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

April 1, 2003
7:30 a.m.
Conference Room, 9th Floor
Ashbel Smith Hall, Austin, Texas

AGENDA

|  |  |  |  |
|---|---|---|---|
|  | 1. | **Welcome and Opening Remarks** |  |
|  |  | **Internal Audit** |  |
| *7:30* | 2. | **UTIMCO Audit** | *Mr. Philip Aldridge* |
| *7:45* | 3. | **Reporting Activity (Red, Yellow, Green Project)** (Tab 3) | *Mr. Charles Chaffin* |
| *7:55* | 4. | **Agenda Topic for May Board of Regents' Meeting** Amendment to Regents' <u>Rules</u> – Appointment of Chief Audit Executive (Tab 4) [Information Item] | *Mr. Charles Chaffin* |
|  |  | **Compliance** |  |
| *8:00* | 5. | **Information Technology Security** | *Mr. Charles Chaffin* |
| *8:10* | 6. | **Program Status** (Tab 6) | *Mr. Charles Chaffin* |
| *8:15* | 7. | **Action Plan** (Tab 7) | *Mr. Charles Chaffin* |
| *8:20* | 8. | **The Southern Association of College and University Business Officers (SACUBO) Award** (Tab 8) | *Mr. Charles Chaffin* |
| *8:25* | 9. | **RECESS TO EXECUTIVE SESSION (<u>TEXAS GOVERNMENT CODE</u>, CHAPTER 551)** |  |

    a. <u>Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers</u> - Section 551.071

    **b.** <u>Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees</u> - Section 551.074

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

    10.   **Adjourn**

**U. T. SYSTEM AUDITS**

1st Time reported in this format - All start as RED

| # | Report Date | Institution | Audit | As of 1st Qtr. FY 2003 Ranking | # of Significant Findings | Quarter Ended 2/03 Ranking | # of Significant Findings | Overall Progress Towards Completion (Note 1) | Ranking Significance Material to Component's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O") |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 1998-06 | System Adm. | Office of Human Resources | RED | 1 | YELLOW | 1 | Satisfactory | O |
| 2 | 1998-07 | HSCHouston | Federal Contracts & Grants Review | RED | 1 | YELLOW | 1 | Satisfactory | C |
| 3 | 1998-11 | System Adm. | 1999 Employee Group Insurance Program Follow-up Audit | RED | 1 | GREEN | 0 | Completed | C |
| 4 | 1999-02 | UTPB | Compliance Program | RED | 1 | YELLOW | 1 | Satisfactory | C |
| 5 | 1999-11 | UTD | Green Commons Club | RED | 1 | YELLOW | 1 | Satisfactory | O |
| 6 | 1999-12 | UTPA | Maintenance & Operations | RED | 1 | GREEN | 0 | Completed | O |
| 7 | 2000-04 | Southwestern | Design & Implementation of the Billing Compliance Program | RED | 1 | GREEN | 0 | Completed | C |
| 8 | 2000-04 | HSCHouston | Medical Service Research & Development Plan (MSRDP) Summary of Operations Review | RED | 1 | YELLOW | 1 | Satisfactory | C |
| 9 | 2000-04 | System Adm. | Trust Minerals | RED | 2 | YELLOW | 2 | Satisfactory | O, C |
| 10 | 2000-05 | HC-Tyler | IT Audit of Physical Security - Safeguarding & Storage of System Media | RED | 2 | YELLOW | 2 | Satisfactory | O |
| 11 | 2000-09 | U. T. Austin | Federal Funds Principal Investigators | RED | 4 | YELLOW | 4 | Satisfactory | C |
| 12 | 2000-10 | MB-Galveston | Fixed Assets | RED | 1 | GREEN | 0 | Completed | F |
| 13 | 2000-11 | HSC-SA | MSRDP/DSRDP Financial Review | RED | 1 | YELLOW | 1 | Satisfactory | F |
| 14 | 2001-01 | HSCHouston | Casual Appointments, Compensation Compliance & Monitoring Review | RED | 1 | YELLOW | 1 | Satisfactory | C |
| 15 | 2001-04 | UTPA | Internet Security | RED | 2 | YELLOW | 1 | Satisfactory | O |
| 16 | 2001-08 | UTA | Endowments Audit | RED | 1 | GREEN | 0 | Completed | O |
| 17 | 2001-08 | Southwestern | Front-End Billing Executive Report | RED | 2 | GREEN | 0 | Completed | O |
| 18 | 2001-08 | MB-Galveston | Institutional E-mail Systems | RED | 2 | YELLOW | 2 | Satisfactory | O |
| 19 | 2001-08 | MD-Anderson | Lotus Notes Environment | RED | 3 | YELLOW | 3 | Satisfactory | O |
| 20 | 2001-08 | MD-Anderson | Physical Environment | RED | 1 | YELLOW | 1 | Satisfactory | O |
| 21 | 2001-08 | HC-Tyler | Review of East Texas Quality Care Network, Satellite Clinics, & Selected | RED | 1 | GREEN | 0 | Completed | F |
| 22 | 2001-09 | HC-Tyler | Medical Services, Research & Development Plan | RED | 1 | RED | 1 | Unsatisfactory | F |
| 23 | 2001-09 | UTPA | Advanced Research/Technology Programs | A | | RED | 6 | * | C |
| 24 | 2001-10 | HSC-SA | Information Security | RED | 2 | YELLOW | 2 | Satisfactory | C, O |
| 25 | 2001-10 | MD-Anderson | Disaster Recovery/Business Continuity Planning | RED | 1 | YELLOW | 1 | Satisfactory | O |
| 26 | 2001-11 | UTEP | Department of Chemistry | RED | 3 | YELLOW | 3 | Unsatisfactory | C |
| 27 | 2001-11 | UTEP | Model Institutions for Excellence | RED | 1 | YELLOW | 1 | Satisfactory | C |
| 28 | 2001-11 | UTPB | Follow-up Audit | RED | 1 | GREEN | 0 | Completed | F |
| 29 | 2001-11 | UTT | IT General Security Review | A | 0 | RED | 10 | 8 (S); 2 (U) | O |
| 30 | 2001-11 | HSCHouston | Report on University Care Plus (UCP)/Physician Business Services (PBS) Payment Process & A/R Credit Balance Review | RED | 3 | YELLOW | 3 | Satisfactory | O, C |
| 31 | 2001-12 | System Adm. | ARCO Permian Basin – Block 31 Gas Plant Audit | RED | 1 | GREEN | 0 | Completed | O |
| 32 | 2002-01 | UTA | Formula Funding | RED | 1 | GREEN | 0 | Completed | F |
| 33 | 2002-02 | UTD | Follow-Up of Prior Audit Recommendations | RED | 2 | YELLOW | 1 | Satisfactory | F |
| 34 | 2002-02 | HSCHouston | Time Management System (TMS) Post Implementation Review | RED | 2 | YELLOW | 1 | Satisfactory | O, C |
| 35 | 2002-02 | HSCHouston | Environmental & Physical Safety Compliance Program Review | RED | 1 | YELLOW | 1 | Satisfactory | C |
| 36 | 2002-03 | UTPA | Student Health Services (SHS) | RED | 2 | GREEN | 0 | Completed | C |
| 37 | 2002-04 | UTB | 2002 General Controls Audit of Information Technology | RED | 1 | YELLOW | 1 | Satisfactory | O |
| 38 | 2002-04 | UTEP | IM3 and Texas Centers | RED | 1 | GREEN | 0 | Completed | C |

| No | Date | Component | Audit | Flag | | Count | | Count | Status | Codes |
|----|------|-----------|-------|------|-----|-------|-----|-------|--------|-------|
| 39 | 2002-04 | UTEP | Student Health Center | | (Red) | 1 | (Yellow) | 1 | Satisfactory | O |
| 40 | 2002-05 | UTA | Network Support Audit | | (Red) | 3 | (Red) | 3 | Satisfactory | O |
| 41 | 2002-05 | HC-Tyler | Office of the Vice President for Finance & Administration Departmental Audit | | (Red) | 1 | (Yellow) | 1 | Satisfactory | F |
| 42 | 2002-05 | System Adm. | Office of Information Resources Follow-up | | (Red) | 1 | (Yellow) | 1 | Satisfactory | O |
| 43 | 2002-06 | UTSA | Registrar's Office | A | | 0 | (Red) | 1 | Satisfactory | O |
| 44 | 2002-07 | MB-Galveston | Clinical Interface Engine | | (Red) | 2 | (Yellow) | 2 | Satisfactory | O |
| 45 | 2002-07 | HC-Tyler | Clinics | | (Red) | 1 | (Green) | 0 | Completed | C |
| 46 | 2002-08 | UTEP | Information Technology Department | B | | 0 | (Red) | 3 | Satisfactory | C |
| 47 | 2002-08 | HSC-SA | Institutional Compliance Program | B | | 0 | (Red) | 3 | Satisfactory | C |
| 48 | 2002-08 | System Adm. | Travel and Entertainment Expenditures | | (Red) | 1 | (Yellow) | 1 | Satisfactory | O, C |
| 49 | 2002-09 | U. T. Austin | Travel | | (Red) | 2 | (Yellow) | 1 | Satisfactory | O |
| 50 | 2002-09 | UTSA | Procurement Card | B | | 0 | (Red) | 1 | Satisfactory | O |
| 51 | 2002-09 | UTSA | Change in Management Dept. Reviews | B | | 0 | (Red) | 1 | Satisfactory | O |
| 52 | 2002-09 | Southwestern | Real Estate Services | B | | 0 | (Red) | 1 | Satisfactory | O |
| 53 | 2002-10 | UTA | ATP/ARP | | (Red) | 1 | (Red) | 1 | Satisfactory | C |
| 54 | 2002-10 | U. T. Austin | Student Accounts Receivable/Fee Billing System | | (Red) | 1 | (Red) | 1 | Unsatisfactory | O |
| 55 | 2002-10 | U. T. Austin | Unit Heads | | (Red) | 1 | (Yellow) | 1 | Satisfactory | O, C |
| 56 | 2002-10 | UTB | Workforce Training and Continuing Education Audit | B | | | (Red) | 2 | Satisfactory | F,O |
| 57 | 2002-10 | UTD | Revenues and Receipts | | (Red) | 1 | (Green) | 0 | Completed | F |
| 58 | 2002-10 | UTT | ABEST Performance Measures | B | | 0 | (Red) | 2 | Satisfactory | C |
| 59 | 2002-10 | System Adm. | HCT Clinical Trials | | | 0 | (Red) | 1 | Satisfactory | O |
| 60 | 2002-11 | UTPB | POISE Application Audit | | | 0 | (Red) | 2 | Satisfactory | O |
| 61 | 2002-11 | System Adm. | Accounts Receivable - Health Comp. | | | 0 | (Red) | 1 | Satisfactory | F |
| | | | Totals | | | 70 | | 84 | | |

**A**   These audits were not originally reported as red, but were deemed red after a thorough review of all reports.
**B**   These audits were completed during August, September, and October (first quarter), but not received by System until second quarter.

*   Not previously listed as significant recommendations.  Component auditors are in the process of following up.

**STATE AUDITOR'S OFFICE AUDITS**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 1 | 2002-02 | MB-Galveston | Contract Administration Review at the University of Texas Medical Branch at Galveston | (red) | 4 | (yellow) | 4 | Satisfactory | n/a |
| 2 | 2002-05 | MDA | Statewide Single Audit report for Year Ended August 31, 2001 | (red) | 1 | (yellow) | 1 | Satisfactory | n/a |
| 3 | 2002-05 | HSCHouston | Statewide Single Audit Report for Year Ended August 31, 2002 | (red) | 1 | (green) | 0 | Completed | n/a |
| 4 | 2002-09 | UTB | A Financial Review | | 0 | (red) | 2 | Satisfactory | n/a |
| 5 | 2002-11 | HSC-SA | FY 01 Performance Measures at 14 Entities | | 0 | (red) | 2 | Satisfactory | n/a |
| 6 | 2002-11 | Southwestern | FY 01 Performance Measures at 14 Entities | | 0 | (red) | 1 | Satisfactory | n/a |
| 7 | 2002-11 | Southwestern | FY 01 Performance Measures at 14 Entities | | 0 | (red) | 1 | Satisfactory | n/a |
| | | | Totals | | 6 | | 11 | | |

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

Color Legend:

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

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

(green)    All issues have been appropriately resolved.

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

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

*Unsatisfactory* - The component Internal Audit Director does not feel that the significant issues are being addressed in a timely and appropriate fashion.

**\* OTHER U. T. SYSTEM AUDITS COMPLETED - Quarter Ended 11/2002 and 1/2003**

| Month Received by System | Report Issuance Date | Institution | Audit |
|---|---|---|---|
| 2002 - 10 | 10/31/02 | HSC Houston | Capital Assets Inventory FY 02 |
| 2002 - 10 | 07/24/02 | HSC San Antonio | Family and Community Medicine Internal Control Review |
| 2002 - 10 | 09/27/02 | UT Austin | Counseling, Learning, and Career Services Center |
| 2002 - 10 | 09/30/02 | UT Austin | Pharmacy Store |
| 2002 - 10 | 10/03/02 | UT Austin | AFR, Cash and Temporary Investments |
| 2002 - 10 | 10/03/02 | UT Austin | AFR, Accounts and Notes Receivable, Accounts Payable |
| 2002 - 10 | 10/04/02 | UT Austin | Departmental Units University-Wide |
| 2002 - 10 | 10/04/02 | UT Austin | Physical Plant-Construction/Renovation Contracts |
| 2002 - 10 | 10/02/02 | UT Austin | Student Fees |
| 2002 - 10 | 09/26/02 | UT Brownsville | Inventory Certification |
| 2002 - 10 | 10/04/02 | UT Dallas | Medical Billing Compliance |
| 2002 - 10 | 10/30/02 | UT Permian Basin | Allowance for Doubtful Accounts & Depreciation Audit |
| 2002 - 10 | 10/04/02 | UT Southwestern | Department of Otolaryngology-Head and Neck Surgery |
| 2002 - 10 | 10/04/02 | UT Southwestern | Equipment Compliance Plan |
| 2002 - 10 | 10/18/02 | UT Southwestern | Department of Cardiovascular & Thoraic Surgery |
| 2002 - 10 | 08/30/02 | UT System | NCAA Agreed-Upon Procedures FY 2001 |
| 2002 - 10 | 10/02/02 | UT System | Office of Public Affairs Departmental Audit Report FY 2003 |
| 2002 - 10 | 10/25/02 | UT System | Compliance Program: Design and Effectiveness Audit |
| 2002 - 10 | 09/26/02 | UT Tyler | Form 941-Employer's Quarterly Federal Tax Return |
| 2002 - 10 | 09/26/02 | UT Tyler | Employee vs. Independent Contractor |
| 2002 - 10 | 10/04/02 | UT Tyler | Educator Preparation Programs-College of Education & Psychology |
| 2002 - 10 | 10/04/02 | UT Tyler | Office of the Dean-College of Education and Psychology |
| 2002 - 11 | 10/28/02 | HC Tyler | Review of Accounts of the Office of the President |
| 2002 - 11 | 11/08/02 | HC Tyler | Accounting Departmental Audit FY 2002 |
| 2002 - 11 | 05/29/02 | HSC Houston | Federal Research & Development Programs |
| 2002 - 11 | 07/24/02 | HSC Houston | Healthcare Billing Compliance |
| 2002 - 11 | 11/15/02 | HSC Houston | Net Accounts Receivable |
| 2002 - 11 | 08/30/02 | HSC San Antonio | Radiology Internal Control Review |
| 2002 - 11 | 08/30/02 | HSC San Antonio | Internal Audit Report Institutional Follow-Up |
| 2002 - 11 | 11/15/02 | HSC San Antonio | Net Accounts Receivable |
| 2002 - 11 | 11/15/02 | MD Anderson | Net Accounts Receivable |
| 2002 - 11 | 10/30/02 | UT Austin | UT Press |
| 2002 - 11 | 11/01/02 | UT Austin | Cost Savings |
| 2002 - 11 | 10/30/02 | UT Brownsville | 2002 Limited Scope Audit of the TSC District Office |
| 2002 - 11 | 11/01/02 | UT Southwestern | Institutional Compliance Committee Controls |
| 2002 - 11 | 11/07/02 | UT Southwestern | Purchased Utilities |
| 2002 - 11 | 11/07/02 | UT Southwestern | Patient Accounts Receivable |
| 2002 - 11 | 11/15/02 | UT Southwestern | Net Accounts Receivable |
| 2002 - 11 | 11/15/02 | UT Southwestern | Department of Anesthesiology & Pain Management |
| 2002 - 11 | 10/30/02 | UT System | Office of Federal Relations Departmental Audit Report FY 2003 |
| 2002 - 11 | 11/14/02 | UT System | Shenandoah Petroleum Corporation |
| 2002 - 11 | 11/15/02 | UT System | HCT Net Accounts Receivable |
| 2002 - 11 | 11/15/02 | UT System | Capital Assets and Depreciation Audit Report FYE 8/31/02 |
| 2002 - 11 | 11/19/02 | UT System | Agreed-Upon Procedures Cost Savings Report |
| 2002 - 11 | 10/18/02 | UT Tyler | Department Curriculum & Instruction |
| 2002 - 11 | 11/18/02 | UT Tyler | Cost Savings Report |
| 2002 - 11 | 11/21/02 | UT Tyler | Computer Science Department |
| 2002 - 11 | 11/15/02 | UTMB | Net Accounts Receivable |
| 2002 - 12 | 12/27/02 | HC Tyler | Cost Savings Report |
| 2002 - 12 | 12/27/02 | HC Tyler | Family Practice Residency Program AFR FYE 8/31/2002 |
| 2002 - 12 | 12/27/02 | HC Tyler | Graduate Medical Education AFR FYE 8/31/2002 |
| 2002 - 12 | 11/26/02 | HSC Houston | 2002 Cost Savings Report |
| 2002 - 12 | 11/08/02 | HSC San Antonio | Equipment and Equipment Depreciation |
| 2002 - 12 | 09/20/02 | HSC San Antonio | Cash and Investments |
| 2002 - 12 | 09/11/02 | MD Anderson | Equipment Inventory |
| 2002 - 12 | 10/29/02 | MD Anderson | Consulting Engagement - Computer Lease Process |

| Month Received by System | Report Issuance Date | Institution | U. T. System Reporting Activity - 2nd Quarter FY 2003      Audit |
|---|---|---|---|
| 2002 - 12 | 11/05/02 | MD Anderson | Chaplaincy Donation |
| 2002 - 12 | 11/05/02 | MD Anderson | Contract Compliance - Procurement |
| 2002 - 12 | 11/15/02 | MD Anderson | Pharmacy Inventory Control |
| 2002 - 12 | 05/20/02 | MD Anderson | Charge Capture - Radiation Oncology |
| 2002 - 12 | 06/10/02 | MD Anderson | State ARP/ATP Grants |
| 2002 - 12 | 08/14/02 | MD Anderson | Lawson Implementation |
| 2002 - 12 | 10/10/02 | UT Arlington | Advanced Technology Program/Advanced Research Program |
| 2002 - 12 | 11/13/02 | UT Arlington | Appropriations |
| 2002 - 12 | 11/20/02 | UT Arlington | Cost Savings Report |
| 2002 - 12 | 12/06/02 | UT Austin | Departmental Units University-Wide |
| 2002 - 12 | 11/09/02 | UT Dallas | Smart Cards |
| 2002 - 12 | 11/11/02 | UT Dallas | Institutional Compliance |
| 2002 - 12 | 11/11/02 | UT Dallas | Research Expenditures |
| 2002 - 12 | 11/16/02 | UT Dallas | Annual Financial Report Review |
| 2002 - 12 | 11/16/02 | UT Dallas | Financial Aid Compliance |
| 2002 - 12 | 11/17/02 | UT Dallas | Property |
| 2002 - 12 | 11/22/02 | UT Dallas | Cost Savings |
| 2002 - 12 | 11/27/02 | UT Dallas | Construction and Renovation |
| 2002 - 12 | 11/20/02 | UT Permian Basin | UTPB 2002 Cost Savings Report |
| 2002 - 12 | 09/16/02 | UT San Antonio | Change in Management Departmental Reviews |
| 2002 - 12 | 11/04/02 | UT San Antonio | 2002 Cost Savings Report |
| 2002 - 12 | 11/15/02 | UT San Antonio | Equipment and Depreciation |
| 2002 - 12 | 11/19/02 | UT Southwestern | Procurement Cards |
| 2002 - 12 | 11/22/02 | UT Southwestern | IDX Revenue Application |
| 2002 - 12 | 11/21/02 | UT System | Office of Facilities Planning & Construction Follow-Up Audit FY 2002 |
| 2002 -12 | 12/05/02 | UT Austin | Professional Services |
| 2002 -12 | 11/17/02 | UT Dallas | Lena Callier Trust for the Hard of Hearing & the Deaf |
| 2002 -12 | 11/27/02 | UT Dallas | International Students |
| 2002 -12 | 12/12/02 | UT Tyler | Electrical Engineering |
| 2002 -12 | 12/12/02 | UT Tyler | FISAP Review |
| 2003 - 01 | 12/27/02 | HC Tyler | Cost Savings Report-Agreed Upon Procedures Audit FY 2002 |
| 2003 - 01 | 12/27/02 | HC Tyler | Graduate Medical Education Program Annual Financial Report Audit FYE 8/31/02 |
| 2003 - 01 | 12/27/02 | HC Tyler | Family Practice Residency Program Annual Financial Report Audit FYE 8/31/02 |
| 2003 - 01 | 01/14/03 | HC Tyler | Office of the President Department Audit FY 2003 |
| 2003 - 01 | 12/20/02 | HSC San Antonio | Family Practice Residency Program |
| 2003 - 01 | 11/01/02 | UT Austin | Internet EDI Service |
| 2003 - 01 | 11/01/02 | UT Austin | Cost Savings Report |
| 2003 - 01 | 01/15/03 | UT Dallas | Telecommunications |
| 2003 - 01 | 11/18/02 | UT Pan American | NCAA Athletic Equipment and Apparel |
| 2003 - 01 | 11/18/02 | UT Pan American | NCAA Compliance Recruiting |
| 2003 - 01 | 11/25/02 | UT Pan American | College of Education |
| 2003 - 01 | 12/13/02 | UT San Antonio | Surprise Petty Cash Counts |
| 2003 - 01 | 12/13/02 | UT San Antonio | Advanced Research/Technology Programs |
| 2003 - 01 | 01/17/03 | UT Southwestern | Student Financial Aid |
| 2003 - 01 | 11/30/02 | UT System | Joint Admission Medical Program ("JAMP") |
| 2003 - 01 | 12/12/02 | UT Tyler | Fiscal Operations Report & Application to Participate (FISAP) |
| 2003 - 01 | 12/12/02 | UT Tyler | Electrical Engineering Department |
| 2003 - 01 | 12/17/02 | UT Tyler | Automated Budget System of Texas (ABEST) |

## U. T. System New Recommendations

| Component | Report Title | Report Date |
|---|---|---|
| University of Texas at Brownsville | Workforce Training and Continuing Education | October 30, 2002 |

**Background**

*As part of the FY 2002 audit Plan, we performed an audit of Workforce Training and Continuing Education (WTCE) at UTB, which serves people of all ages in the Lower Rio Grande area. Services offered include a variety of courses not for college credit, but rather to gain skills necessary to do technical jobs, or to enhance the quality of life.*

**Audit Objective(s)**

1. *Determine whether revenue is fairly stated in all material respects in UTB's financial statements as of Mach 31, 2002;*
2. *To evaluate the internal control structure in the Workforce Training and Continuing Education*

**Observation (s)**

1. *Lack of account reconciliations of revenue generating departments;*
2. *Revenue receipts are not timely deposited, checks are not restrictively endorsed upon receipt, billings/invoices are not monitored to ensure timely payment on accounts receivables, check logs are not maintained,*
3. *Lack of internal controls for cash collections in the Bistro and Service Industry Departments.*

**Recommendation(s) Significant to Component**

1. *We recommend that the Dean ensure that reconciliations be performed on a monthly basis to help timely ensure that all expenditures and revenues charged/credited to the department are valid and accurate. This must include a comparison of departmental records to the official account records of the University.*

2. *We recommend that the Vice President and the Dean address the issue regarding inadequate controls for revenue handling procedures. Proper revenue handling controls should ensure that all money due to the University is actually received, that money collected is properly recorded in the accounts, that all money collected is properly and timely deposited according to University policy, that checks be restrictively endorsed upon receipt, that pre-numbered receipts be issued, that a check log be kept for revenue received through the mail, that an Account Receivable aging ledger be kept for monitoring billings, and that a reconciliation be performed.*

**Material to Component's Financial Statements, Compliance, and/or Operations**

*Financial Statements, and/or Operations*

**Management's Plan to Address Significant Issue(s), Including date recommendations will be implemented**

1. *The Dean will ensure that account reconciliations are performed on a monthly basis. An account reconciliation manual and workshop will be provided to each department to assist employees with guidance.*

2. *The Vice President and the Dean will address the issue regarding inadequate controls for revenue handling procedures with all Directors and Program Directors. A policies and procedures manual will be provided to the departments for guidance. The manual will include the proper handling of money due to the University, that money collected is properly recorded in the accounts, that all money collected is timely deposited according to University policy, that checks are restrictively endorsed upon receipt, that pre-numbered receipts are issued, that a check log is kept for revenue received through the mail, that an account receivable aging ledger is kept for monitoring billings, and that account reconciliations are performed on a monthly basis.*

| Component | Report Title | Report Date |
|---|---|---|
| University of Texas at El Paso | Information Technology Department | August 28, 2002 |

**Background**

*Effective October 1, 2001, the Information Technology Department began reporting directly to the Vice President for Institutional Advancement (VPIA). In addition, recent management changes have resulted in the implementation of new policies and procedures to improve operations and address mismanagement issues. This audit is a change in management audit requested by the VPIA's office.*

**Audit Objective(s)**

*The audit objectives were to determine if the department was operating in a control conscience environment having the following characteristics:*

1. *An adequate level of internal control awareness.*
2. *Proper segregation of duties and monitoring of vacation/sick leave, comp time, and department accounts.*
3. *Appropriate authorization of departmental expenditures.*
4. *Adequate safeguards for financial, physical and information assets.*

**Observation(s)**

1. *Required reconciliations of Procurement Card transactions were not performed, errors were noted in 100% of the 56 transactions tested, and inappropriate items were purchased in 10 instances using University funds*
2. *Thirty-two travel vouchers sampled contained 25 discrepancies including 13 instances in which hotel charges in excess of approved state rates were approved and reimbursed.*
3. *Technology Fees collected, which were intended to provide students with technology services, were used for employee meeting and entertainment food purchases on 15 occasions.*

**Recommendation(s) Significant to Component**

1. *Department senior management should review documentation of all Procurement Card transactions for appropriateness, accuracy and completeness. The Procurement Card transactions should be reconciled by an administrative staff member and reviewed by department senior management.*
2. *Department senior management should review every travel voucher for accuracy, completeness and appropriateness to insure that all travel expenditures adhere to University and State travel policy.*
3. *Management should ensure that the Technology Fee account is used for the purpose it was intended, to benefit the students in the information technology area.*

**Material to Component's Financial Statements, Compliance, and/or Operations**

*Compliance*

**Management's Plan to Address Significant Issue(s), Including date recommendations will be implemented**

1. *We concur. The Procurement Card in question was removed from the employee in March 2002. We currently review and reconcile all Procurement Card transactions.*
2. *We concur. Travel expenditures are reviewed by senior management to ensure adherence to all related policies.*
3. *We concur. Procedures have been established to ensure that all budgeted accounts are used for their intended purpose.*

| Component | Report Title | Report Date |
|---|---|---|
| The University of Texas – Pan American | Advanced Research & Advanced Technology Programs | August 28, 2001 |

**Background**

The Texas Higher Education Coordinating Board awarded The University of Texas-Pan American $416,357.00 for seven research projects under the state's Advanced Research Program and the Advanced Technology Program. These state-appropriated grants are generally for two-year periods and are set-up as fiscal accounts within the University's Financial Records System. It has been the practice of the Coordinating Board to request audits of these programs about every two years.

**Audit Objective(s)**

The objective of the audit was to ensure compliance with grant requirements and conditions established by the Texas Higher Coordinating Board and to review institutional controls over the management and administrative functions of these grants.

**Observation(s)**

Grant conditions require that an organizational accountability system be in place to provide necessary reviews and approvals of expenditure of funds and for monitoring project performance. The University has a system in place, but it is not functioning as intended.

**Recommendation(s) Significant to Component**

1. The Office of Grants and Contracts should review all expenditures related to the ARP/ATP grants for
2. propriety, availability of funds, and proper authorization.
3. The Dean of the College of Science and Engineering should provide increased oversight on the grants by authorizing expenditures and reviewing progress reports submitted to the THECB.
4. The PI's, as account managers, should receive adequate training in account reconciliation and contract management provided by the Office of Sponsored Research.
5. Budgets should be carried forward to the next fiscal year in a timely manner.
6. Capital equipment purchased with prior years grant funds should be transferred with the termination of the grant to the PI's departmental accounts.
7. G&C should specify whether student research assistants will be classified as direct-wage or salary on the proposed budget sheets to avoid MOE's being held without action.

**Material to Component's Financial Statements, Compliance, and/or Operations**

To enhance ARP/ATP grant compliance requirements and university operations.

**Management's Plan to Address Significant Issue(s), including date recommendations will be implemented**

Management concurs with the audit findings and recommendations.

1. The Office of Grants and Contracts will request additional resources to review all expenditures related to the ARP/ATP grants for propriety, availability of funds, and proper authorization. Additional resources will be requested during the next budget cycle, and, if approved, implemented during FY 2003.
2. I have reviewed the report and concur with the recommendations made by the auditors.
3. The director agrees that the office will work with the comptroller's office to set up training sessions in account reconciliation and contract management before ARP/ATP grants initiate.
4. Account numbers within Restricted Funds will be assigned to ensure that available budget balances automatically carry forward to the next year for uninterrupted grant operations.
5. At the end of the grant period, G&C will ensure applicable equipment is transferred to the PI's department account.
6. When the budget is initially created, G&C will classify the student research assistants as direct-wage or salary positions on the proposed budget sheets to avoid MOE's being held without action.

| Component | Report Title | Report Date |
|---|---|---|
| UTPB | POISE Application Audit | November 2002 |

**Background**

UTPB Information Resources Division implemented the People Oriented Information Systems for Education ("POISE") System and its modules over the period from 1985 to 2001. POISE is a Student Information system and the Financial Aid module represented the most significant institutional risk.

**Audit Objective(s)**

Our audit objectives were designed to: assess whether security policies adequately prevent and detect unauthorized POISE access; assess data integrity controls; determine if POISE policies and procedures comply with existing privacy legislation; and determine if a software agreement exists that would protect UTPB's right to use POISE in the event that the vendor no longer supports it.

**Observation (s)**

Our audit results indicated POISE users were satisfied with the System's ability to process and store student information; however, additional controls were needed to provide assurance student information would be consistently available and only accessible by appropriate individuals.

**Recommendation(s) Significant to Component**

We recommended Information Resources Division reassign POISE-related duties to segregate incompatible information technology responsibilities. In addition, we recommended IRD develop a written program change management policy and then establish standards and procedures necessary to support the policy.

**Material to Component's Financial Statements, Compliance, and/or Operations**

This audit is material to the component's operations.

**Management's Plan to Address Significant Issue(s) Including date recommendations will be implemented**

UTPB IRD is currently pursuing a hardware/software environment that will facilitate much more segregation between the production hardware/software environment and IRD application support personnel. Implementation of the security enhancements should be completed by May 2003.

A formal review and approval process for IRD Standard Practice & Procedure (SPP) documents is now in place and operational. The first stage of the program change management Standard Practice has been distributed to IRD staff for review and comment. Change control procedures should be in place by July 2003.

| Component | Report Title | Report Date |
|---|---|---|
| University of Texas at San Antonio | ProCard | September 2002 |

**Background**

The ProCard is a MasterCard issued by Bank of America and is a simplified means for departments to purchase authorized goods and services up to $1,000. We performed surprise audits to review receipts, transaction logs, bank statements and electronic voucher approval to determine that adequate documentation was being maintained, ProCard transactions were being reconciled, proper segregation of duties existed and adequate oversight controls were in place.

**Audit Objective(s)**

To determine whether internal controls are adequate to provide reasonable assurance that ProCard expenditures at UTSA are business related and comply with applicable policy and procedures.

**Observation(s)**

Due to the accelerated use of the ProCard, the University will need to expand its monitoring of the ProCard purchases and emphasize the importance of segregation of duties.

**Recommendation(s) Significant to Component**

Assign responsibility for the following activities to the appropriate staff members within the Procard program:
1. Develop a systematic approach to monitor the purchases made on ProCards.
2. Monitor ProCards inactive for a period of three months to determine if the card should be cancelled.
3. Monitor electronic vouchers automatically approved by DEFINE to determine the appropriate disciplinary action.

**Material to Component's Financial Statements, Compliance, and/or Operations**

Operations

**Management's Plan to Address Significant Issue(s), Including date recommendations will be Implemented**

A new position within the Purchasing department is currently in development in which their primary responsibilities will include assisting the campus in monitoring ProCard transactions and complying with rules and regulation of the ProCard program. The hiring of the position will occur in the second quarter.

| Component | Report Title | Report Date |
|---|---|---|
| University of Texas at San Antonio | Registrar Grade Process | June 2002 |

**Background**

*Faculty is asked to complete a grade change form that is reviewed and approved by the Dean's Office when there is a need to change a student's grade. Once approved, the form is forwarded to the Registrar's Office to update the grade record previously entered in the Student Information System. The grade change form is then sent back to the faculty with a copy placed in the student's file in the Registrar's Office. The Student Information System logs the user ID who made the last grade change.*

**Audit Objective(s)**

*To evaluate the internal controls related to entering and changing grades in the Student Information System.*

**Observation(s)**

*No reports existed to track all grade changes made in Student Information System. The Student Information System accepted grade changes indefinitely. Therefore, unauthorized grade changes in the Student Information System went undetected.*

**Recommendation(s) Significant to Component**

*A review of all grade changes made in the Student Information System needs to be performed to detect unauthorized changes.*

**Material to Component's Financial Statements, Compliance, and/or Operations**

*Operations*

**Management's Plan to Address Significant Issue(s), including date recommendations will be implemented**

*The Registrar's Office will develop a report that identifies all grade changes in the Student Information System. An individual within the Registrar's Office and who does not enter grade changes will review the report to ensure the changes are appropriate. The Registrar's Office expects to have this completed by March 31, 2003.*

| Component | Report Title | Report Date |
|---|---|---|
| *University of Texas at San Antonio* | *Change In Management Departmental Reviews* | *December 2002* |

**Background**

*Departmental internal control reviews were conducted in departments where a change in management had occurred.*

**Audit Objective(s)**

1. *To discuss with the department chair or director their responsibilities regarding internal controls as covered in the Management Responsibilities Training and Reference Guide.*
2. *To determine if the accounts were being reconciled.*
3. *To determine if the segregation of duties were appropriate.*

**Observation(s)**

*Interviews with Department Directors and Chairs revealed that they believe that they did not receive adequate training regarding fiscal matters prior to taking on the management of their particular department.*

**Recommendation(s) Significant to Component**

*Develop a comprehensive training program for new administrators regarding fiscal management issues. Training should be provided prior to or soon as possible after an individual begins their administrative job duties.*

**Material to Component's Financial Statements, Compliance, and/or Operations**

*Operations*

**Management's Plan to Address Significant Issue(s), Including date recommendations will be implemented**

*The Management Responsibilities Guide will be redesigned with an anticipated completion date of March 15, 2003. This guide will emphasize their responsibilities related to administrative/fiscal management issues. The Management Responsibilities Guide will be used as the subject basis of the training program that will be developed by May 15, 2003. Training to managers will be delivered beginning in June 2003. Each UTSA Vice President will ensure that all new administrators receive this training.*

| Component | Report Title | Report Date |
|---|---|---|
| The University of Texas at Tyler | ABEST Performance Measure Reporting | September 26, 2001 |

**Background**

The University of Texas at Tyler (U. T. Tyler) reports performance measure data requested by the Legislative Budget Board (LBB) through ABEST twice a year. The spring submission contains performance measures from the previous fall semester and the fall submission includes performance measures that are measured as of the end of the fiscal year. The Office of Institutional Research at U. T. Tyler collects data from a designated responsible party in the various departments involved in the reporting. Dr. Sherri Whatley, Director of Planning and Institutional Research, coordinates the submission of the performance measures via ABEST to the LBB.

The State Auditor's Office (SAO) issued Performance Measures at 25 State Agencies and Educational Institutions in November 2000. Included in this report were the results of audit tests performed on three of the performance measures reported by U. T. Tyler the during fiscal year ending August 31, 2000. Performance measures reported by the audited institutions were certified by the SAO if the amounts reported were within a 5% margin of error. The test results indicated that two performance measures were calculated incorrectly and one measure lacked sufficient calculation documentation. In response to the SAO audit report, U. T. Tyler developed policies and procedures designed to improve the quality of the performance measure reporting. The U. T. Tyler Institutional Audit Committee determined that an audit of the performance measures should be included in the 2001-2002 Audit Plan.

**Audit Objective(s)**

The objective of the audit was to determine adequacy of U. T. Tyler policies and procedures regarding submission of the performance measure data as well as to verify the accuracy of performance measure calculations as defined by the LBB.

**Observation (s)**

All performance measures were reported correctly to the LBB in the Fall 2001 submission with the exception of the Teacher Certification Rate and the State Licensure Exam Pass Rate for Nursing.

**Recommendation(s) Significant to Component**

The measures reported in November 2001 for fiscal year ending August 31, 2001 for Teacher Certification Rate and State Licensure Exam Pass Rate should be corrected in the ABEST system. Prior years' calculations should be corrected if instructed by the LBB.

**Material to Component's Financial Statements, Compliance, and/or Operations**

Compliance

**Management's Plan to Address Significant Issue(s), including date recommendations will be implemented**

The administration of U. T. Tyler will implement these recommendations to ensure timely and accurate ABEST data are submitted to the Legislative Budget Board. The Office of Planning and Institutional Research will continue to monitor compliance and improvements to the internal ABEST data collection processes.

| Component | Report Title | Report Date |
|---|---|---|
| The University of Texas at Tyler | General Security Controls Review Office of Information Resources | November 14, 2001 |

## Background

The University of Texas at Tyler's (U. T. Tyler) Office of Information Resources (OIR) department reports to the Interim Vice President for Business Affairs and supports The University's information technology infrastructure including its administrative computing facilities, local area network, network applications and telecommunications infrastructure. The OIR's mission is to provide technology and information of the highest quality to users in an efficient, cost effective, and timely manner. The OIR provides support for the main U. T. Tyler campus, as well as, extended facilities in Palestine and Longview. An Information Technology Advisory Committee recommends policies and procedures regarding the joint administrative and academic use of all university computer facilities and equipment. This committee studies, evaluates, and makes recommendations concerning both the short and long-range computer needs of the University, including the Tyler, Longview, and Palestine campuses.

The Director of the OIR manages a staff of seven individuals, including one administrative assistant, one security analyst, one technical support analyst, one telecommunications specialist, one computer operator and two software programmers. Computer operations consist of a client/server environment that includes a Novell server, an Administrative (Notes) server, a Notes Applications server, a web server, and a dedicated POISE system server. The OIR's budget for 2000-2001 was $403,876.

## Audit Objective(s)

- Gain an understanding of the U. T. Tyler OIR operation;
- Determine whether planning and organizational controls provide an adequate level of assurance that the OIR department will continue to support the achievement of business objectives;
- Determine whether controls over the computer operations facility adequately assure its security, efficiency and effectiveness;
- Determine whether information security controls adequately assure the confidentiality and integrity of critical system data;
- Determine whether program change controls provide adequate assurance that all modifications to critical software modules are properly tested, authorized, approved and migrated to production status; and
- Determine whether back up and recovery planning provides adequate assurance that critical data files can be recovered in a timely manner and with minimal disruption to University operations.

## Observation (s)

_Planning and Organizational Controls_
- Insufficient back up for technical support of data and voice networks; and
- Lack of a campus-wide telecommunications policy.

_Computer Operations_
- Unrestricted employee access to computer operations area;
- Inadequate segregation of responsibilities between systems development and computer operations; and
- Unrestricted access to some telecommunications equipment..

_Information Security_
- Lack of sufficient specialized training for appropriate personnel; and
- OIR Security Program manual not current.

Program Change Controls
- Inadequate policies and procedures regarding programming modifications;
- Inappropriate access to production environment by programmers;

- *Inappropriate access to the POISE system by general users; and*
- *Lack of a test environment for the POISE system.*

**Recommendation(s) Significant to Component**

- *The OIR should restrict physical access to the computer room.*
- *POISE database back ups should be reassigned to an OIR staff member without application programming responsibilities.*
- *The OIR should ensure all areas containing telecommunications equipment or wiring terminations are physically restricted to individuals with network support responsibilities.*
- *The Security and Support Services Analysts should receive specialized training on the security features of all of U. T. Tyler's primary computing environments.*
- *The OIR should update its written change management procedures.*
- *Responsibility for moving programming changes to production status should be reassigned to an individual(s) who does not have application programming responsibilities. Not Implemented.*
- *Command prompt access should be restricted to high-level system users with a specific need for entering native system commands.*
- *The OIR should create a facility for testing POISE program changes that is segregated from the production software environment. Not Implemented.*

**Material to Component's Financial Statements, Compliance, and/or Operations**

*Operations*

**Management's Plan to Address Significant Issue(s), including date recommendations will be implemented**

*All recommendations have been implemented as of 2/1/03 except those requiring additional resources. It is unknown when the resources will be available for additional personnel or for the equipment necessary to create a test environment.*

**Note: Implementation of the recommendations noted above will be reported as such in the 3<sup>rd</sup> quarter of FY 2003.**

| Component | Report Title | Report Date |
|---|---|---|
| UT Southwestern | Real Estate Services | September 10, 2002 |

**Background**

On December 15, 2000, the Medical Center purchased property that included the St. Paul Professional Office Buildings (POBs) I and II. The POBs are managed by Business Affairs-Real Estate Services. Currently, there are three employees (director, senior administrative staff assistant, and administrative staff assistant) working in Real Estate Services.

Real Estate Services' primary responsibility is to serve as the owner's representative in the management of lessor's property. A standard leasing agreement is submitted to a potential tenant, after being negotiated and agreed upon, it is submitted to the executive vice president for Business Affairs for review and subsequently forwarded to U.T. System's executive director for Real Estate for final approval.

**Audit Objective(s)**

The objective of this audit was to assess the adequacy and effectiveness of controls over Real Estate Services including:

1. Reliability and integrity of financial and operational information
2. Safeguarding of assets
3. Compliance with laws, regulations, and contracts
4. Accomplishment of established goals and objectives
5. Effectiveness and efficiency of operations

**Observation (s)**

Real Estate Services collects approximately $4.3 million in revenue each year. One person is entrusted with all the accounting functions including cash receipting, recording of transactions, bank deposits, and account reconciliations. Furthermore, the same person can adjust the database and its files in terms of access, completeness, and accuracy. Segregation of duties provides a level of protection for both employees and the employer by providing for separate processing by different individuals at various stages of a transaction and for independent reviews of the work performed. Due to limited segregation of duties, we increased our level of testing to ensure all revenue was appropriately collected and deposited.

**Recommendation(s) Significant to Component**

We recommend Real Estate Services develop procedures to ensure proper segregation of duties exist for transactions of the Department. The Department should separate the following functions:

1. Opens mail, creates a list of checks, restrictively endorses – Person A
2. Completes deposit slip and makes deposit – Person B
3. Records transaction and tenant accounts receivable for Medical Center and Department records – Accounting and Person B
4. Reconciles list of checks and rent rolls to deposits made to Medical Center accounts – Person C
5. We also recommend that Real Estate Services place a greater emphasis on monitoring of transactions by the Department director, use the Office of Business Affairs as a level of segregation if feasible, and document key transaction functions in a policy and procedure manual.

**Material to Component's Financial Statements, Compliance, and/or Operations**

Operations

**Management's Plan to Address Significant Issue(s), including date recommendations will be implemented, etc. (cont.):**

*As of July 10, 2002, Real Estate Services has implemented the following to address the recommendation concerning departmental segregation of duties for receiving, recording, and depositing of revenues:*

1. *All mail, including tenant rental checks, is opened by the administrative assistant. The administrative assistant time stamps and enters checks on a "Rental Received" list on a daily basis from the first through the tenth and as needed thereafter. Hand delivered checks are given to the administrative assistant for entry on the list.*
2. *Subsequently, the list and endorsed checks are given to the senior administrative assistant who posts to each applicable tenant account in the Yardi System and completes a Cashier's Office deposit slip.*
3. *The director signs verification of matching "Rental Received" and Cashier's Office deposit slip.*
4. *The deposit is hand delivered to the Office of Business Affairs. Business Affairs verifies amount and makes actual deposit. The gold copy of the deposit is returned to Real Estate Services completing the collection and depositing of cash.*

**Note: Implementation of the recommendations noted above will be reported as such in the 3<sup>rd</sup> quarter of FY 2003.**

| Component | Report Title | Report Date |
|---|---|---|
| UTHSC – San Antonio | Institutional Compliance Program | August 22, 2002 |

**Background**

In accordance with the 1998 Action Plan to Ensure Institutional Compliance, an audit was performed to evaluate the design and effectiveness of the institutional compliance function.

**Audit Objective(s)**

The objective of the audit was to evaluate the design and effectiveness of the institutional compliance program in accordance with the Action Plan and Business Procedures Memorandum 63-02-02.

**Observation(s)**

The audit identified no areas of concern where the overall program could be materially enhanced. However, we noted three areas related to specific compliance activities of the Institutional Compliance Program where procedures need to be enhanced.

1. Monitoring activities for time and effort reporting were partially in place. Monitoring activities for the NIH salary cap, and administrative costs have not been developed.
2. Sponsored research training has not been provided since August 2000 because the responsible party determined that the program did not achieve its objectives.
3. Potential conflict of interest disclosures were not resolved in a timely manner and there was no documentation of determination for those disclosures that were reviewed.

**Recommendation(s) Significant to Component**

1. Monitoring activities for time and effort reporting should be enhanced. Monitoring activities for NIH salary cap and administrative costs should be developed and implemented.
2. Management should re-establish the sponsored research training program.
3. Management should ensure the timely resolution of disclosed potential conflicts of interest and document the determinations.

**Material to Component's Financial Statements, Compliance, and/or Operations**

Compliance

**Management's Plan to Address Significant Issue(s), Including date recommendations will be implemented**

1. Management has fully implemented monitoring activities for time and effort reporting. NIH salary cap monitoring will begin by January 31, 2003. There are no specific plans to monitor administrative costs at the institutional level and this issue will be submitted to the Institutional Compliance Committee for removal as a monitoring activity related to Research Administration compliance. Administrative costs will continue to be a focus in compliance education activities.
2. A multi-pronged training approach will replace the previous mandatory program. A Sponsored Programs Administrator's Forum (SPAF) was formed in October 2002 and serves as a monthly sharing of information on programs and policies among department/unit administrators and the Grants Management Office. In addition, educational programs for administrative staff in specific regulatory and compliance requirements will be offered by January 2003. Programs are also being considered in the responsible conduct of research for faculty and technical personnel.
3. The review of disclosures for FY 2003 will begin in December 2002 and is targeted to be completed by April 2003. Steps will be taken to assure that the review is done in a timely fashion and logs will be maintained to appropriately document determinations.

| Component | Report Title | Report Date |
|---|---|---|
| *System Administration* | *Accounts Receivable – Health Components* | *November 2002* |

**Background**

*The University of Texas System Audit Office ("System Audit"), working with internal audit at the six health components, completed an audit of the net accounts receivable. Each component performed detailed audit procedures using a model audit program developed by our office. System Audit performed the audit at U. T. Health Center at Tyler due to staffing constraints.*

**Audit Objective(s)**

*The objective of the audit was to review the methodology for valuing the (net) accounts receivable, and determining the reasonableness of the related allowance for doubtful accounts reported in the annual financial statements as of August 31, 2002.*

**Observation(s)**

*Inconsistencies were noted in the accounting for accounts receivable that affected the reported results. However, no material adjustments were required.*

**Recommendation(s) Significant to Component**

*The Office of Health Affairs and the Office of the Controller should work with the health components to develop clearly defined accounting guidelines and training to facilitate consistent accounting and reporting for physician and hospital accounts receivable.*

**Material to Component's Financial Statements, Compliance, and/or Operations**

*Financial Statements*

**Management's Plan to Address Significant Issue(s), including date recommendations will be implemented**

*Agreed. We will develop clearly defined procedures and provide training to the health components. The goal will be to develop the training in the second and third quarters for delivery in the fourth quarter.*

| Component | Report Title | Report Date |
|---|---|---|
| System Administration | UT Health Center Tyler Clinical Trials | October 2002 |

**Background**

The University of Texas ("U. T") System Acting Executive Vice Chancellor for Health Affairs and The U. T. Health Center ("Health Center") at Tyler President requested the U. T. System Audit Office perform an audit of the Center for Clinical Research ("CCR") clinical trials at the Health Center. The CCR facilitates most of the clinical trials conducted at the Health Center. For the period June 1, 2001 through May 31, 2002, the CCR had 29 clinical trials with revenue and expenditure activity totaling $435,478 and $214,168, respectively.

**Audit Objective(s)**

The objectives of the audit were to determine whether: CCR clinical trial revenues and expenditures were in compliance with grant provisions; all funds received for CCR clinical trials were properly recorded in the Health Center's accounting records; and accounting practices, processes, and internal controls for CCR clinical trials were adequate and comparable to other U. T. health components.

**Observation(s)**

Based on our review, CCR clinical trial revenues and expenditures were not in compliance with grant provisions; clinical trials conducted at the Health Center were recorded in the accounting system; and accounting practices, processes, and internal controls for CCR clinical trials needed to be strengthened.

**Recommendation(s) Significant to Component**

The Interim Vice President for Clinical Affairs should develop a new compensation plan that ensures financial benefits to the principal investigators ("PIs") are not on a per patient basis and ensure procedures are implemented to verify residual funds transferred to the CCR do not exceed $25,000 per year for all clinical trials, as required by institutional policy. Also, procedures should ensure PIs do not receive any clinical trial residual balances.

**Material to Component's Financial Statements, Compliance, and/or Operations**

Operations

**Management's Plan to Address Significant Issue(s), including date recommendations will be implemented**

A new compensation plan that ensures that PIs will not benefit on a per-patient basis will be developed and implemented. Procedures will be developed and implemented to verify that residual funds transferred to the CCR do not exceed established amounts, as required by institutional policy. Procedures will be developed and implemented to ensure that PIs do not receive any clinical trial residual balances. This will be implemented by January 1, 2003.

## *State Auditor's Office New Recommendations*

| Component | Report Title | Report Date |
|---|---|---|
| *University of Texas at Brownsville* | *SAO - A Financial Review of UTB* | *September 30, 2002* |

**Background**

*The State Auditor's Office conducted a Financial Review of UTB during May-July 2002.*

**Audit Objective(s)**

*The audit objectives were:*

1. *Determine if the University's reporting processes enable it to provide legislative budget committees and University management with accurate and consistent financial information.*
2. *Determine if the University is using state appropriations and local funds in accordance with applicable state laws and regulations.*
3. *Determine the relationship between funds expended and outcomes.*
4. *Determine if enrollment data the University reported to the Higher Education Coordinating Board (for both the University Texas Southmost College) is reliable.*

**Observation(s)**

1. *IT weaknesses make the University's computer systems vulnerable to unauthorized access. Although weaknesses exist in IT controls, the University's manual reconciliation process mitigates the risk that reported financial data could be unreliable. Our testing found no evidence that the system had been compromised. The University is actively correcting the weaknesses.*
2. *The University is working to address weaknesses in wire transfer procedures and check handling to ensure that assets are properly protected. Despite these weaknesses, we saw no evidence of loss or abuse of funds.*
3. *The University is spending state appropriations and local funds in accordance with limitations set forth in the General Appropriations Act and other applicable state laws and regulations.*
4. *Determined that the University's reported performance for the first generation graduation rate is understated because the University's data collection method does not fully capture information on graduates whose parents attended college but did not graduate. Also, the University's reported Examination for the Certification of Educators in Texas (ExCET) pass rate is incorrect because the University's data collection method for this performance outcome excludes certain teacher education graduates. The University committed to take corrective action.*
5. *Found no duplication in the enrollment data that the University and Texas Southmost College reported to the Higher Education Coordinating Board.*

**Recommendation(s) Significant to Component**

1. The University should:
   - Implement the outstanding IT recommendations made by the Internal Audit Department.
   - Review its current manual processes (after all IT recommendations have been implemented) to determine whether some procedures can be eliminated to improve efficiency.
   - Strengthen its wire transfer procedures by:
     - Performing daily reconciliations for wire transfers.
     - Ensuring that there is adequate segregation of duties among the staff executing wire transfers.
     - Comprehensively documenting its policies and procedures for the wire transfers process.
   - Ensure that all relevant University publications, Web site pages, and other written and oral communications clearly indicate that checks should be sent only to the University's post office box.
   - Ensure that staff immediately restrictively endorse all checks received through the mail at the time that they open the mail.

2. The University should:
   - Properly determine its first generation graduation rate by including in its calculation the number of first generation graduates whose parents attended college but did not graduate. The University should request this data on students' applications for graduation and use it to calculate performance.
   - Properly determine its ExCET pass rate by including in its calculation teacher education graduates from the year immediately prior to the reporting year who took at least one ExCET during the reporting year.

**Material to Component's Financial Statements, Compliance, and/or Operations**

Financial Statements, and/or Operations

**Management's Plan to Address Significant Issue(s), including date recommendations will be implemented**

1. The University of Texas at Brownsville will implement outstanding IT recommendations and review its current manual processes to improve efficiency. Wire transfer procedures will be strengthened as indicated. All publications, web site pages and communications will indicate that checks should be mailed only to the University's post office box. Upon receipt of the checks, they will be restrictively endorsed.
2. The University will modify it s application for graduation to request data on students' parents who attended college but did not graduate. This information will be used to properly determine the first generation graduation rate. The University will also include in its ExCET calculation, teacher education graduates from the year immediately prior to the reporting year who took at least one ExCET during the reporting year.

| Component | Report Title | Report Date |
|---|---|---|
| *UT Southwestern* | *SAO - FY 01 Performance Measures at 14 Entities* | *November 2002* |

**Background**

*Performance measures are an essential part of the State's strategic planning and performance budgeting system, which combines strategic planning and performance budgeting into the appropriations process. The State Auditor's Office assesses the accuracy of reported performance measures so that the Governor and the Legislature can determine to what extent they can rely on reported performance when making decisions.*

**Audit Objective(s)**

*The primary objective of this audit was to determine the accuracy of key performance measures reported to the Automated Budget and Evaluation System of Texas (ABEST) database. We also reviewed related control systems for adequacy.*

**Observation(s)**

1.  *The University of Texas Southwestern Medical Center at Dallas (Medical Center) accurately reported the results for this measure within the allowable range of +/-5 percent. However, to ensure continued accuracy, the Medical Center should expand its process to include documented detailed steps for data collection and calculation.*
2.  *The Medical Center accurately reported the results for this measure within the allowable range of +/-5 percent. Although the majority of applications are filed electronically, the Medical Center does receive some hard-copy applications. The results are certified with qualifications because the Medical Center did not retain the portion of the hardcopy student applications containing minority information. However, the Medical Center was able to support its results with electronic data that is periodically verified by the students. In addition, the Medical Center should expand its process to include documented detailed steps for data collection and calculation to ensure continued accuracy.*

**Recommendation(s) Significant to Component**

1.  *The Medical Center should enhance its current process for data collection and calculation to include documented detailed steps taken to arrive at the reported performance figure.*
2.  *The Medical Center should:*
    *Keep summary and source documentation that supports the performance measure results for three years as required by the Records Retention Act. Enhance its current process for data collection and calculation to include documented detailed steps taken to arrive at the reported performance figure.*

**Material to Component's Financial Statements, Compliance, and/or Operations**

*NA*

**Management's Plan to Address Significant Issue(s), Including date recommendations will be implemented**

1.  *We agree that the performance measure covering medical students passing part 1 or part 2 is accurate. Our internal procedures, which had been documented and produced an accurate result, have been updated to ensure continued accuracy of reporting.*
2.  *The second measure covers minority admissions as a percent of total first year admissions. We agree that the measure was reported accurately. Our procedures have now been enhanced to ensure that both the Appeals Court ruling and the record retention guidelines will be met.*

| Component | Report Title | Report Date |
|---|---|---|
| *UTHSC – San Antonio* | *SAO – FY 01 Performance Measures at 14 Entities* | *November 2002* |

**Background**

*An audit was performed by the State Auditors Office of the accuracy of performance measures reported for FY 2001.*

**Audit Objective(s)**

*The objective of the audit was to determine whether performance measures were accurately calculated in accordance with the definitions and properly reported to the LBB for FY 2001. Four measures were reviewed at the UTHSC – San Antonio.*

**Observation (s)**

*Three of the four measures reviewed were certified with qualification and one measure was determined to be reported inaccurately.*

**Recommendation(s) Significant to Component**

1. *The University should develop and implement written policies and procedures for collecting and calculation its performance measures. The policies and procedures should require reviews of performance information prior to submission in the ABEST.*
2. *The University should implement an independent review process of performance measure results to ensure that data entered into ABEST are accurate and complete.*

**Material to Component's Financial Statements, Compliance, and/or Operations**

*Compliance*

**Management's Plan to Address Significant Issue(s), Including date recommendations will be Implemented**

1. *Written policies and procedures reflecting our practices for collecting and calculating performance measure information will be developed by January 2003.*
2. *The University has implemented a review process of performance measure data reported in ABEST. Effective for the reporting of FY 2002 performance information, the Internal Audit Department will independently review the definitions and calculations of all reported measures to ensure they are properly supported, accurately calculated and properly entered into ABEST.*

<u>U. T. Board of Regents:  Proposed Amendment to the Regents' Rules and Regulations, Part One, Chapter II, Section 3, Subsection 3.3, Subdivision 3.31 (System Director of Audits)</u>


## RECOMMENDATION


The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Acting Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that the Regents' <u>Rules and Regulations</u>, Part One, Chapter II, Section 3, Subsection 3.3, Subdivision 3.31 be amended to add serving as the chief audit executive to the duties of the System Director of Audits as set forth below in congressional style:

3.3  <u>Audit</u>
The Chancellor, as chief executive officer of the System, is responsible for ensuring the implementation of appropriate audit procedures for the System. Accordingly, the System Director of Audits prepares an executive summary of all internal audit activity by the System internal auditors and the institutional internal auditors for the Chancellor.

 3.31  <u>System Director of Audits</u>
The System Director of Audits is responsible for coordinating the effective auditing of the System as set out in Subparagraph 3.312 of this Chapter.  The System Director of Audits provides audit assistance to the Chancellor, the Executive Vice Chancellors, and the Vice Chancellors in the exercise of their responsibilities.

  3.311  <u>Appointment</u>
The System Director of Audits shall be appointed by the Board after nomination by the Chancellor.  The System Director of Audits shall hold office without fixed term, subject to the pleasure of the Chancellor.  The Chancellor's actions regarding the System Director of Audits are subject to review and approval by the Board.

  3.312  <u>Duties and Responsibilities</u>
The primary responsibilities of the System Director of Audits include developing a System-wide internal audit plan based on a System-wide risk assessment and coordinating the implementation of this plan with the institutional internal auditors.  This System-wide audit plan is submitted to the Internal Audit and Compliance Subcommittee for review and to recommend approval to the Finance and Planning Committee after the Chancellor's review and approval.

Responsibilities of the Director of Audits also include conducting audits of the System including the revenue produced from the Permanent University Fund lands and formulating policies for the internal audit activity at each component institution.

3.313   The Director of Audits serves as the chief audit executive.

## BACKGROUND INFORMATION

The Standards for the Professional Practice of Internal Auditing, which must be followed under the Texas Internal Auditing Act, require the appointment of a chief audit executive (in addition to an internal auditor). The Standards allow the internal auditor to serve as the chief audit executive if the internal auditor is an employee of the agency.

Internal auditing standards specify the responsibilities of the chief audit executive and define the chief audit executive as follows:

> The top position within the organization responsible for internal audit activities. In a traditional internal audit activity, this would be the internal audit director. In the case where internal audit activities are obtained from outside service providers, the chief audit executive is the person responsible for overseeing the service contract and the overall quality assurance of these activities, reporting to senior management and the board regarding internal audit activities, and follow-up of engagement results. The term also includes such titles as general auditor, chief internal auditor, and inspector general.

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

**Institutional Compliance Quarterly Report**
**2nd Quarter Fiscal Year 2003**
**November 16, 2002 - February 15, 2003**

## Organizational Matters

The Internal Audit and Compliance Subcommittee of the Finance and Planning Committee of the Board of Regents met on January 7, 2003. 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 hosted on October 22-24, 2002.

The System-wide Compliance Executive Committee met on December 4, 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; the activities of the High-risk Working Groups; and emerging compliance risks.

Ms. Kristi Fisher was hired as the System-wide Compliance Supervisor on February 10, 2003. She will be responsible for developing and improving System-wide Compliance Information (including developing a System-wide Compliance Manual and a useful web page), training and assisting in other special projects related to the System-wide Compliance Program. She has over 10 years experience within the UT System and was the Director of Compliance at UT Tyler.

## Summary of Quarterly Activity

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

### Endowments

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

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

Activities:  Regional roundtables were held on 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. A presentation was made at the Development Officers Retreat on the status of the programs and required reporting due February 3, 2003. Each of the components has submitted a program status that is currently being reviewed. It is anticipated that additional training/roundtables will be held during the 3rd quarter.

### 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 was held on December 6, 2002. Topics discussed included the Homeland Security Act, Biological Safety and Security, Fire

and Life Safety, and Environmental Management Systems. A representative of the group provided an update to the University Compliance Group on the change in regulations related to select agents. Additionally, the working group met on February 7, 2003 by conference call to update the EH&S risk assessment to include the recent changes in the regulatory environment. The group is in the process of developing 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

Accomplishments: This group is scheduled to meet on February 27, 2003 to discuss medical billing issues in the areas of changes in physician teaching rules, training, and program reviews.

**Health Insurance Portability and Accountability Act (HIPAA)**

Chair: Ms. Amy Shaw Thomas, Associate Vice Chancellor for Health Affairs

Accomplishments: The HIPAA Coordinators from the six heath institutions met on January 30, 2003 to discuss the status of implementation of the HIPAA Privacy Standards. Compliance with these standards is required by April 14, 2003. The discussion primarily focused on the status of policies and training programs. The institutions indicated that they expect to meet the deadline. The training programs are in various stages of development, but all institutions expected to begin training no later than March. A post implementation review process is being discussed for those institutions with limited staffing and expertise in the area of HIPAA.
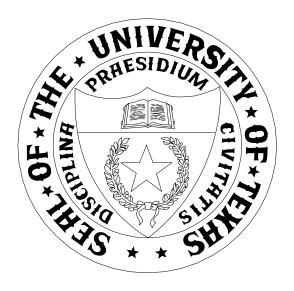
## Summary of Action Plan Activity

An update of the 1998 Action Plan to Ensure Institutional Compliance entitled 2003 Action Plan to Enhance Institutional Compliance (2003 Action Plan) was drafted and circulated to the Compliance Officers for comments. The 2003 Action Plan focuses on a maturing program and includes flexibility for cultural and organizational differences at the component institutions.

The System-wide Compliance Function participated in three conference calls with the University Compliance Group. The University Compliance Group is comprised of compliance personnel throughout the country including: Minnesota, Michigan, Harvard, Stanford, Penn, Washington University, Duke, Northwestern and others. The group meets by conference call monthly to share information and best practices. Discussion items have included: institutional conflict of interest, research time and effort compliance, research administration, biosecurity, HIPAA and governing agency activity.

The Institutional Compliance Program received a best practice award from the Southern Association of College and University Business Officers. The award will be presented at the annual conference in April. Additionally, a presentation about the program will be made to the attendees.

# Action Plan to Enhance
# Institutional Compliance

## THE UNIVERSITY OF TEXAS SYSTEM
### Updated 2003

# I N T R O D U C T I O N

This 2003 Action Plan to Enhance Institutional Compliance (2003 Action Plan) is an updated version of the original 1998 Action Plan to Ensure Institutional Compliance approved by the Chancellor and presented to the Business Affairs and Audit Committee of the Board of Regents on April 24, 1998.

The implementation phase of the 1998 Action Plan is reaching the final stages. Compliance programs, officers, and committees exist at U. T. System Administration and at all fifteen component institutions of the U. T. System. In addition, the System-wide Compliance Officer working with a System-wide Compliance Executive Committee, consisting of U. T. System executive management, oversees the program. Finally, the System-wide Compliance Officer reports to the Internal Audit and Compliance Subcommittee of the Finance and Planning Committee of the Board of Regents at each of their quarterly meetings to keep them abreast of compliance program activities and issues.

The mission statement of the Institutional Compliance program is "The University of Texas System (U.T. System) endeavors to fulfill all of its responsibilities to the people of Texas in an environment based upon ethical behavior and compliance with applicable laws and rules." Related to this mission, two primary goals of the program have been developed:
  ❖ providing assurance that all faculty and staff are aware of their duties and responsibilities in establishing and sustaining that environment; and
  ❖ providing a mechanism for continuously assessing the effectiveness of that environment in assuring that all UT System activities are conducted with integrity.

The purpose of the 2003 Action Plan is to address those ongoing elements of an effective compliance program that minimize the risk of significant compliance failures and enhance the program through best practices learned during the implementation process. Compared to the 1998 Action Plan, certain action steps have been deleted in the 2003 Action Plan because they were one-time tasks that have been accomplished. What remains in the 2003 Action Plan are those program activities that must be continuously pursued, monitored, refined, revised, and pursued again. What we have learned over the past five years is that compliance is a journey, not a destination.

The following pages present the 2003 Action Plan items by "Responsible Party." The Action Plan includes the following key elements from the 1998 Action Plan:

  • The designation of the System-wide Compliance Officer.
  • The designation of a Compliance Officer at U. T. System Administration and at each component institution. The Compliance Officer should report to the Chief Administrative Officer.
  • The continuation of a System-wide Executive Compliance Committee and parallel Compliance Committees at U. T. System Administration and each component institution that meet at least quarterly.
  • The mandate for a *continuous and proactive* compliance function that reports to the Compliance Officer at System Administration and each component institution.
  • The allocation of sufficient resources at U. T. System Administration and at each

component institution to fund compliance activities (including information resources, training, and monitoring activities) that reduce compliance risk to a reasonably low level.

- The requirement that Compliance Officers and Committees at U. T. System Administration and component institutions report their activities to the System-wide Compliance Officer *at least* annually.

The 2003 Action Plan assigns responsibility and accountability for compliance with laws, regulations, policies, and procedures as follows:

- The System-wide Compliance Officer is responsible and will be held accountable for apprising the Chancellor and the Board of Regents of the compliance programs and activities at System Administration and at each of the component institutions.
- The Compliance Officers at U. T. System Administration and at each component institution are responsible and will be held accountable for a risk-based process that builds compliance consciousness into daily business processes, monitors the effectiveness of those processes and communicates instances of non-compliance to appropriate administrative officers for corrective, restorative and/or disciplinary action.
- Responsibility for actual compliance with laws, regulations, policies, and procedures rests with each individual employee. Accountability resides primarily with the department head of each operating unit.
- The Chancellor and each Chief Administrative Officer are responsible and will be held accountable for the sufficiency of resources allocated to compliance activities and the appropriateness of corrective and disciplinary action taken in the event of non-compliance.

Questions about the 2003 Action Plan should be directed to Charles G. Chaffin, System-wide Compliance Officer (512-499-4390).

# 2 0 0 3   A C T I O N   P L A N  –  C O M P L I A N C E   P R O G R A M

| Program Element | Responsible Party | Frequency |
| --- | --- | --- |
| 1. Establish an appropriate Institutional Compliance Committee.<br><br>*Implementation Guidance:  The type of committee and communication structure established should be appropriate to the culture of the institution.  Communication with the Chief Administrative Officer is essential.  This communication can be accomplished through a committee structure or scheduled briefing meetings. There are several different types of committee structures that can be utilized. The Executive Compliance Committee, a high level committee, comprised of those line managers reporting directly to the President.  The three major duties of this type of committee are to provide appropriate resources for the compliance program, to ensure appropriate action for noncompliance issues brought to its attention, and to provide overall policy guidance for the program.  .  The Compliance Working Committee, composed of the responsible parties for each high-risk compliance area of the institution.  This committee performs data gathering, analysis, and recommendations for the Compliance Officer and executive management.  Additionally, a member of the compliance working committee may chair a subcommittee for their area of responsibility.  The subcommittees may perform such tasks for their high- risks compliance activities as (1) risk assessments, (2) development of monitoring, specialized training, and reporting plans, and (3) certain assurance activities.* | Chancellor<br>Chief Administrative Officer | Ongoing |
| 2. Require the Institutional Compliance Committee to meet at least quarterly. | Compliance Officer | Quarterly |
| 3. Establish a System-wide Compliance Committee comprised of institutional representatives of common areas of high risk.<br><br>*Implementation Guidance: The System-wide Compliance Committee should facilitate communication and sharing of ideas, best practices, exposures, and other information related to common areas of high risk among the component institutions. The System-wide Compliance Officer is the chairman of this Committee, and membership is composed of knowledgeable staff in the representative high-risk areas from component institutions. The Committee should meet periodically as circumstances require.* | System-wide Compliance Officer | Ongoing |

| Program Element | Responsible Party | Frequency |
|---|---|---|
| 4.  Establish appropriate System-wide High-risk Working Groups.<br><br>*Implementation Guidance: System-wide High-risk Working Groups should be established in those areas of high risk to facilitate risk assessment, monitoring plans, and sharing of ideas and best practices. Membership should include institutional responsible parties in the identified areas of high risk. The working groups should meet periodically as circumstances require.* | System-wide Compliance Officer | Ongoing |
| 5.  Budget sufficient resources to fund ongoing and proactive compliance activities (information resources, training, and monitoring activities) that reduce compliance risk to an acceptably low level.<br><br>*Implementation Guidance: The amount of funding necessary for compliance activities depends on the size of the component institution and its associated compliance risks. The allocation of the funding depends on the organizational structure of the compliance function. It is understood that risk cannot be reduced to zero; however, it should be reduced to a reasonably low level. Funding should be provided for: 1) assuring good information resources to keep current on regulatory changes and interpretations, 2) extensive in-house or external-based training programs that provide both general compliance training to all employees on a periodic basis, and ongoing specialized training tailored to the needs of each employee who has job responsibilities in areas of significant risk, and 3) ongoing monitoring activities that provide management with vital information on the degree to which the institution complies with laws, regulations, policies, and procedures. (Monitoring should generally be provided at three levels: within daily business processes, through the institutional compliance function, and through internal audits).* | Chancellor<br>Chief Administrative Officer | Annually |
| 6.  Develop an annual compliance risk assessment and appropriate compliance risk management plans for identified institutional critical risks.<br><br>*Implementation Guidance: An annual compliance risk assessment should be performed to identify institution critical compliance risks. Alternatively, if a comprehensive compliance risk assessment has been performed during the preceding year, an update of that risk assessment may be performed to ensure that any new critical compliance risks are identified. For each institution critical compliance risk identified, a risk management plan should be developed which includes (1) a single responsible party, (2) a monitoring plan, (3) a specialized training plan, and (4) a reporting plan. The risk management plans for all institution critical compliance risks should be presented to the Institutional Compliance Committee for review and* | Compliance Officer | Annually |

| Program Element | Responsible Party | Frequency |
|---|---|---|
| *approval.* | | |
| 7. Provide general compliance training for all employees and specialized compliance training for employees whose job responsibilities involve them in high-compliance-risk activities.<br><br>*Implementation Guidance:  Training can be provided using a variety of methods including: face-to-face, web-based, and poster exhibits.  Training records are the key monitoring data and should be retained.  Summary reports should be provided to the Compliance Committee periodically.* | Compliance Officer<br>High-risk Area Responsible Party | Periodically – at a minimum of biennially |
| 8. Submit a comprehensive annual report and other reports as required on compliance activities to the System-wide Compliance Officer in the prescribed format. | Compliance Officer | Annually - Periodically |
| 9. Ensure that appropriate corrective and disciplinary action has been taken in the event of non-compliance.<br><br>*Implementation Guidance: The Compliance Officer should communicate identified events of noncompliance that require corrective and/or disciplinary action to appropriate administrative personnel.  If the Compliance Officer believes that appropriate corrective or disciplinary action has not been taken, then the Compliance Officer should report his or her concerns to the Chief Administrative Officer.  At that point, the Chief Administrative Officer is responsible for the appropriateness of the actions taken to resolve the compliance issue.  Summary information on reported instances of suspected non-compliance (phone hotline, post office box, or web-form activities) should be presented at Compliance Committee meetings.* | Chancellor<br>Chief Administrative Officer | Ongoing |
| 10. Establish a confidential mechanism that allows employees to report instances of suspected non-compliance outside of the normal chain of command and in a manner that preserves confidentiality and assures non-retaliation.<br><br>*Implementation Guidance: The most common and acceptable method of providing such a mechanism is the establishment of a compliance telephone hotline. The key elements of a confidential mechanism should include written documentation of all notifications received; a prompt cross-functional consultation and triage function (generally involving high-ranking representatives from the legal, security, internal audit, and human resources areas) to determine the need for and nature of appropriate investigative action; follow-up to assure timely and appropriate resolution of issues; and documentation of the* | Compliance Officer | Ongoing |

| Program Element | Responsible Party | Frequency |
|---|---|---|
| *ultimate disposition of all calls received.* | | |
| 11. Maintain an up-to-date compliance manual that documents the compliance structure and the policies and procedures that pertain to the compliance program.<br><br>*Implementation Guidance: A manual should generally outline the responsibilities of the Institutional Compliance Committee and the Compliance Officer; include charters, policies, and procedures that pertain to the compliance program (including the telephone hotline policies and procedures); and include examples of monitoring and reporting forms. The manual should be a compilation of relevant materials maintained in either an electronic or hard copy format.* | Compliance Officer | Ongoing |
| 12. Annually develop a plan of activities to be completed by the Compliance Officer and/or Compliance Office.<br><br>*Implementation Guidance: The plan should include the activities to be conducted by the Compliance Officer during the next year and can include the development of training, websites, monitoring plans, and updating of policies and procedures.* | Compliance Officer | Annually |
| 13. Establish mechanisms for regular assessments of the compliance function.<br><br>*Implementation Guidance: This could include self-assessments, inspections, peer reviews (internal and external) and internal audits. In its risk assessment for preparing the annual audit plan, Internal Audit, in consultation with the Compliance Officer, should consider audits of various components of the compliance program. Recommendations for improvements should be made to the Compliance Officer and responsible party of the high-risk area, if applicable, based on the results of the assessments performed. The Compliance Officer or responsible party will be responsible for responding to such recommendations by developing action plans and timetables to be approved by the Institutional Compliance Committee. A follow-up process should be developed to ensure timely resolution, and the results should be reported to Institutional Compliance Committee.* | Compliance Officer | Periodically |

# The University of Texas System
# Institutional Compliance Program
**Charles G. Chaffin, System-wide Compliance Officer and Director of Audits**
The University of Texas System

## Original Submission Abstract

The U.T. System Administration, and its component institutions, have designed and implemented a comprehensive program that provides the real-time status of compliance with all applicable laws, rules, regulations, policies, and procedures unique to higher education. The objective is to make compliance risk management an integral part of the everyday activities of all the employees in the U. T. System. While several higher education institutions have implemented programs for extremely high-risk operations, the U. T. System has implemented a program to ensure compliance in all operations including student financial aid, basic research, clinical research, medical billing, environmental health and safety, endowments, student activities, intercollegiate athletics, human resources, and financial matters. By training 70,000 employees to do the "right thing," conducting risk assessments, and monitoring activities to reduce risk, the program changed the institutional culture from management by "directives and edicts" to risk management by the "right" individuals who are held accountable. This evolution is evident by the increase in questions before action is taken, the decrease in "surprises" to executive management and the Board of Regents related to the instances of non-compliance, and in the general attitude of employees to the management of risks.