New Recommendations
120	Request for Update
42	Less: Implemented
<b>78</b>	<b>Outstanding Recommendations Remaining</b>

Note 1: This Column will be included and filled in for all components by the end of the 2nd quarter.

**The University of Texas System  
State Auditor's Office Activity Summary  
December 2002**

The table lists State Auditor's Office activity at each component. KPMG has a three-year contract with the State Auditor's Office to perform audits of Research and Student Financial Aid\*.

<b>Component</b>	<b>Audit Area</b>	<b>Date/Status of Fieldwork</b>
U. T. Arlington	None	n/a
U. T. Austin	Research* Student Financial Aid* Salaries, Disaster Preparedness & Recovery, Financial	Fieldwork partially completed; returning in December 2002. Waiting on draft report. Waiting on draft report.
U. T. Brownsville	Financial Review* Student Financial Aid*	Report Published. Preliminary fieldwork complete; returning in November 2002.
U. T. Dallas	None	n/a
U. T. El Paso	Research*	Fieldwork near completion.
U. T. Pan American	None	n/a
U. T. Permian Basin	None	n/a
U. T. San Antonio	Research*	Preliminary work completed; returning in December 2002.
U. T. Tyler	None	n/a
U. T. Southwestern Medical	Research* Performance Measures	Waiting on draft report. Report Published.
U. T. Medical Branch Galveston	Information Security Technology Research*	Report Published. Preliminary work completed; returning in December 2002.
U. T. M. D. Anderson	Information Security Technology	Report Published.
U. T. Health Science Center Houston	Information Security Technology	Report Published.
U. T. Health Science Center San Antonio	Performance Measures Review Research*	Report Published. Notification received; fieldwork not scheduled.
U. T. Health Center Tyler	None	n/a

THE UNIVERSITY OF TEXAS SYSTEM  
**SUMMARY OF INTERNAL AUDIT REPORTS**

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<b>Reports Issued</b> by the <b>U. T. System Internal Audit Function</b> (System Audit Office and Components)	
<b>Number of Reports</b>	<b>Time Period</b>
29	September
20	October
28	November
<b>77</b>	FY 2003 Total

Typically, our audits cover one or more of the following objectives/scopes:

- Reliability and Integrity of Information
- Economy and Efficiency of Operations and/or Program Results
- Safeguarding of Assets
- Compliance with laws, regulations, and contracts
- Follow-up

We are working on improving the process of providing you information on the audit reports issued from the U. T. System Internal Audit Function (System Audit Office and Components). The **“Red, Yellow, Green”** Project will be discussed at our Internal Audit and Compliance Subcommittee meeting; information on this project can be found in this packet.

The traditional audit summaries in paragraph form for September are included in this packet for your review. A list of reports issued by the components and received at System Administration in October and November is also included. In the future, you will receive summaries on the reports that contain Significant Findings/Recommendations.

There are two types of audit findings/recommendations: reportable and significant. A "reportable" audit finding/recommendation should be included in an audit report if it is material to the operation, financial reporting, or legal compliance of the audited activity, and the corrective action has not been fully implemented. **"Significant"** audit findings/recommendations are reportable audit findings/recommendations that are deemed significant at the institutional level.

**THE UNIVERSITY OF TEXAS SYSTEM  
SUMMARY OF AUDIT ACTIVITIES  
SEPTEMBER 2002**

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**The University of Texas at Austin**

TRAVEL – OFFICE OF ACCOUNTING-TRAVEL SECTION & TRAVEL  
MANAGEMENT SERVICES (SEPTEMBER 2002)

The objectives of the audit were to determine whether: employee travel was appropriately and timely approved; travel expenditures of employees comply with the University's travel policies and procedures; and employee reimbursements are made accurately and timely.

Overall, controls could be strengthened if travel policies are enhanced and communicated more effectively, policies are enforced, and more monitoring is incorporated into the voucher review process. Recommendations were made to improve internal controls: obtain required prior approval; maintain documentation to support vouchers for reimbursement; ensure that travel guidance is consistent with policies and procedures; and observe the limits on the amount and type of expenses that may be reimbursed. Management agrees with findings and is planning or has completed implementation of all recommendations.

**The University of Texas at Brownsville**

CAPITAL EQUIPMENT CERTIFICATION (SEPTEMBER 2002)

The audit objective was to provide assurance to executive management of the accuracy and completeness of U. T. Brownsville's equipment inventory prior to the annual certification of physical inventory to the State Property Accounting Office. As of August 30, 2002, the personal property inventory included 4,973 items valued at \$17,096,152.96. We concluded the value of personal inventory items reported to the State Property Accounting Office was fairly stated.

**The University of Texas at Dallas**

CODE OF ETHICS (AUGUST 2002)

The objective of this audit was to provide assurance that an effectively designed Institutional Compliance Program has been implemented for the Code of Ethics and is operating effectively, and to provide assurance that U. T. Dallas is in compliance with policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports. There were no recommendations.

SEXUAL HARASSMENT COMPLIANCE (AUGUST 2002)

The objective of this audit was to provide assurance that an effectively designed Institutional Compliance Program has been implemented for Sexual Harassment and is operating effectively, and to provide assurance that U. T. Dallas is in compliance with policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports relating to Sexual Harassment. Recommendations were made to enhance the monitoring for training and to enhance the training plan. Management agreed to implement the recommendations.



**THE UNIVERSITY OF TEXAS SYSTEM  
SUMMARY OF AUDIT ACTIVITIES  
SEPTEMBER 2002**

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**REVENUES AND RECEIVABLES (SEPTEMBER 2002)**

The objectives of this audit were to evaluate the adequacy of internal controls over Revenues and Receivable to ensure the safeguarding of assets; compliance with U. T. Dallas, Federal, State, and other applicable policies and procedures; and ensure the reliability and integrity of financial information. Additionally, to determine if Revenues and Receivables were correctly stated in all material respects in the AFR as of August 31, 2001.

Revenues appeared to be correctly stated in all material respects in the Annual Financial Report as of August 31, 2001. Accounts Receivable were understated by \$463,468, which represents 12% of total "other" accounts receivable. Recommendations were made to: improve the documentation of allowance, write-off, and collection procedures; automate the receivables process in contracts and grants accounting; and reconcile to the University accounting system. Management has agreed to implement the recommendations.

**The University of Texas at El Paso**

**FOLLOW-UP AUDITS (JULY 2002)**

The audit objective was to determine whether previously issued audit recommendations were implemented in the following reports: Annual Financial Report – Other Accounts Receivables, Procurement Card, and University Communications. All 15 audit recommendations had been implemented.

**STUDENT HEALTH CENTER (APRIL 2002)**

This departmental audit identified a weakness in the departmental cash receipting process. Other recommendations were made in the following areas: internal control awareness, separation of duties, monitoring of departmental accounts, and safeguarding of assets. Management has agreed to implement all recommendations.

**IM3 AND TEXAS CENTERS (APRIL 2002)**

The audit objective was to determine if expenditures were accurately recorded in the appropriate fiscal year. Expenditures were properly recorded. Management agreed to implement a recommendation to improve the accuracy of payroll records.

**INTERNAL QUALITY ASSURANCE REVIEW (JUNE 2002)**

The objective was to determine whether the Office of Auditing and Consulting Services (OACS) has developed and maintained a quality assurance program to ensure the quality and credibility of their work. The OACS complied with the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing for the period reviewed.

**FEES (JULY 2002)**

The audit objective was to determine if fees collected by the University were expended in accordance with University policy and provided benefits to the students as intended. Fees

**THE UNIVERSITY OF TEXAS SYSTEM  
SUMMARY OF AUDIT ACTIVITIES  
SEPTEMBER 2002**

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collected by the University were expended in accordance with University policy, and management administers the funds to maximize benefits for the students.

**INFORMATION TECHNOLOGY DEPARTMENT (AUGUST 2002)**

This departmental audit identified weaknesses in procurement card transactions, travel expenditures, and utilization of technology fees. Other recommendations related to separation of duties, vacation and sick leave, monitoring and reporting, safeguarding of physical assets, and internal control awareness. Management agreed to implement all recommendations.

**The University of Texas at Pan American**

**CAPITAL EQUIPMENT CERTIFICATION (AUGUST 2002)**

The audit objectives were to evaluate the annual inventory process and procedures, and to evaluate the adequacy and effectiveness of internal control procedures for the equipment inventory process. Inventory control procedures were adequate; however, procedures were identified to enhance internal controls for Asset Management records and for future inventory processes. Management agreed to implement all recommendations.

**NCAA RULES – EDUCATION COMPLIANCE AUDIT (AUGUST 2002)**

The audit objective was to evaluate the Athletic Department's Rules Education Program for compliance with National Collegiate Athletics Association requirements. Recommendations were made to ensure appropriate representatives of athletic interest are trained and that adequate support documentation is retained. Management agreed to implement all recommendations.

**DEPARTMENT OF MATHEMATICS (AUGUST 2002)**

This departmental audit identified that the department had an adequate system of internal controls. To enhance existing controls, recommendations were made to complete the Training Post sessions, create a Risk Assessment and Implementation Plan, and document the account reconciliation process. Management has agreed to implement the recommendation.

**The University of Texas at San Antonio**

**PROCUREMENT CARD AUDIT (JUNE 2002)**

The audit objective was to determine whether internal controls were adequate to provide reasonable assurance ProCard expenditures at U. T. San Antonio were business related and complied with applicable policies and procedures. Controls were adequate; however, due to the accelerated use of the ProCard, the University needs to expand its monitoring of ProCard purchases and emphasize the importance of segregation of duties. Recommendations included developing an independent review process for ProCard holders having final approval authority and assigning additional monitoring responsibilities to staff members within the ProCard program. Management agreed to implement recommendations.

**THE UNIVERSITY OF TEXAS SYSTEM  
SUMMARY OF AUDIT ACTIVITIES  
SEPTEMBER 2002**

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**CAPITAL EQUIPMENT CERTIFICATION (SEPTEMBER 2002)**

The audit objective was to provide positive assurance that an accurate inventory was taken, inventory was properly recorded in the institution's financial records, and reported to the State Comptroller's Office. The inventory records were accurate and complete, and the property information as reported on the proposed annual Certification of Physical Inventory to be submitted to the State Property Accounting office was materially accurate and fairly stated.

**The University of Texas at Tyler**

**AUDIT OF COMPLIANCE MONITORING PLAN FOR FEDERAL PAYROLL TAX ISSUES-FORM 941 (SEPTEMBER 2002)**

The purpose of the audit was to evaluate the Compliance Monitoring Plan for the Federal Payroll Tax high-risk area related to Form 941- Employer's Quarterly Federal Tax Return and deposits of payroll taxes. Recommendations were made for the Compliance Committee to approve Peer Review Team members, and that notification deadlines for federal forms be reported to the Compliance Committee and recorded in the minutes. Management agreed to implement the recommendations.

**AUDIT OF COMPLIANCE MONITORING PLAN FOR FEDERAL INCOME TAX ISSUES-EMPLOYEE VS. INDEPENDENT CONTRACTOR (SEPTEMBER 2002)**

The purpose of the audit was to evaluate the Compliance Monitoring Plan for the Federal Income Tax high-risk area related to Employee vs. Independent Contractor determination and IRS Form 1099 Annual Independent Contractor reporting. Recommendations were made to: ensure required forms are completed prior to services being provided; report instances of departmental noncompliance to the Compliance Committee; perform monitoring procedures; schedule a required peer review; and obtain approval from the Compliance Committee for the peer review team, and include the final report with documented approval in the meeting minutes. Management agreed to implement the recommendations.

**AUDIT OF ABEST PERFORMANCE MEASURES REPORTING (SEPTEMBER 2002)**

The audit objective was to determine the adequacy of U. T. Tyler's policies and procedures regarding submission of the performance measure data as well as to verify the accuracy of fiscal year 2001 performance measure calculations as defined by the Legislative Budget Board (LBB). Performance measure data is reported to the LLB through the Automated Budget System of Texas (ABEST) twice a year.

Twenty of the twenty-two fiscal year 2001 performance measures reported were calculated accurately. The Certified Rate of Teacher Education Graduates was reported as 82.3% and should have been reported as 69.14%. The State Licensure Exam Pass Rate of Nursing Graduates was reported 89.8% and should have been reported as 79.6%. There was confusion on the interpretation of the LBB definitions. Management is currently working

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with LBB personnel to clarify calculation definitions. Recommendations were made for: calculation procedures to be enhanced to include appropriate review and approvals prior to submission; and correction of erroneously reported fall 2001 submissions. Management concurred.

**The University of Texas Southwestern Medical Center at Dallas**

**NON-PHYSICIAN LICENSING (SEPTEMBER 2002)**

The objective of this audit was to assess the adequacy and effectiveness of controls over Medical Risk Management's compliance "A" risk of non-physician provider licensing. For this risk, the monitoring party is charged with providing assurance that: all non-physician Ambulatory Services healthcare employees who work in positions in which the job description requires licensure or certification have proof that the license and/or certification is valid and current and that any recent stipulations, suspensions, or revocations of licensure and/or certification are documented and remediated. A monitoring program is in place to manage the risk of non-physician provider licensing and established procedures are in place to manage the risk area. Three recommendations were made to enhance monitoring controls in the areas of database completeness, covered job descriptions and codes, and disciplinary action guidelines related to certification and licensure. Management agreed to implement the recommendations.

**REAL ESTATE (SEPTEMBER 2002)**

The audit objectives were to assess the adequacy and effectiveness of internal controls over Real Estate Services. Real Estate Services is very diligent in its efforts to meet its responsibilities as a representative for owner duties and its responsibility for maintaining sound lease practices. Real Estate is proactive in its management approach to meet tenant and Medical Center needs and has demonstrated an awareness of cost saving by implementing measures that include managing construction, repair, and maintenance needs. Six recommendations were made to enhance controls over segregation of duties, documentation of reviews and reconciliations, and developing a strategic plan. Management agreed to implement the recommendations.

**The University of Texas Health Science Center at Houston**

**CAPITAL EQUIPMENT CERTIFICATION (SEPTEMBER 2002)**

The audit objective was to provide assurance concerning the inventory count's accuracy prior to submission of the annual physical inventory certification to the State Comptroller. Based on the procedures performed, the count appears to be materially accurate.

**The University of Texas M. D. Anderson Cancer Center**

**TUITION REIMBURSEMENT (JUNE 2002)**

Internal Audit, in response to a hot-line complaint, conducted an inquiry. Internal Audit identified an internal control weakness and recommended Human Resources review Payroll's procedures for handling overpayments. Management agreed to the recommendation.

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**PRS TRUST FUND ANNUAL FINANCIAL AUDIT (AUGUST 2002)**

The objective of this audit was to perform a presentation review of the special-purpose statement, 'Summary of Operations, Schedule D-6' ("Schedule") for fiscal year 2001. The objectives of the audit were to verify that the financial information is presented using the appropriate format, ensure that the Schedule ties to the general ledger and the AFR S2-a report, and that appropriate general ledger accounts are reflected on the Schedule. The Schedule ties to the general ledger and the AFR S2-a reports, and it appears that all appropriate general ledger accounts are reflected on the Schedule. No recommendations were made

**CONTROLS CONSULTING REVIEW – RECONCILIATIONS (AUGUST 2002)**

Internal Audit, at the request of the Audit Committee, reviewed segregation of duties, reconciliations, time system reconciliations, fixed asset inventory accuracy, and management of procurement cards for twenty randomly selected departments. There is a considerable degree of compliance with the institution's policies and procedures. Recommendations were made to enhance controls related to reconciliations and procurement card management. Management is reviewing the recommendations.

**CONTROL RECOVERY/BUSINESS CONTINUITY PLANNING (JULY 2002)**

Internal Audit observed Computer and Communication Services' (C&CS) successful tests of the SunGuard recovery site contract for the VAX and IBM 9672. Currently, some of the servers in the data center do not have disaster recovery procedures. C&CS is aware of the problems and is considering alternative recovery sites. Recommendations were made to: enhance the documentation related to the recovery process, designate an individual to coordinate the Emergency Readiness Plans testing, and train personnel with the appropriate Disaster Recovery Plan testing. Management is reviewing the recommendations.

**U. T. SYSTEM AUDIT REPORTS ISSUED - Received in October & November**

<b>Report Date</b>	<b>Institution</b>	<b>Audit</b>
2002 - 10	HSC San Antonio	Family and Community Medicine Internal Control Review
2002 - 10	UT Austin	Counseling, Learning, and Career Services Center
2002 - 10	UT Austin	Departmental Units University-Wide
2002 - 10	UT Austin	Physical Plant-Construction/Renovation Contracts
2002 - 10	UT Austin	Student Accounts Receivable System-Office of Accounting
2002 - 10	UT Brownsville	Inventory Certification
2002 - 10	UT Dallas	Medical Billing Compliance
2002 - 10	UT El Paso	NCAA Agreed-Upon Procedures FY 2001
2002 - 10	UT Permian Basin	Allowance for Doubtful Accounts & Depreciation Audit
2002 - 10	UT Southwestern	Department of Cardiovascular & Thoracic Surgery
2002 - 10	UT Southwestern	Department of Otolaryngology-Head and Neck Surgery
2002 - 10	UT Southwestern	Equipment Compliance Plan
2002 - 10	UT System	Compliance Program: Design and Effectiveness Audit
2002 - 10	UT System	Office of Public Affairs Departmental Audit Report FY 2003
2002 - 10	UT System	Audit of Clinical Trials at UT Health Center at Tyler
2002 - 10	UT Tyler	Educator Preparation Programs-College of Education & Psychology
2002 - 10	UT Tyler	Form 941-Employer's Quarterly Federal Tax Return
2002 - 10	UT Tyler	Employee vs. Independent Contractor
2002 - 10	UT Tyler	Office of the Dean-College of Education and Psychology
2002 - 10	UT Tyler	ABEST Performance Measures
2002 - 11	HC Tyler	Net Accounts Receivable
2002 - 11	HC Tyler	Review of Accounts of the Office of the President
2002 - 11	HC Tyler	Accounting Departmental Audit FY 2002
2002 - 11	HSC Houston	Healthcare Billing Compliance
2002 - 11	HSC Houston	Federal Research & Development Programs
2002 - 11	HSC Houston	Net Accounts Receivable
2002 - 11	HSC San Antonio	Net Accounts Receivable
2002 - 11	HSC San Antonio	Radiology Internal Control Review
2002 - 11	HSC San Antonio	Internal Audit Report Institutional Follow-Up
2002 - 11	MD Anderson	Net Accounts Receivable
2002 - 11	UT Austin	UT Press
2002 - 11	UT Brownsville	2002 Limited Scope Audit of the TSC District Office
2002 - 11	UT Brownsville	2002 Audit of Workforce Training and Continuing Education
2002 - 11	UT Permian Basin	POISE-Financial Aid Application Audit
2002 - 11	UT Southwestern	Institutional Compliance Committee Controls
2002 - 11	UT Southwestern	Purchased Utilities
2002 - 11	UT Southwestern	Patient Accounts Receivable
2002 - 11	UT Southwestern	Net Accounts Receivable
2002 - 11	UT Southwestern	Department of Anesthesiology & Pain Management
2002 - 11	UT System	Capital Assets and Depreciation Audit Report FYE 8/31/02
2002 - 11	UT System	Office of Federal Relations Departmental Audit Report FY 2003
2002 - 11	UT System	Agreed-Upon Procedures Cost Savings Report
2002 - 11	UT System	Shenandoah Petroleum Corporation
2002 - 11	UT System	Health Components Net Accounts Receivable
2002 - 11	UT Tyler	Cost Savings Report
2002 - 11	UT Tyler	Department Curriculum & Instruction
2002 - 11	UT Tyler	Computer Science Department
2002 - 11	UTMB	Net Accounts Receivable

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

**Institutional Compliance Quarterly Report  
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**Organizational Matters**

The Internal Audit and Compliance Subcommittee of the Finance and Planning Committee of the Board of Regents met on October 9, 2002. The purpose the subcommittee is to provide Board of Regent oversight to the internal audit and compliance activities of the UT System. The topics discussed included the program status and national conference to be hosted on October 22-24, 2002.

The System-wide Compliance Executive Committee met on September 19, 2002. 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 implementation of institutional compliance programs at U. T. Austin and HSC Houston.

On November 6, 2002, the System-wide Compliance Function facilitated the meeting of the Compliance Officers. The purpose of this meeting was to facilitate communication and sharing of ideas, best practices, exposures, and other information among the component institutions' compliance officers. The topics discussed included compliance committees, investigations, reporting, general compliance training, and building campus-wide support.

**High-risk Activity**

The System-wide Compliance Function facilitates regular meetings of the high-risk work groups. Following is a synopsis of progress made during the first quarter of FY 2003.

**Basic Research**

Chair: Dr. Juan Sanchez, Vice President for Research, U. T. Austin

Facilitator: Mr. Lon Heuer, Director of Audits, U. T. Austin

Accomplishments: The group has developed an extensive website to assist each other in the continued process of review and adjustment to procedures and oversight in the management of risk. U. T. Austin's Director of Research Support and Compliance Office and Associate Vice President for Research spoke on the Research Risk Assessment Process at the 2002 Texas Society for Biomedical Research Conference in October. Additionally, several members of the working group participated in the presentation of the Research Risk Assessment Process at the 2<sup>nd</sup> Annual Conference on Effective Compliance Systems in Higher Education.

**Endowments**

Chair: Ms. Shirley Bird Perry, Vice Chancellor for Development and External Relations, U. T. System

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Facilitators: Ms. Julie Lynch, Trust Officer, U. T System  
Ms. Kimberly Hagara, Assistant Director, U. T. System

Accomplishments: Regional roundtables have been scheduled for December 3 and 10 to provide an opportunity for endowment compliance personnel to discuss endowment compliance issues and concerns including risk assessment, monitoring and training.

**Environmental Health & Safety (EH&S)**

Chair: Dr. Robert Emery, Assistant VP for Research Administration and Executive Director EH&S, U. T. HSC – Houston

Facilitator: Ms. Kimberly Hagara, Assistant Director, U. T. System

Accomplishments: A semi-annual meeting for this working group will be held on December 6, 2002. Topics to be discussed will include the Homeland Security Act, Biological Safety, Fire and Life Safety, and Environmental Management Systems. Additionally, the working group is reviewing the risk assessment developed several years ago to be updated to include the recent changes in the regulatory environment.

**Intercollegiate Athletics**

Chair: Ms. Lynn Hickey, Athletic Director, U. T. San Antonio

Facilitator: Mr. Richard St. Onge, Manager, U. T. System

Accomplishments: This group met on October 16 & 17, 2002 to review and enhance the remaining four drafted monitoring plans. To date, twelve of the fourteen high-risk area monitoring plans have been completed and approved by the group. Additionally, the group has developed a website to facilitate the sharing of information.

**Medical Billing**

Chair: Dr. John Sparks, Physician in Chief, U. T. HSC – Houston

Facilitator: Ms. Kimberly Hagara, Assistant Director, U. T. System



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Accomplishments: This group met on November 15, 2002 to discuss medical billing issues in the areas of clinical trials billing, professional courtesy and discounts, specialized training, and changes in Medicare policies. Additionally, the group discussed sharing of education curriculums and program reviews. The group plans to meet again in February 2003.

**Action Plan Activity**

The System-wide Compliance Function hosted the 2nd Annual Conference on Effective Compliance Systems in Higher Education in Austin on October 22-24, 2002. Approximately 80 college and university officials from throughout the country participated. Topics presented included: risk assessment, governance function expectations, basic research, privacy, environmental health and safety. Additionally keynote speaker Dean William C. Powers, Jr., U.T. Austin School of Law, spoke about his experience as the chair of the special investigation committee for Enron and the changing environment of corporate governance.