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FOR
AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW
COMMITTEE**

Committee Meeting: 11/9/2016

Board Meeting: 11/10/2016
Austin, Texas

*Jeffery D. Hildebrand, Chairman
Ernest Aliseda
David J. Beck
R. Steven Hicks
Brenda Pejovich*

	Committee Meeting	Board Meeting	Page
Convene	<i>10:45 a.m. Chairman Hildebrand</i>		
1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration	<i>10:30 a.m. Discussion</i>	Action	50
2. U. T. System: Annual Report on the Information Security Compliance Program	<i>10:47 a.m. Report/Discussion Mr. William Taylor</i>	Not on Agenda	51
3. U. T. Southwestern Medical Center: Presentation on using data analytics for charge capture reviews	<i>11:04 a.m. Report/Discussion Ms. Valla Wilson, U. T. Southwestern Medical Center</i>	Not on Agenda	64
4. U. T. System: Report on the Systemwide internal audit activities, including the FY 2016 Annual Report	<i>11:21 a.m. Report/Discussion Mr. Peppers</i>	Not on Agenda	77
5. U. T. System Board of Regents: Approval of the System Audit Office Internal Audit Activity Charter	<i>11:38 a.m. Action Mr. Peppers</i>	Not on Agenda	89
Adjourn	<i>11:45 a.m.</i>		

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

RECOMMENDATION

No Consent Agenda items are assigned for review by this Committee. The Consent Agenda begins on [Page 184](#).

2. U. T. System: Annual Report on the Information Security Compliance Program

REPORT

Mr. William Taylor, Chief Information Security Officer *ad interim*, will report on Information Security Compliance initiatives across the U. T. System. A PowerPoint presentation is set forth on the following pages.

BACKGROUND INFORMATION

Information security is a significant high risk compliance area within the U. T. System. Following a November 10, 2011 report to the Board by Deloitte & Touche LLP on its comprehensive information security compliance effectiveness review of the U. T. System, the Board approved an allocation of \$29,255,000 of Available University Funds to invest in Systemwide information security compliance enhancements.

The Information Security Office administers the investment of these funds through a centrally managed program and submits an annual progress report to the Chancellor and to the Board. This is the fifth annual report.

Annual Report on Information Security

Mr. William Taylor, U. T. System Chief Information Security Officer *ad interim*

U. T. System Board of Regents' Meeting
Audit, Compliance, and Management Review Committee
November 2016



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Agenda

- Information Security Office Vision, Mission, and Objectives
- U. T. System Information Security Incidents - Trends
- Information Security Assurance Initiative - Update
- Information Security Office Initiatives - Update
- Questions



Information Security Office Vision

- Enable the business of U. T. System
- Protect the business of U. T. System
- Promote a positive information security culture



Information Security Office Mission

- Implement a Systemwide information security program
- Provide guidance and support to U. T. System institutions
- Maintain a high level of confidentiality, availability, and integrity in critical information systems



Information Security Office Objectives

- Improve information security situational awareness
- Improve protection technologies and response procedures
- Provide cost-effective collaboration systems, consulting services, and security-as-a-service offerings
- Improve information security through education and training

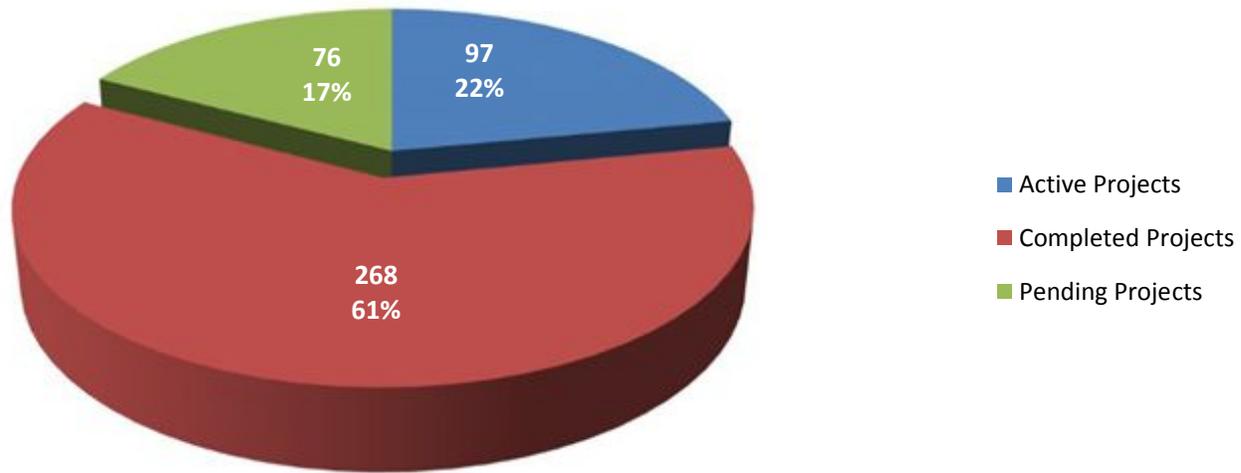


U. T. System Information Security Incidents - Trends

- Human error
- Loss or theft of computing devices
- Unauthorized access
- Phishing / social engineering
- Malware / ransomware
- Denial of service attacks



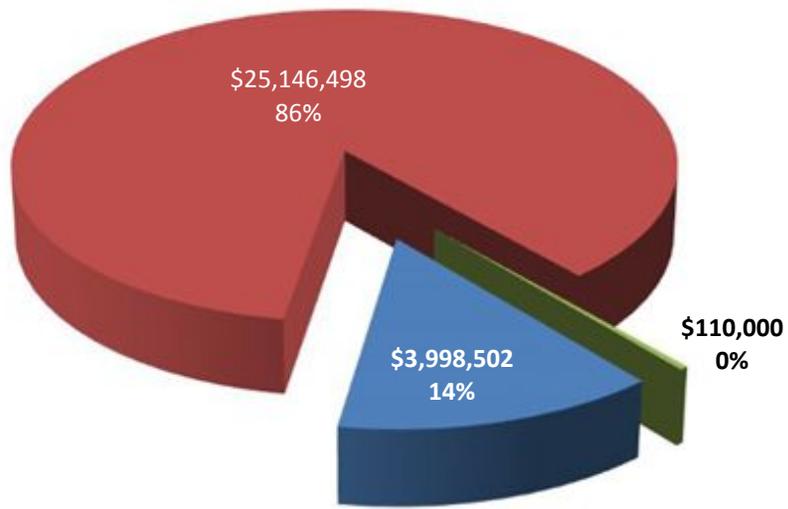
Information Security Assurance Initiative (ISAI) Progress Summary



Total Identified Projects: 441



Funding Status

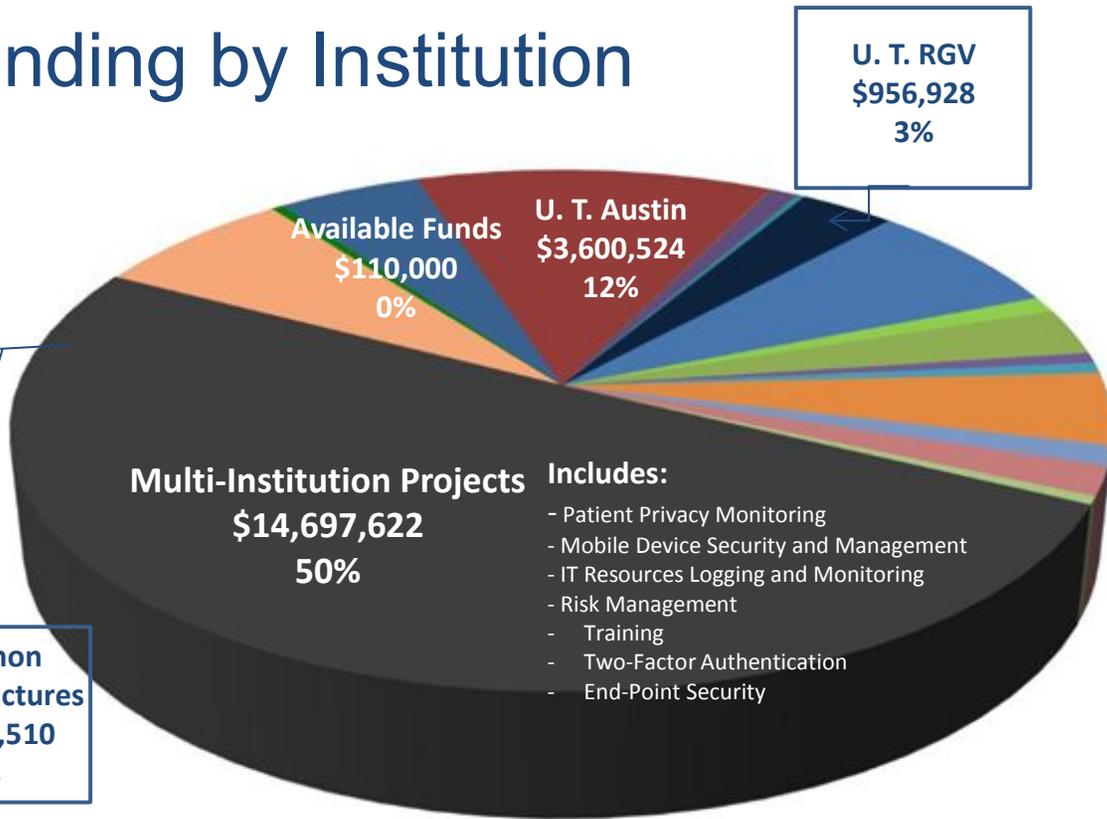


ISAI Budget: \$29.3 M

- Funds Encumbered for Approved Projects
- Funds Expended to Date for Completed and Active Projects
- Available Funds



Funding by Institution

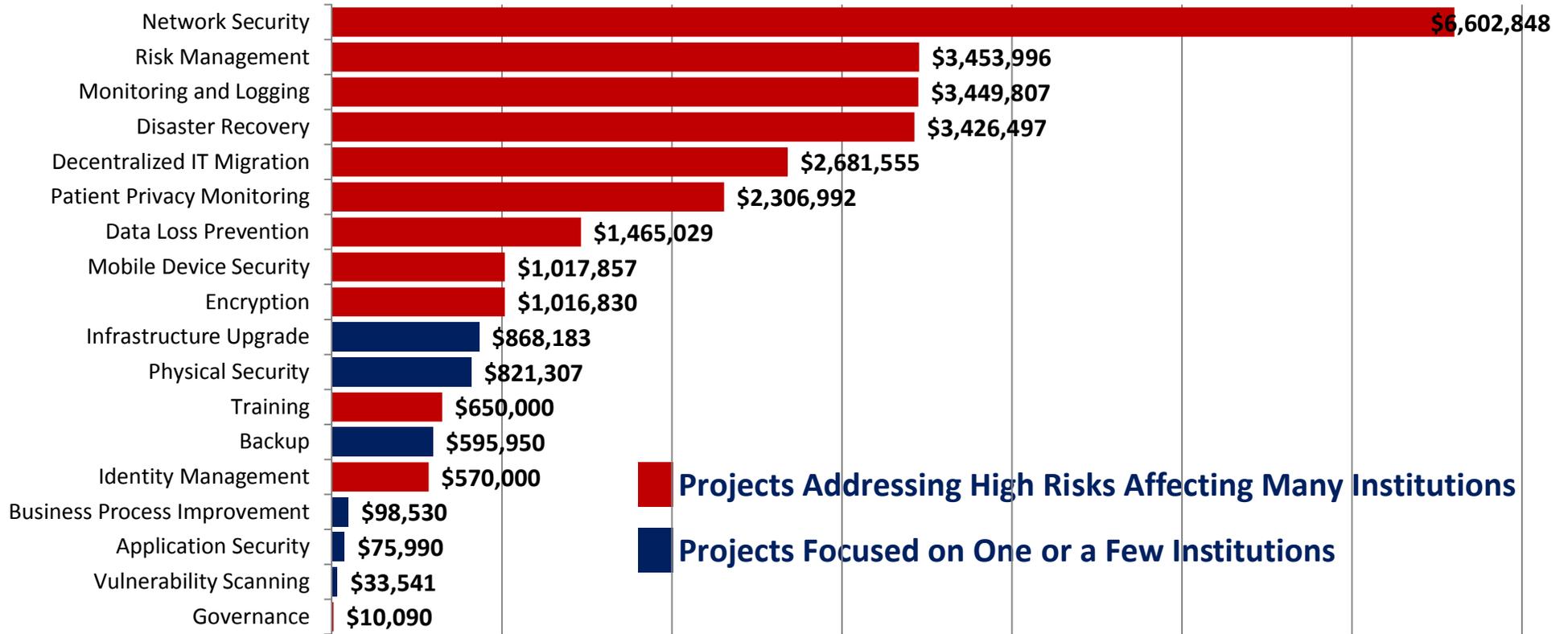


ISAI Funds Earmarked and Used for Approved Projects	Amount	Percentage
ISAI Funds Earmarked and Used for Approved Projects	\$29,255,000	100.0%
U. T. Arlington	\$1,446,170	5%
U. T. Austin	\$3,600,524	12%
U. T. Dallas	\$11,535	0%
U. T. El Paso	\$277,763	1%
U. T. Permian Basin	\$80,373	0%
U. T. Rio Grande Valley	\$956,928	3%
U. T. San Antonio	\$2,078,027	7%
U. T. Tyler	\$294,183	1%
U. T. Southwestern Medical Center	\$842,608	3%
U. T. Medical Branch - Galveston	\$185,592	1%
U. T. Health Science Center - Houston	\$193,450	1%
U. T. Health Science Center - San Antonio	\$1,298,766	4%
U. T. M. D. Anderson Cancer Center	\$360,000	1%
U. T. Health Science Center - Tyler	\$521,450	2%
U. T. System Administration	\$264,500	1%
Multi-Institution Projects	\$14,697,622	50%
UTIMCO	\$0	0%
Common Infrastructures	\$2,035,510	7%
ISAI Funds Balance	\$110,000	0%

Agenda Book - 60



Funding by Risk Area



Information Security Office Initiatives – Update

- **Initiative 1:** Two-Factor Authentication (**Completed**)
(Considering opportunities for expanded use)
- **Initiative 2:** Splunk-as-a-Service (**Ongoing**)
- **Initiative 3:** U. T. Cybersecurity Dashboard (**Upcoming**)
- **Initiative 4:** Vulnerability-Scanning Service (**Ongoing**)
- **Initiative 5:** Third-Party Vendor Risk Management (**Ongoing**)



Information Security Office Initiatives – Update (cont.)

- **Initiative 6:** Risk Assessment and Management (Ongoing)
- **Initiative 7:** Learning Management Portal (Completed)
- **Initiative 8:** Mobile Device Management (Ongoing)
- **Initiative 9:** Unstructured Data Classification Project (Ongoing)
- **Initiative 10:** Enterprise Incident Management (Upcoming)



3. **U. T. Southwestern Medical Center: Presentation on using data analytics for charge capture reviews**

REPORT

Ms. Valla Wilson, Associate Vice President and Chief Audit Executive at U. T. Southwestern Medical Center, will make a presentation on using data analytics for charge capture reviews. A PowerPoint presentation is set forth on the following pages.

Using Data Analytics for Charge Capture Reviews

Ms. Valla Wilson, Associate Vice President and Chief Audit Executive, U. T. Southwestern Medical Center

U. T. System Board of Regents' Meeting
Audit, Compliance, and Management Review Committee
November 2016



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Background – Why was this area reviewed?

- Charge capture is commonly a high-risk area for health care institutions due to the manual and automatic processes involved; the reliance on providers and staff to complete documentation and correctly record charges for supplies and services provided to the patients; and the multiple departments responsible for charge reviews, reconciliation, and corrections.
- Charge capture reviews were included on the U. T. Southwestern Medical Center (UTSW) Office of Internal Audit Plan as risk based recurring annual audits of various departments.
- The Orthopaedic Surgery Department was selected for review based on a risk assessment performed for all clinics and is the first of the series of charge capture reviews performed by the Office of Internal Audit.

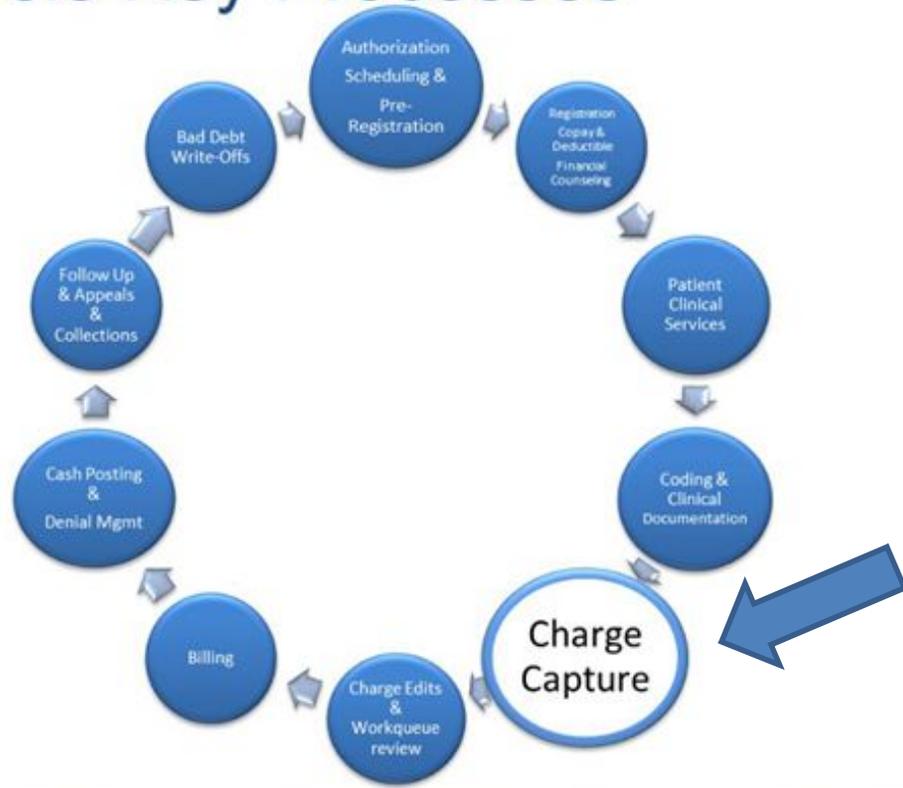


Background – What is Charge Capture?

- Health care providers use standard medical and billing codes to classify a patient's diagnosis, treatment, and related medical supplies.
- These codes are necessary to bill the services provided by the hospital and by health care providers to the patient's insurance company or guarantor for reimbursement.
- The UTSW charge capture processes include documentation of care, posting, and reconciliation of charges for professional and hospital services rendered to patients in the Epic (Electronic Medical Record and billing) system and involves the routing of charges through Epic and reviews by functional areas including monitoring of activities.



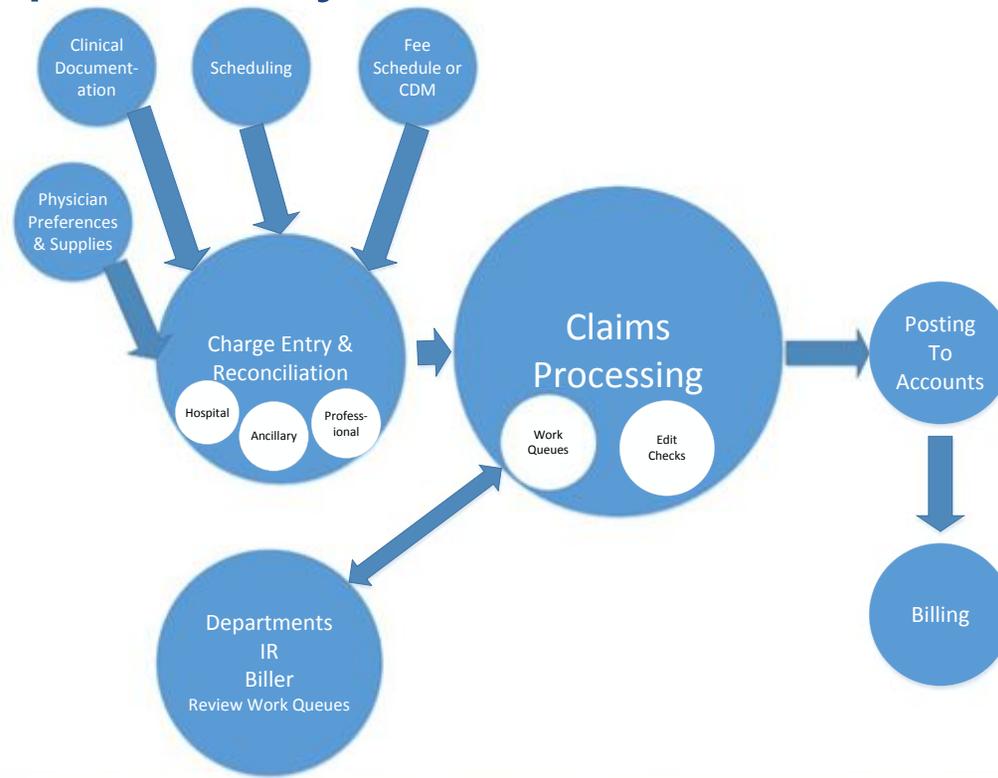
Revenue Cycle Key Processes



The charge capture process is described in greater detail on the following slide



Charge Capture Key Processes



Key Objectives and Procedures

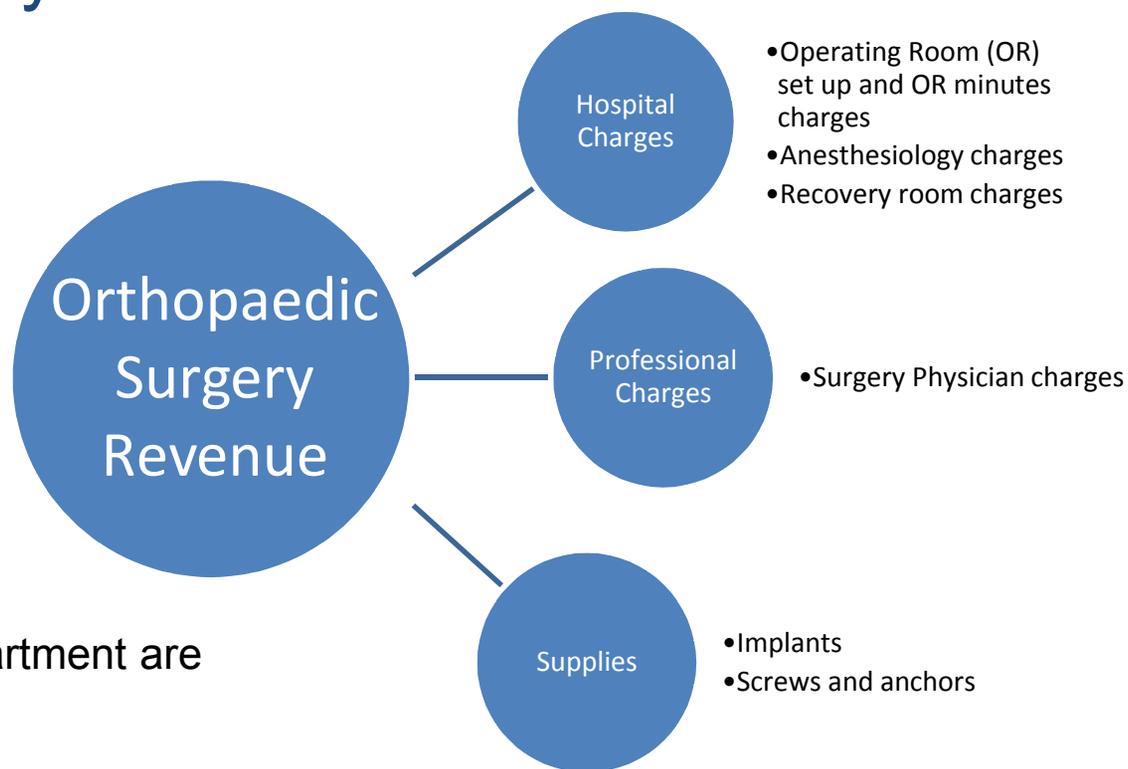
- The primary objectives of the audit were to assess:
 - Effectiveness of controls (ensuring timeliness and completeness of professional and hospital charge capture)
 - Compliance with institutional policies and regulations
 - Timely identification and resolution of exceptions
- Audit procedures included:
 - Interviews and evaluation of processes
 - Data analytics of hospital and professional charges and work queues
 - Testing of key controls



Orthopaedic Surgery

Faculty members see patients and perform procedures at various UTSW clinics and perform surgeries at University Hospitals and affiliated hospitals.

Annualized revenues for the department are approximately \$24 million.



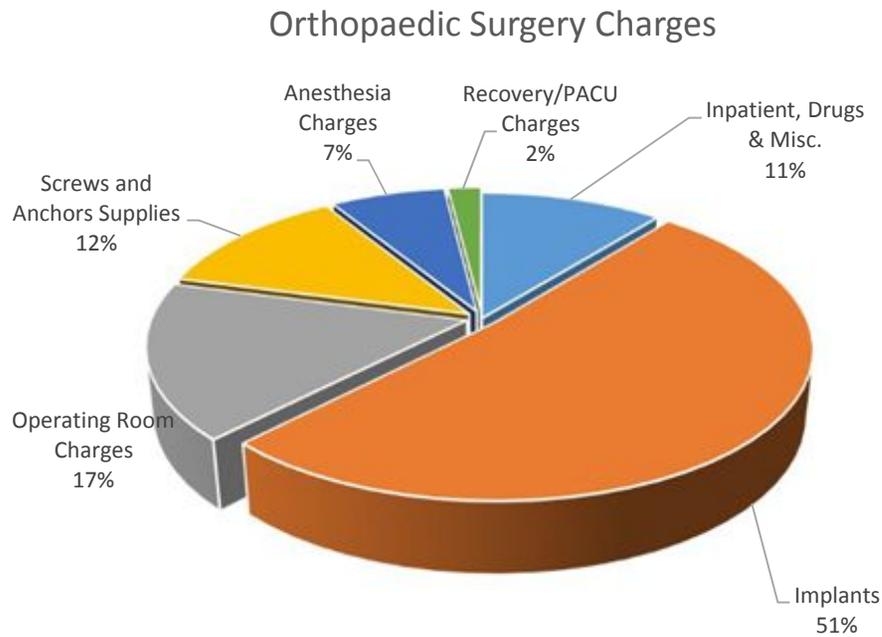
Key Data Analytics Performed

Identify missing or duplicate charges or other anomalies

Data Analysis Test	Expected Charge Completeness and Accuracy
OR set-up and minutes	Set-up fee and per minute charge
Anesthesiology charges	Anesthesiology charge billed in 15 minute increments
Recovery room charges	Recovery room charges
Supplies/equipment charges	Implants and/or screws, anchors for surgeries requiring implants
Therapy charges	Associated therapy evaluation for total replacement surgeries
Professional/surgery charges	Physician professional charges for surgeries



Volume of Charges for Surgery Cases



The use of data analytics provides the ability to inspect and draw conclusions based on analysis of 100% of the data.

Assurance that would not be available by traditional audit sampling techniques.



Key Analytics Performed

- Work queue data analysis procedures were designed to evaluate:
 - Total volume and aging of items in work queues
 - Types of errors included in work queues
 - Timeliness of review and resolution of flags to ensure accounts are billed to payors and patients in a timely manner



Key Analytics Performed in Work Queues

Total Number and Aging

- Identify trends
- Identify potential process gaps

Types of Flags

- Identify productivity issues
- Identify missed billing opportunities

Timeliness of Review

- Identify process improvements, such as additional system edits
- Assign proper accountability and monitoring of resolution



Results Identified

- The system flags, processes, and controls were working effectively since there were minimal missing charges.
- Opportunities identified were related to the review and resolution of the charges in work queues.
- Going forward, a multidisciplinary committee will be formed to collaborate and redefine work queue monitoring. Training of department leaders on monitoring of dashboards in Epic will continue.



4. **U. T. System: Report on the Systemwide internal audit activities, including the FY 2016 Annual Report**

REPORT

Chief Audit Executive Peppers will present the FY 2016 Systemwide Annual Report of internal audit activities, including Priority Findings, using a PowerPoint presentation set forth on the following pages. The annual audit plan status was provided to the Audit, Compliance, and Management Review Committee members prior to the meeting.

BACKGROUND INFORMATION

A Priority Finding is defined as “an issue identified by an audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a U. T. System institution or the U. T. System as a whole.” A Priority Findings Matrix is used by the chief audit executives to aid in the determination of a Priority Finding. The matrix provides three categories of standard factors to consider, each alone with the potential to result in a Priority Finding. They are: Qualitative Risk Factors (evaluates the probability and consequences across seven high risks), Operational Control Risk Factors (evaluates operational vulnerability to risks by considering the existence of management oversight and effective alignment of operations), and Quantitative Risk Factors (evaluates the level of financial exposure or lost revenue).

FY 2016 Systemwide Internal Audit Annual Report

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

U. T. System Board of Regents' Meeting
Audit, Compliance, and Management Review Committee
November 2016



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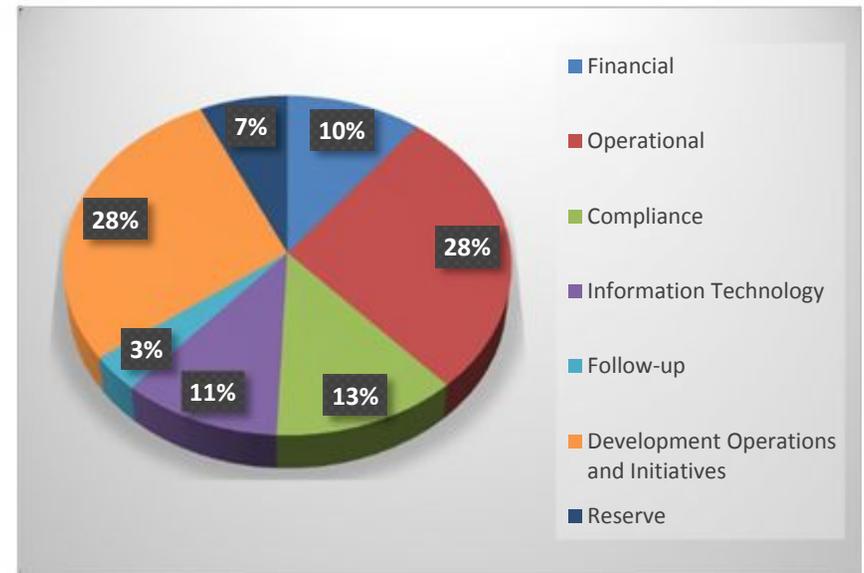
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Strategic Plan for Systemwide Internal Audit



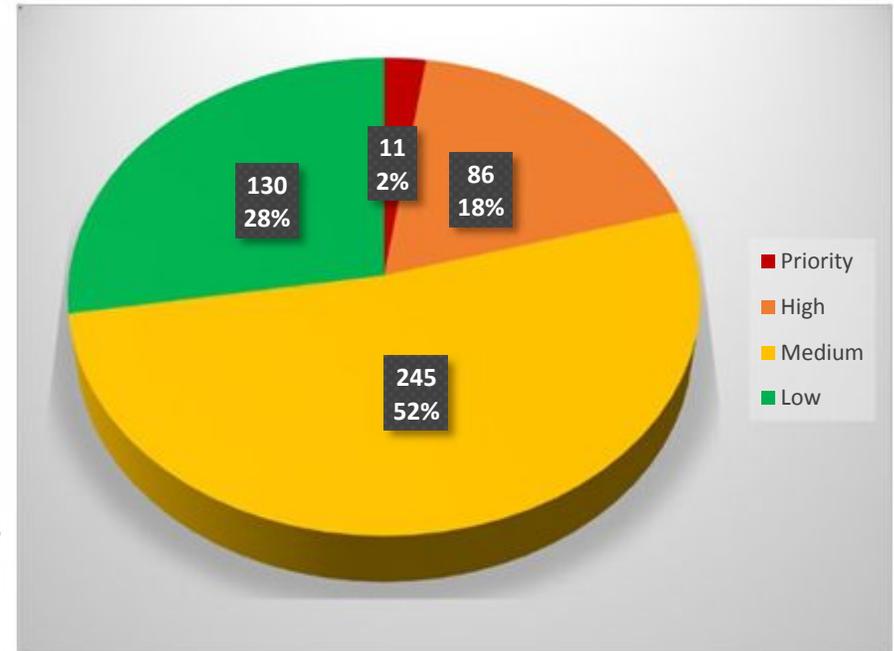
Systemwide Internal Audit Hours

- During Fiscal Year (FY) 2016, approximately 180K hours were incurred to complete the Systemwide Annual Audit Plan.
- Of these hours, 69% was spent on Financial, Operational, Compliance, and Information Technology engagements (includes Reserve).



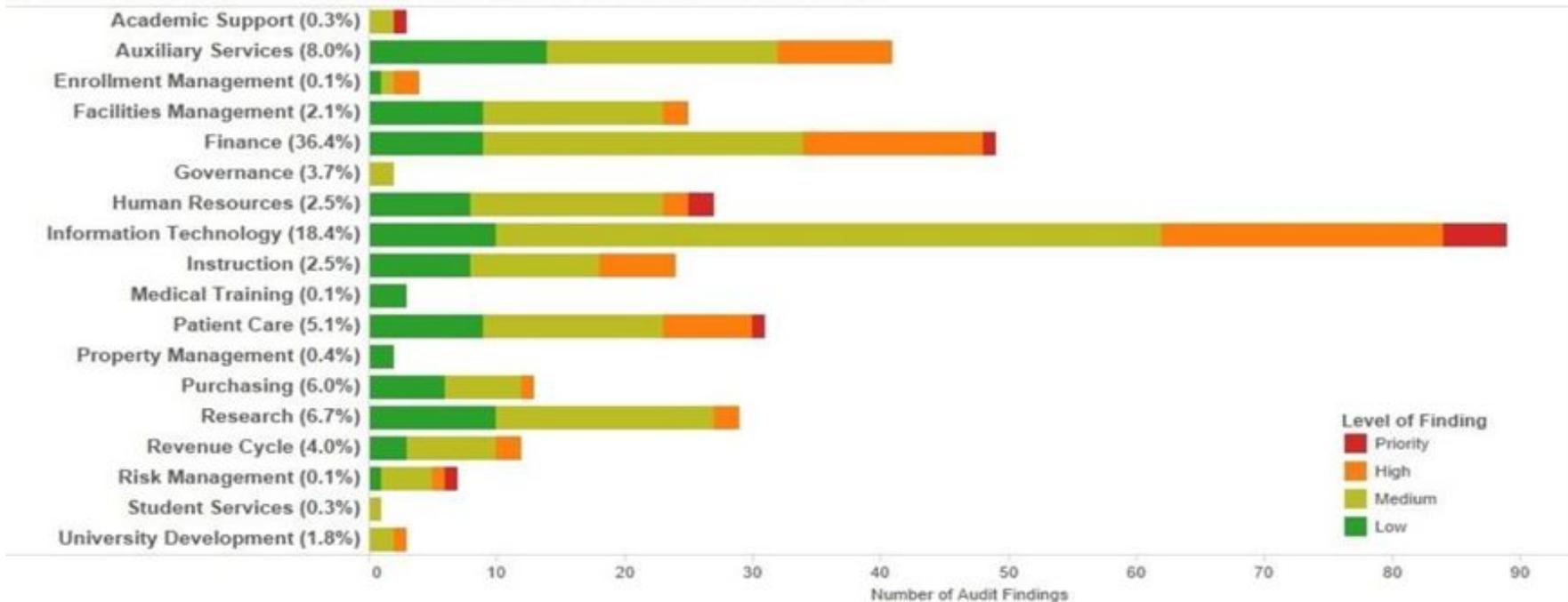
Systemwide Internal Audit Reports and Recommendations

- During FY 2016, 176 audit reports were issued, resulting in 472 recommendations.
- The 472 recommendations were made to address Priority (11), High (86), Medium (245), and Low (130) level findings.
- The average client survey score for these audits was 4.55 out of a range of 1 (Strongly Dissatisfied) to 5 (Strongly Satisfied).



Systemwide Internal Audit Findings

FY 2016 Findings by Subject Area and Percentage of Related Audit Hours



NOTE: There were no finding in some of the subject areas in which audit hours were spent. Those subject areas, which are not depicted above, make up 1.5% of expended audit hours.



Priority Findings – Summary as of August 31, 2016

INSTITUTION	General				Health	TOTAL		PAST DUE	REPUTATION	INFORMATION SECURITY	COMPLIANCE	LIFE SAFETY	DESIGNED CONTROLS	EFFECTIVENESS AND EFFICIENCY	ACCOMPLISHMENT OF OBJECTIVES	OPERATIONAL OVERSIGHT	MANAGEMENT OVERSIGHT
	INFORMATION TECHNOLOGY	RISK MANAGEMENT	HUMAN RESOURCES	RESEARCH	PATIENT CARE OPERATIONS												
U. T. Arlington	2	0	0	0	0	2	0		X								X
U. T. Austin	3	1	0	1	0	5	1	X	X	X	X						
U. T. Dallas	1	0	0	0	0	1	0		X								
U. T. El Paso	1	0	0	1	0	2	0		X	X							
U. T. Permian Basin	0	0	0	0	0	0	0										
U. T. Rio Grande Valley	0	0	0	0	0	0	0										
U. T. San Antonio	0	0	0	0	0	0	0										
U. T. Tyler	0	0	0	0	0	0	0										
U. T. Southwestern Medical Center	0	0	0	0	0	0	0										
U. T. Medical Branch - Galveston	0	0	2	0	1	3	0					X	X	X			X
U. T. Health Science Center - Houston	0	0	0	0	0	0	0										
U. T. Health Science Center - San Antonio	0	0	0	0	0	0	0										
U. T. M. D. Anderson Cancer Center	6	0	0	1	0	7	0		X	X							
U. T. Health Science Center - Tyler	0	0	0	0	0	0	0										
U. T. System Administration	0	0	0	0	1	1	0	X		X				X	X		
TOTALS	13	1	2	3	2	21	1										



Priority Findings – Changes Since Last Report

	<u>Reported Aug 2016</u>	<u>Implemented</u>	<u>New</u>	<u>Reported Nov 2016</u>
IT related Priority Findings	8	(0)	5	13
Non-IT related Priority Findings	<u>5</u>	<u>(1)</u>	<u>4</u>	<u>8</u>
Total Priority Findings	13	(1)	9*	21
Past due Priority Findings	0			1**

New Priority Findings*: U. T. Austin - IT (2) and Risk Management (1); U. T. Medical Branch at Galveston - Human Resources (2) and Patient Care Operations (1); U. T. M. D. Anderson Cancer Center - IT (3)

Past Due Priority Findings**: U. T. Austin - Research (1)



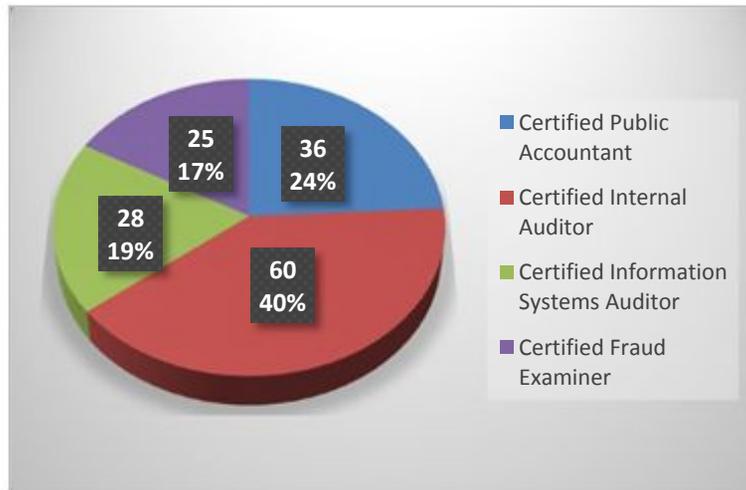
Internal Audit Staffing Resources as of FYE 2016

- Systemwide internal audit has 143 budgeted FTEs:
 - 132 (92%) filled positions
 - 11 (8%) vacant positions
- The 143 budgeted FTEs are composed of:
 - 52 (36%) professional management employees (5 vacancies)
 - 77 (54%) professional staff employees (6 vacancies)
 - 14 (10%) administrative staff employees (0 vacancies)



Internal Audit Staffing Resources as of FYE 2016 (cont.)

- 87 of the 118 current professional employees hold 149 professional certifications



- 43 of the 118 current professional employees have advanced degrees
- Average number of years of relevant and U. T. experience is 16 and 9 years, respectively
- Professional employees participated in an average of 52 hours of continuing professional education during the fiscal year



Professional Contributions by Internal Audit Staff

- Held several board and other leadership positions on professional organizations and advisory boards at the local, national, and global levels (including the Institute of Internal Auditors, Association of College and University Auditors, Association of Healthcare Internal Auditors, Association of Certified Fraud Examiners, Information Systems Audit and Control Association, and others)
- Presented at various conferences to provide continued professional education trainings
- Served as part-time adjunct and guest lecturers, and made presentations to auditing classes
- Received multiple professional awards



Student Opportunities in Internal Audit

- Formally established Internal Audit Education Partnership program at U. T. Austin, U. T. El Paso, and U. T. Dallas (also supported by U. T. Southwestern Medical Center) that provides various internship and student project opportunities
- Sponsored student projects for professional experience and/or auditing courses at U. T. Austin, U. T. Dallas, U. T. El Paso, U. T. Permian Basin, and U. T. System
- Employed part-time student interns at U. T. Arlington, U. T. Austin, U. T. Dallas, and U. T. San Antonio



5. **U. T. System Board of Regents: Approval of the System Audit Office Internal Audit Activity Charter**

RECOMMENDATION

On a periodic basis, the System Audit Office reviews its charter to ensure that any changes in regulatory requirements, authoritative guidance, and evolving oversight practices are reflected. Chief Audit Executive Peppers recommends that the Audit, Compliance, and Management Review Committee (ACMRC) review and approve the proposed System Audit Office Internal Audit Activity Charter as set forth on the following pages.

BACKGROUND INFORMATION

The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing require that the internal audit activity have a formal charter that defines its purpose, authority, and responsibility. The charter must be periodically reviewed and presented to the organization's board for approval.

Historically, updates to this charter have been reviewed and approved only by the System Administration Internal Audit Committee (IAC). However, during the last external quality assessment, it was recommended that the charter also be reviewed by the ACMRC since it is charged with functional responsibility for the audit activity.

The System Audit Office Internal Audit Activity Charter was last updated and approved on September 7, 2010, by the System Administration IAC. The proposed draft included on the following pages has been reviewed and agreed upon by key members of the System Administration IAC and will be formally submitted for approval by the full committee at the IAC's next meeting on November 14, 2016. The changes made are not substantive to the core elements of the charter and reflect adaptations to the recently revised IIA model charter.



THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION SYSTEM AUDIT OFFICE INTERNAL AUDIT ACTIVITY CHARTER

INTRODUCTION

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of The University of Texas (UT) System. The general mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. Internal audit assists UT System Administration in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and internal control.

ROLE

The internal audit activity is established by the Texas Internal Auditing Act and The University of Texas (UT) System Board of Regents. The UT System Board of Regents' Audit, Compliance, and Management Review Committee (ACMRC) and the UT System Administration audit committee provide oversight responsibilities. In that role, internal audit works to be a trusted advisor to management in the areas of governance, risk management, and internal controls.

PROFESSIONALISM

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, the Core Principles, the *International Standards for the Professional Practice of Internal Auditing (Standards)*, and Generally Accepted Governmental Auditing Standards as required by the Texas Internal Auditing Act. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to UT System Administration's relevant policies and procedures and the internal audit activity's standard operating procedures manual.

AUTHORITY

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all UT System records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the UT System Administration audit committee and ACMRC.

ORGANIZATION

Internal audit is a vital part of the University and functions in accordance with the policies established by the Chancellor, UT System Administration, and the UT System Board of



THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION SYSTEM AUDIT OFFICE INTERNAL AUDIT ACTIVITY CHARTER

Regents. To provide for the independence of the internal auditing activity, the UT System Chief Audit Executive (CAE) reports functionally to the UT System Administration audit committee and the ACMRC. The CAE reports administratively to the UT System General Counsel to the Board of Regents and has an indirect reporting relationship to the Chancellor.

The CAE will communicate and interact directly with the UT System Administration audit committee, including in executive sessions and between committee meetings, as appropriate. Responsibilities of the UT System Administration audit committee are outlined in its charter.

INDEPENDENCE AND OBJECTIVITY

The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment. Internal auditors may provide assurance services where they have previously performed consulting services provided the nature of the consulting did not impair objectivity, and provided individual objectivity is managed when assigning resources to the engagement.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The CAE will confirm, at least annually, the organizational independence of the internal audit activity and its staff members to the UT System Administration audit committee. The CAE will annually confirm the organizational independence of Systemwide internal audit to the ACMRC.

RESPONSIBILITY

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- Developing a flexible, annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management and the ACMRC Chairman, and submitting that plan to the UT System Administration audit committee for review and approval on an annual basis.
- Providing guidance and coordination for the risk assessment methodology and development of the institutional annual audit plans and presenting the Systemwide annual audit plan, including assessed risks, for review and approval by the UT System Board of Regents.
- Developing relationships throughout the organization to become a trusted advisor to management on risk management and internal control matters.



THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION SYSTEM AUDIT OFFICE INTERNAL AUDIT ACTIVITY CHARTER

- Maintaining a professional audit staff with sufficient knowledge, skills, abilities, experience, and professional certifications.
- Evaluating risk exposure relating to achievement of the organization's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on the organization.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organization's risk management processes.
- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit, as applicable.
- Performing consulting and advisory services related to governance, risk management, and control as appropriate for the organization. Such services include management requests, participation on UT System Administration committees, and participation on implementation teams for information technology projects and business process improvements.
- Evaluating specific operations at the request of the UT System Administration audit committee or management, as appropriate.
- Conducting investigations of significant suspected fraudulent activities, as requested by management and in accordance with [UTS118 - Dishonest or Fraudulent Activities](#).
- Developing audit programs and methodologies and coordinating approaches used for Systemwide audits.
- Developing tools, knowledge sharing, training, and other professional best practices for the internal audit function Systemwide.
- Providing support and advice to the institutional audit committees, including but not limited to, assisting in finding external members to serve as chairs for the committees, coordinating periodic communication among the chairs, and providing training forums for committee members.
- Administering internal audit at seven academic institutions (excluding UT Austin), including but not limited to, overseeing human resource activities (i.e., recruiting, hiring, compensation, and termination) and budgeting and expense processes. This also involves performing the annual performance evaluations of the CAEs at these institutions.
- Providing general oversight over Systemwide internal audit activities, as appropriate.

INTERNAL AUDIT PLAN

At least annually, the CAE will submit to the UT System Administration audit committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year. The CAE will communicate the impact of any resource limitations or significant interim changes to the UT System Administration audit committee.



THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION SYSTEM AUDIT OFFICE INTERNAL AUDIT ACTIVITY CHARTER

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input from senior management and the UT System Administration audit committee. The CAE will review and adjust the plan, as necessary, in response to changes in the internal audit resource levels or the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the internal audit plan will be communicated to and approved by the UT System Administration audit committee through periodic activity reports.

REPORTING AND MONITORING

The CAE or designee will communicate the results of each internal audit engagement to the appropriate individuals. Internal audit results will also be communicated to the UT System Administration audit committee.

Communication of the engagement results may vary in form and content depending upon the nature of the engagement and the needs of the client. A formal internal audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for appropriate follow-up on management's action plans to address engagement findings and recommendations and reporting the results to appropriate management members and the UT System Administration audit committee. All significant findings will remain as open issues until reviewed and cleared by internal audit.

Internal audit will fulfill reporting requirements for audit reports and the annual report, including the annual audit plan, as prescribed by the Texas Internal Auditing Act.

The CAE will periodically report to the UT System Administration audit committee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the UT System Administration audit committee.

In addition, various reporting of Systemwide internal audit activities will be provided to the UT System Administration audit committee and the ACMRC. This may include annual audit plan completion status, Priority Findings and their implementation status, results of Systemwide audits, external audit results, and other items as requested by the UT System Administration audit committee or ACMRC.



**THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION
SYSTEM AUDIT OFFICE INTERNAL AUDIT ACTIVITY CHARTER**

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing, the Core Principles, and the *Standards*, and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

Additionally, the program will include an element of quality oversight of the internal audit functions at the institutions. This may include coordination of periodic quality assurance reviews conducted by an external entity.

The CAE will communicate to the UT System Administration audit committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every three years.

RELEVANT STATUTES AND POLICIES

- [Texas Internal Auditing Act, Government Code Chapter 2102](#)
- [UT System Board of Regents' Rule 20401: Audit and Compliance Programs](#)
- [UT System Policy UTS129 Internal Audit Activities](#)

APPROVAL

The Internal Audit Activity Charter was approved on _____ by the UT System Administration Internal Audit Committee.