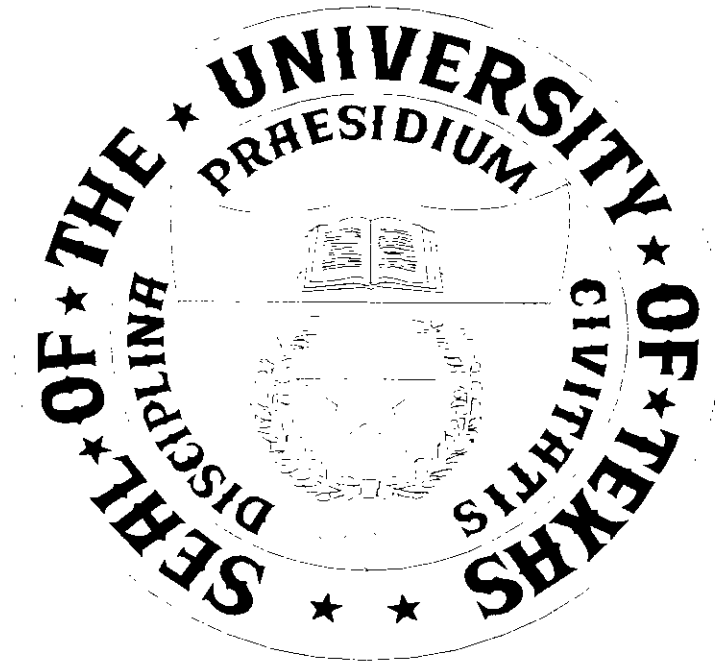


***Status of Action Plan to Ensure
Institutional Compliance***
THE UNIVERSITY OF TEXAS SYSTEM

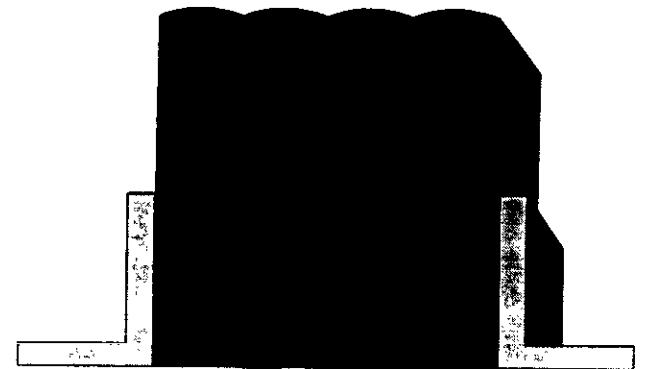
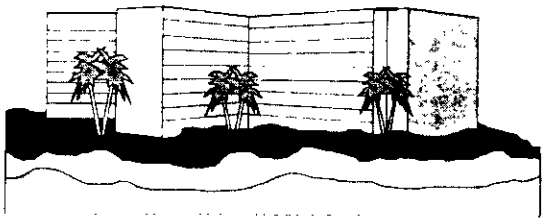


APPROVED BY THE CHANCELLOR AND PRESENTED TO THE BUSINESS AFFAIRS
AND AUDIT COMMITTEE OF THE BOARD OF REGENTS ON APRIL 24, 1998.

Purpose

- Support and further the System's commitment to an ethics-driven operating environment

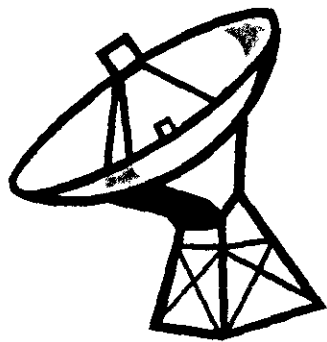
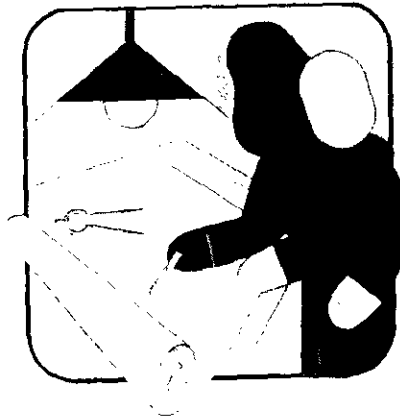
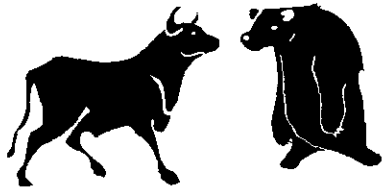
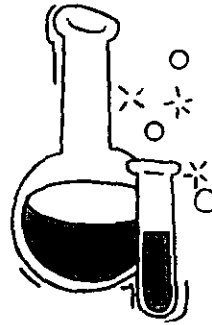
U.T. System Assets



U.T. System Assets

- \$20 Billion Total Assets
- \$13 Billion in Investments
- 2.1 Million Acres of Land
- 75,000 Employees

U.T. System Segments



U.T. System Segments

- 15 Academic and Health Institutions
- 3 Hospitals
- Numerous medical clinics
- A billion dollar RESEARCH function

U.T. System Segments

- A CONSTRUCTION MANAGEMENT function
- An INVESTMENT subsidiary
- A Distance Learning Network
- Various SPORTS and ARTISTIC operations

Significant Action Plan Steps

■ Completed:

- Appoint Compliance Officers & Compliance Committees
- Quarterly Meetings of Compliance Committees and Compliance Officers
- Submit risk-based compliance plans
- Audit risk-based compliance plans design
- Submit Quarterly Reports
- Develop a Model Code of Conduct

■ In Progress:

- Develop a General Compliance Training Program

Appointments

- Compliance Officers
 - Mr. R. D. Burck as System-wide Compliance Officer
- Compliance Committees
 - System-Wide Committee composed of:
 - Component President
 - Medical School Dean
 - Chief Business Officer
 - Practicing Physician
 - Researcher

Quarterly Compliance Meetings

■ System-wide Compliance Committee Meetings

- September 29, 1998
- January 12, 1999

■ Institutional Compliance Officers Meetings

- June 4, 1998
- July 10, 1998
- September 15, 1998
- October 13, 1998
- February 2, 1999

Quarterly Compliance Meetings

■ Content

- Receive and Review Monitoring Reports
- Review Training Programs
- Report Significant Instances of Non-compliance to Management
- Monitor Risks to identify changes

Risk-Based Compliance Plans

- Submitted by all components

- Includes:
 - Description of compliance organizational structure
 - Discussion of the risk assessment process
 - List of High Risk categories
 - Monitoring Plans for each High Risk

Key Common High Risks

- Medical Components - Billing
- Contracts and Grants
- Environmental Health & Safety
- Human Resources (Employment, Sexual Harassment, etc)
- Internal Revenue Service
- Financial Aid
- Endowments
- NCAA
- Year 2000

Monitoring Program

- Characteristics:
 - Single responsible and accountable person/position
 - Continuous monitoring process
 - Training program
 - Mechanism for reporting to Compliance Committee and management

Results of Compliance Program Design Audits

- Completed at all components in November 1998
- Refinements needed in:
 - Determination of High Risk Areas
 - Assignment of Responsibility for each High Risk Area
 - Monitoring and Specific Training Plans for High Risk Areas
 - Self evaluation of Compliance function
- **Overall Opinion - The basic elements of a successful compliance program are in place at all components.**

Quarterly Compliance Activity Reports from Components

- First Quarter Reports (Filed in December 1998)
 - Submitted by all components
 - Chronology of Implementation of Action Plan

- Second Quarter Reports (Due in March 1999)
 - Evidence of ongoing monitoring
 - Specific Training programs
 - General Training Program
 - Non-compliance issues

Model Code of Conduct

- Drafts circulated for comment over last two months
- Submitted to General Counsel for review
- Covers all issues included in General Compliance Training Core Curriculum

General Compliance Training Core Curriculum

- Compliance Program Purpose and Goals
- Regulatory & Oversight Compliance
- Business, Student, & Patient Care Information and Information Systems
- Workplace Conduct & Employment
- Political Activities and Contributions, Gifts and Gratuities
- Use of University assets
- Environmental Issues
- Access to Facilities and Services
- Compliance Program Administration

Training

- General Compliance Training taught annually to every employee
- Specific Compliance Training taught to applicable employees annually
- Web-based general compliance training available to components by end of February

Next Steps

- Distribute Model Code of Conduct
- Complete web-based General Compliance Training

- Develop specific training programs
- Report the results of continuous monitoring to committees and management
- Refine the High Risk identification process
- Institutionalize the compliance infrastructure