

21-113 Annual Compliance Training

EXECUTIVE SUMMARY

Background

Compliance training is part of the Institutional Compliance Program mandated by UT System and is provided to employees to educate them on important policies and procedures. Compliance training is currently offered online via the Learn2Succeed application.

Audit Objectives

Our objective was to determine whether the controls around annual compliance training are adequate and functioning as intended. Specifically, we wanted to determine if:

- The Annual Compliance Training Program is developed
- There is a process to ensure the annual compliance training is updated annually
- The administration and monitoring process is adequate

We conducted the audit in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

Scope

- The FY 2021 Annual Compliance Training.

Conclusion

Overall, controls around the compliance training program are adequate and functioning as intended. We noted the following opportunities for improvement:

#	Audit Observation Summary	Risk	Risk Rating
1	Oversight of the mandatory Annual Compliance Training materials is decentralized	Annual Compliance Training materials are not updated with current information and guidelines	Medium

AUDIT OBSERVATIONS & MANAGEMENT RESPONSES

#1 - Policies and Procedures

Cause

Oversight/Governance of the Mandatory Annual Compliance Training materials is decentralized.

Risk

Mandatory Annual Compliance Training materials are not updated with current information and guidelines.

Condition

Auditing & Advisory Services (A&AS) reviewed the procedures surrounding the annual compliance training program and noted informal process have been established. However, these procedures have not been formally documented and do not define roles and responsibilities for reviewing and updating the Mandatory Annual Compliance Training materials.

Developing departmental policies and procedures that define roles and responsibilities, throughout the Mandatory Annual Compliance Training process will ensure consistency and compliance with UT Health’s Institutional Compliance Program’s purpose and goals. Management informed us they plan to hire an Instructional Designer to assist with this process.

Criteria

UTS 119 Compliance Program states “U. T. System Administration and each institution have the authority to determine the appropriate compliance infrastructure and policies and procedures for their respective institutions.”

Recommendation

We recommend the Office of Institutional Compliance and Learning and Development work together to establish formal departmental procedures and to establish proper governance that formally define roles and responsibilities pertaining to the administration, monitoring and updating of materials for the annual compliance training program.

Rating

Medium

UT System Priority Findings Matrix Mapping (see Appendix A)

Effectiveness & Efficiency: Medium probability of some objectives not being met.

Management Response

The Office of Institutional Compliance and Learning and Development will work together to develop inter-departmental procedures to address the needs for annual compliance training, with defined roles and responsibilities and governance.

Responsible Party

Karen Spillar, Vice President of Enterprise Risk Management & Chief Compliance Officer
Eric Fernette, Vice President & Chief Human Resources Officer

Implementation Date

June 1, 2021

21-113 Annual Compliance Training

We would like to thank the staff and management of the Office of Institutional Compliance and Learning and Development who assisted us during our review.



Daniel G. Sherman, MBA, CPA, CIA
Associate Vice President & Chief Audit Officer

NUMBER OF PRIORITY FINDINGS REPORTED TO UT SYSTEM

None

MAPPING TO AUDITING & ADVISORY SERVICES FY 2021 RISK ASSESSMENT

Reference	Risk	Risk Rating
FIN 101	Annual training modules are not updated, resulting in inaccurate or outdated information provided to UTHealth employees	High

DATA ANALYTICS UTILIZED

None

AUDITING & ADVISORY SERVICES ENGAGEMENT TEAM

AVP/CAO - Daniel G. Sherman, MBA, CPA, CIA
Audit Manager - Nathaniel Gruesen MBA, CIA, CISA, CFE
Auditor Assigned - Ariana Reyna

END OF FIELDWORK DATE

April 12, 2021

ISSUE DATE

May 19, 2021

REPORT DISTRIBUTION

Audit Committee
Karen Spillar
Eric Fernette

APPENDIX A UT SYSTEM PRIORITY FINDINGS MATRIX

The University of Texas System
Systemwide Internal Audit
Priority Findings Matrix

Priority Findings Matrix	ACRMC Reporting	Institutional Reporting		
	Priority Finding	HIGH	MEDIUM	LOW
QUALITATIVE RISK FACTORS – Potential Probability and Consequences in various risk areas with respect to impact on institution as a whole				
Reputation: Damaged to the image of the institution and/or UT System	High probability that donors and other funding sources will withdraw or withhold funding	High probability that individuals will not choose to participate as students, faculty, or other stakeholders	Medium probability that individual stakeholders will not choose to participate in the institution	Low probability that individual stakeholders will be affected
	National media exposure	Adverse regional media exposure	Adverse local media exposure	No media exposure
Information Security: Integrity, confidentiality and availability of information	High probability of regulatory action or loss of reputation or affect on availability of budget in connection with incorrect external financial reporting	Medium probability of some external financial/operating data being incorrect	Low probability of external financial or operating data being incorrect	N/A
	High probability of data breach	Medium probability of data breach	Low probability of data breach	Opportunity to enhance existing acceptable system
	N/A	High probability of key internal financial/operating data being incorrect	Medium probability of internal data being incorrect	Low probability of internal information being incorrect
Compliance: Compliance with external legal or regulatory requirements	High probability of loss of funding, prosecution, significant financial penalty, negative legal action and/or significant, prolonged adverse impact on institution's	Medium probability of loss of funding, prosecution, significant financial penalty, negative legal action and/or significant, prolonged adverse impact on	Low probability of loss of funding, prosecution, significant financial penalty, negative legal action and/or significant adverse impact on institution's reputation	N/A
	N/A	High probability of increased monitoring or negative perception by the regulators	Medium probability of increased monitoring or negative perception by the regulators	Low probability of increased monitoring or negative perception by the regulators
Accomplishment of Management's Objectives: Goals being met, projects being successful	High probability that a major operating project or initiative (i.e. a new degree program or information system) will be materially late, over budget or technically deficient	Medium probability that an operating project will miss time, cost or technical goals	Low probability that an operating project will not achieve some of its goals	Process improvement opportunity to assist in achieving a goal
	N/A	High probability that an internal activity or project will not achieve its goals	Medium probability that an internal activity or project will not achieve some of its goals	Low probability that an internal activity or project will not achieve some of its goals
Effectiveness and Efficiency: Objectives at risk and/or resources being wasted	High probability of a mission critical activity failing with major regulatory, reporting consequences	Medium probability of a mission critical activity failing with major regulatory, reporting consequences	Low probability of a mission critical activity failing with major regulatory, reporting consequences	N/A
	N/A	High probability that some objectives are not met	Medium probability of some objectives not being met	Low probability that some objectives may not be met
	N/A	High probability of significant cost over runs	Medium probability of significant cost over-runs	Low probability of significant cost over runs
	N/A	High probability of a significant waste of resources	Medium probability of a significant waste of resources	Low probability of a significant waste of resources
Capital Impact: Loss or impairment of use of assets	High probability of significant financial loss of use of assets with reputation consequences Loss of control over significant assets	Medium potential for significant financial loss of use of assets with reputation side effects Loss of control over other assets	Low probability for significant financial loss of use of assets with reputation side effects Minor control deficiency over assets	Probability of immaterial and/or small financial losses of use of assets with minimal reputation Opportunity to improve existing controls over assets
Life Safety	High probability for loss of life	Medium probability for loss of life	Low probability for loss of life	N/A
	N/A	High probability for personal injury	Medium probability for personal injury	Low probability for personal injury
	High probability of material release of toxics/infectious disease	Medium probability for: release of toxics/infectious disease	Low probability for release of toxics/infectious disease	N/A
	High probability of Substantial incident of toxics/infectious disease effects	Medium probability of toxic/infectious disease effects	Low probability of toxic/infectious disease effects	N/A

Last Updated: June 2014

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Systemwide Internal Audit
Priority Findings Matrix

Priority Findings Matrix	ACRMC Reporting	Institutional Reporting		
	Priority Finding	HIGH	MEDIUM	LOW
OPERATIONAL CONTROL RISK FACTORS - Vulnerabilities in operational controls with consequences of not achieving objectives (If strategy or important operational objectives are directly impacted):				
<i>Operational Oversight/Alignment</i>	Operational oversight, alignment or management issue has the capacity to derail or significantly impact an Institutional or UT System strategic initiative	Operational oversight, alignment or management issue has the capacity to impair progress on an Institutional strategic initiative	N/A	N/A
<i>Management Oversight</i>	Management oversight control of critical organizational objectives is absent	Management oversight control of critical organizational objectives is ad hoc and/or not formalized	Management oversight control of critical organizational objectives is weak in important areas	Management oversight control of critical objectives can be improved
<i>Management Alignment</i>	Management's alignment of people, process and technology to efficiently accomplish organizational objectives is lacking risk awareness creating critical inefficiency and risk exposure	Management's alignment of people, process and technology to efficiently accomplish organizational objectives is not effectively creating awareness of inefficiencies and potentially significant risks, potentially impacting objective achievement	Key organizational components (trained people, defined process, or appropriate technology) are exposed to moderate risks yet to be addressed, potentially impacting objective achievement	Key organizational components (trained people, defined process, or appropriate technology) are exposed to low risks yet to be addressed, potentially impacting objective achievement
<i>Designed Controls</i>	Designed controls within objective critical operations are inadequate or are non-functional impacting objective achievement	Designed controls within important operations are not functional on a consistent day-to-day basis, with no compensating controls, potentially impacting objective achievement	Designed controls within important processes and transactions are inconsistent in their effectiveness, with no compensating controls, potentially impacting objective achievement	Breakdown of designed controls on a frequent and regular basis with compensating controls, but little impact on the achievement of objectives
	N/A	Control or process improvement opportunities that will provide a measurable economic result (significant to the institution)	Control or process improvement opportunities that will correct a reputational or compliance deficiency	N/A
QUANTITATIVE RISK FACTORS – Estimated Financial Consequences with respect to impact on the institution as a whole (quantitative factors % will vary by institution, so may be agreed upon by the institutional Chief Audit Executive & Chief Business Officer)				
<i>Payments (including fines and legal costs)</i>	>5% of outlays/expenditures	>2% to 5% of outlays/expenditures	1% to 2% of outlays/expenditures	<1% of outlays/expenditures
<i>Lost Revenues (actual and/or opportunities)</i>	>5% of Revenue	>2% to 5% of Revenue	1% to 2% of Revenue	<1% of Revenue

Last Updated: June 2014