

***Action Plan to Ensure  
Institutional Compliance***

**THE UNIVERSITY OF TEXAS SYSTEM  
1998**



APPROVED BY THE CHANCELLOR AND PRESENTED TO THE BUSINESS AFFAIRS  
AND AUDIT COMMITTEE OF THE BOARD OF REGENTS ON APRIL 24, 1998.

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

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On January 16, 1998, the Chairman of The University of Texas System (U. T. System) Board of Regents requested that the Chancellor create an Ad Hoc Committee to develop an Action Plan to ensure U. T. System compliance with applicable laws, regulations, policies, and procedures. The Chairman requested that the Action Plan include an appropriate governance structure and that it designate the appropriate officer who would be responsible to the Board of Regents for system-wide compliance.

On January 23, 1998, the Chancellor asked Mr. R. D. Burck, Executive Vice Chancellor for Business Affairs, to chair a system-wide Ad Hoc Committee on Institutional Compliance. The Ad Hoc Committee met at The University of Texas Health Science Center at Houston on March 2, 1998. The meeting featured a three-hour presentation by representatives of Deloitte & Touche LLP entitled, "Corporate Compliance for Universities and Academic Medical Centers." After the presentation, the Ad Hoc Committee discussed the requisite elements of a U. T. System Action Plan to Ensure Institutional Compliance (Compliance Action Plan). Since the meeting on March 2, the Compliance Action Plan has been circulated to all members of the Ad Hoc Committee for review and [comment](#).

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

- Designation of the Executive Vice Chancellor for Business Affairs as the U.T. System-wide Compliance Officer.
- The appointment of an Institutional Compliance Officer at System Administration and at each component institution by June 1, 1998.
- The creation of a U.T. System-wide Compliance Committee and parallel Compliance Committees at System Administration and each component institution which meet at least quarterly.
- The mandate for a *continuous and proactive* compliance function which reports to the Institutional Compliance Officer at System Administration and each component institution.
- The allocation of sufficient resources at 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 the Institutional Compliance Officers and Committees at System Administration and the component institutions report their activities to the U. T. System-wide Compliance Officer at least quarterly.

The Ad Hoc Committee believes that it is important to clearly distinguish responsibility and accountability for compliance with laws, regulations, policies, and procedures as follows:

- The U.T. System-wide Compliance Officer is responsible and will be held accountable for apprising the Chancellor and the Board of Regents of the institutional compliance functions and activities at System Administration and at each of the component institutions.
- The Institutional Compliance Officers at 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.
- Internal Audit is responsible and will be held accountable for independently evaluating the design and effectiveness of the compliance function at System Administration and each component institution on both an annual and an ongoing basis and for making recommendations for improvements to the Institutional Compliance Officers at System Administration and at each component institution.

The Ad Hoc Committee believes that the implementation of this Compliance Action Plan will significantly improve U. T. System compliance. As such, we respectfully submit this Compliance Action Plan to the Chancellor for his review and approval.

Ad Hoc Committee on Institutional Compliance  
March 1998

## ACTION PLAN – INSTITUTIONAL COMPLIANCE

<p>1. Adopt a Board of Regents' resolution on institutional compliance.</p> <p><i>Implementation Guidance: Board resolution on institutional compliance.</i></p>	<p>Board of Regents</p>	<p>May 14, 1998</p>
<p>2. Designate the Executive Vice Chancellor for Business Affairs as the U. T. System-wide Compliance Officer</p> <p><i>Implementation Guidance: The Executive Vice Chancellor for Business Affairs shall be responsible to the Chancellor and the Board for the System-wide compliance function.</i></p>	<p>Chancellor</p>	<p>May 14, 1998</p>
<p>3. Designate a Compliance Officer at System Administration and at each component institution.</p> <p><i>Implementation Guidance: In most cases, the Institutional Compliance Officer should be the Chief Business Officer or a high-ranking administrative official at the component institution.</i></p>	<p>Chancellor Chief Administrative Officer</p>	<p>June 1, 1998</p>
<p>4. Appoint a System-wide Compliance Committee and a Committee at System Administration and each component institution.</p> <p><i>Implementation Guidance: At least two approaches may be used to form the Institutional Compliance Committee. 1) appoint a cross-functional team from operating units with high-risk compliance issues (areas to be considered include accreditation; employment; student related; sponsored research; endowment; athletics; environmental health and safety; tax related; health care billing and confidentiality; law enforcement; facilities; and other compliance requirements). Under this approach, the Institutional Compliance Officer should chair the Committee. 2) expand the role of the Institutional Audit Committee to include Institutional Compliance and change/enhance membership as necessary. Generally, this approach assumes a separate institutional compliance function that reports to the Institutional Compliance Officer.</i></p>	<p>Chancellor Chief Administrative Officer</p>	<p>June 1, 1998</p>

5. Require the Institutional Compliance Committee to meet at least quarterly.	Chancellor Chief Administrative Officer	August 31, 1998
<p>6. Organize, fund, and provide oversight to an ongoing and proactive compliance function which meets the criteria of the U. S. Sentencing Guidelines that reports to the Institutional Compliance Officer at <b>System Administration and</b> each component institution.</p> <p><i>Implementation Guidance: At least two approaches may be used to organize a compliance function at each institution: (1) If the institution uses a cross-functional team as its Institutional Compliance Committee, then the responsibility of planning, organizing, directing, and controlling compliance activities rests with the Committee itself. (2) a separately staffed compliance function is responsible for the planning, organizing, directing, and controlling of compliance activities. Under this approach, the activities of the dedicated compliance function are <b>regularly</b> reported to the Institutional Compliance Committee.</i></p>	Chancellor Chief Administrative Officer	September 1, 1998
<p>7. Budget sufficient resources to fund ongoing and continuous compliance activities (information resources, training, and monitoring activities) that reduce compliance risk to an acceptably low level.</p> <p><i>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 (see action items 4 and 6). It is understood that risk cannot be reduced to zero. However, it should be reduced to a reasonably low level. Funding must be provided <b>for: 1)</b> assuring good information resources to keep current on regulatory changes and interpretations; 2) extensive in-house or external-based training programs which provide both general compliance training to all employees on an annual 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 which provide management vital information on <b>the degree to which</b> the component 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).</i></p>	Chancellor Chief Administrative Officer	September 1, 1998
8. Submit an annual risk-based plan of compliance activities to the U. T. System-wide Compliance Officer for review and approval.	Institutional Compliance Officer	October 31, 1998

*Implementation Guidance: The first step in developing this plan is accumulating a compliance universe document which presents details of laws, regulations, policies, and procedures to which System Administration and the component institutions are subject (this includes federal, state, local, UT and institutional obligations). Next, the compliance group must assess the risk of non-compliance for all elements in the universe. Generally, the risk model should consider both the financial and embarrassment risks of non-compliance and should also candidly self-assess existing skill levels, compliance consciousness and recent histories of alleged or known non-compliant behavior. The annual risk-based plan should summarize this process by providing a listing of all significant compliance requirements and a summary assessment (e.g. high, moderate, low) of the risk of non-compliance. Based on the risk assessment, the plan should describe the institution's compliance activities that will reduce the risks to reasonably low levels.*

*The effectiveness of the institutional compliance plan may be judged by documented evidence of restorative action (i.e. self-reporting of errors and repayment of monies received in error); and evidence of disciplinary action taken against employees found to have engaged in non-compliant behavior as well as those who improperly failed to detect such behavior.*

*The annual risk-based plan must present detail of how a combination of employee training and awareness programs, monitoring mechanisms, and changes in policies and procedures will equip all employees to understand their compliance obligations, set clear expectations for appropriate employee behavior, and provide insight into the ramifications of non-compliance. In the final analysis, the plan should demonstrate how each employee will become empowered to take an active role in reducing institutional risk.*

9. Establish functional liaisons and develop a support structure sufficient to ensure accomplishment of the plan for each activity that is deemed to be high risk (e.g. the already established medical billing and record keeping functions at medical components; environmental health and safety; and NCAA, etc.).

Chief Administrative Officer with input from the Institutional Compliance Officer and Institutional Compliance Committee

October 31, 1998

*Implementation Guidance: While to a certain extent this may be a matter of coordinating existing resources and enhancing compliance-related activities, each risk area must have a formally established and documented compliance function to: obtain and disseminate information; develop and administer training; and monitor effectiveness. In many cases this may require the establishment of subcommittees each of which will focus on one particular high-risk area.*

10. Ensure that appropriate general compliance training for all employees and specialized compliance training for employees whose job responsibilities involve them in high-compliance-risk activities are being provided on a regular basis and that attendance levels are acceptable.

Institutional Compliance Officer

January 1, 1999

*Implementation Guidance: Availability and attendance records are key monitoring data that should be provided to and considered by the Compliance Committee at every quarterly meeting.*

11. Submit a quarterly report on compliance activities to the U. T. System-wide Compliance Officer.

Institutional Compliance Officer

First quarterly report (for the qtr ending 11/30/98) is due by December 15, 1998

*Implementation Guidance: The quarterly report should compare progress to date with the annual risk-based plan, and should indicate areas where additional emphasis is required. Instances where initial investigation indicates probable cause to suspect significant non-compliance should be communicated to the U. T. System-wide Compliance Officer and the Office of General Counsel, if appropriate. The report format will be determined by the U. T. System-wide Compliance Officer.*

12. Follow-up to determine that appropriate corrective, **restorative and/or** disciplinary action has been taken in the event of non-compliance.

Institutional Compliance Committee  
Chief Administrative Officer

November 30, 1998

*Implementation Guidance: The principal responsibilities of the Institutional Compliance Committee are: to ensure that compliance activities are appropriately risk-based; to continuously assess and assure the effectiveness of the program; to keep the Chancellor and the Chief Administrative Officer aware of compliance risks, activities, and findings; and to ensure that the dissemination of information regarding compliance matters is not restricted. The discharge of these responsibilities includes discussion of potential areas of non-compliance and ensuring that appropriate corrective, restorative, and disciplinary actions are taken in the event of non-compliance. If the Institutional Compliance Officer believes that the appropriate administratively-accountable party has not followed relevant policies and procedures regarding corrective, restorative, and/or disciplinary action, then the Institutional 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.*

13. Establish a confidential mechanism that allows employees to obtain information regarding compliance issues and/or report instances of suspected non-compliance outside of the normal chain of command and in a manner that preserves confidentiality and assures non-retaliation.

Institutional Compliance Officer

September 1, 1998

*Implementation Guidance: The most common and acceptable methods of providing such a mechanism are the establishment of a compliance telephone hotline or post office box at*

System Administration and each component institution. The key elements of these confidential mechanism programs 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 ultimate disposition of all calls received. It is critical that the Office of General Counsel and institutional counsel be initially and continuously involved in both establishing and maintaining this function.

14. Develop a compliance manual which provides documentation of management's considerations of compliance, sets forth expectations and standards of conduct, and outlines methodologies to be employed to annually assess the effectiveness of the plan and each Institutional Compliance Officer.

Institutional Compliance Officer  
Institutional Compliance Committee

September 1, 1998

*Implementation Guidance: A manual should generally document the compliance structure; include copies of relevant documents, charters and policies; show examples of monitoring and reporting activities and forms; and document the process for evaluating Compliance Officers and for the Compliance Committee to annually self-assess its performance.*

15. Annually audit the design and the effectiveness of the U. T. System compliance function and the compliance function at System Administration and the component institutions.

Director of Internal Audit

Initial design audit to be completed by November 30, 1998

*Implementation Guidance: In its audit plan, Internal Audit should include audit(s) of the design and effectiveness of the compliance function both System-wide (System Audit Office) and at System Administration (System Audit Office) and each component institution (institutional Internal Audit Office). Based on the audit(s), recommendations for improvements should be made to the Institutional Compliance Officer. The Compliance Officer will be responsible for responding to such recommendations by developing action plans and timetables for remedial action to be approved by the Compliance Committee, which will be responsible for follow-up to ensure timely resolution.*

16. Summary information on hotline or post office box activities should be presented at every Compliance Committee meeting.

Institutional Compliance Officer

First report in 2<sup>nd</sup> Quarter of fiscal 1999