



**TABLE OF CONTENTS
FOR
AUDIT, COMPLIANCE, AND MANAGEMENT
REVIEW COMMITTEE**

*Paul Foster, Chairman
Janiece Longoria
Colleen McHugh
Robert B. Rowling*

Committee Meeting: 11/12/2008

Board Meeting: 11/13/2008
El Paso, Texas

	Committee Meeting	Board Meeting	Page
A. CONVENE	<i>1:00 p.m. Chairman Foster</i>		
1. U. T. System: Approval of the U. T. Systemwide Internal Audit Plan for Fiscal Year 2009	Not on Agenda	Action	36
2. U. T. System Board of Regents: Report on results of the audits of funds managed by The University of Texas Investment Management Company (UTIMCO)	<i>1:00 p.m. Report Mr. Tom Wagner, Deloitte & Touche</i>	Not on Agenda	36
3. U. T. System: Report on the Fiscal Year 2008 Consolidated Annual Financial Report audit	<i>1:10 p.m. Report Mr. Chaffin</i>	Not on Agenda	37
4. U. T. System: Report on the Systemwide internal audit activities and Internal Audit Department report for U. T. Health Science Center – Tyler	<i>1:20 p.m. Report Mr. David Hullum, U. T. Health Science Center – Tyler Mr. Chaffin</i>	Not on Agenda	38
5. U. T. System: Report on the Systemwide Compliance Program, including introduction of the new Systemwide Compliance Officer	<i>1:30 p.m. Report Mr. Larry Plutko</i>	Not on Agenda	42

**B. RECESS TO EXECUTIVE SESSION PURSUANT TO
TEXAS GOVERNMENT CODE, CHAPTER 551**

1. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074

U. T. System: Discussion with institutional auditors and compliance officers concerning evaluation and duties of individual System and institutional employees involved in internal audit and compliance functions

1:40 p.m.

Report

Mr. Chaffin

Mr. Plutko

Mr. Hullum,

U. T. Health

Science

Center –

Tyler

**C. RECONVENE IN OPEN SESSION TO CONSIDER
ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS
AND ADJOURN**

2:00 p.m.

1. **U. T. System: Approval of the U. T. Systemwide Internal Audit Plan for Fiscal Year 2009**

RECOMMENDATION

Chairman Foster recommends that the U. T. System Board of Regents approve the U. T. Systemwide Internal Audit Plan (Plan) for Fiscal Year 2009 as approved by the Committee at a Special Called Meeting on October 8, 2008. Development of the Plan is based on risk assessments performed at each institution. Implementation of the Plan will be coordinated with the institutional auditors.

Supplemental Materials: The Plan executive summary is on Pages 89 - 90 of Volume 2. The full Plan was distributed to Committee members and is available upon request.

BACKGROUND INFORMATION

Institutional audit plans, compiled by the internal audit departments after input and guidance from the System Audit Office, the Offices of Academic or Health Affairs, and the institution's management and Institutional Audit Committee, were submitted to the respective Institutional Audit Committee and institutional president for review and comments. Additionally, the institutional audit plans were presented and discussed at the System Administration Internal Audit Committee meeting held on September 3, 2008. Also, the Chief Audit Executive provided feedback by conducting audit hearings with each institution.

After the review process, each Institutional Audit Committee formally approved its institution's audit plan.

2. **U. T. System Board of Regents: Report on results of the audits of funds managed by The University of Texas Investment Management Company (UTIMCO)**

REPORT

Mr. Tom Wagner, Deloitte & Touche, LLP, will report on the results of the financial statement audits of the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF), Long Term Fund (LTF), and Intermediate Term Fund (ITF). These funds are managed by UTIMCO.

A copy of Deloitte & Touche's report was mailed to Committee members in advance of the meeting and is available upon request.

BACKGROUND INFORMATION

Fiduciary responsibility for the PUF, GEF, PHF, LTF, and ITF (the Funds) rests with the U. T. System Board of Regents (Board). *Texas Education Code* Section 66.08(f) requires that the U. T. System provide for an annual financial audit of the PUF, if the PUF is within the scope of funds managed by an external management corporation.

On July 11, 2007, the Board authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche, LLP, to perform a financial audit of the Funds managed by UTIMCO for the fiscal year ended August 31, 2007, with the option to renew for four additional one-year terms. The Board renewed the contract with Deloitte & Touche, LLP, on February 7, 2008, to perform the audit of the funds managed by UTIMCO for the fiscal year ended August 31, 2008.

3. U. T. System: Report on the Fiscal Year 2008 Consolidated Annual Financial Report audit

REPORT

Mr. Charles Chaffin, Chief Audit Executive, will report on the progress and preliminary results of the U. T. System Consolidated Annual Financial Report audit for Fiscal Year 2008.

BACKGROUND INFORMATION

The U. T. System Audit Office prepared a plan to oversee and coordinate the internal audit of the Fiscal Year 2008 U. T. System Consolidated Financial Statements. The System Audit Office and each institutional internal audit department will express an opinion on their institution's individual annual financial report (AFR), including the Balance Sheet, the Statement of Revenues, Expenses, and Changes in Net Assets, and related footnote information.

The internal audits of the AFRs are performed at the request of the U. T. System Board of Regents (Board) for the benefit of the Board, U. T. System Administration management, and U. T. System institution management and are not intended to provide assurance for any purpose to readers of the report outside of U. T. System.

4. U. T. System: Report on the Systemwide internal audit activities and Internal Audit Department report for U. T. Health Science Center – Tyler

REPORT

Mr. David Hulum, Administrative Director of Internal Audit, U. T. Health Science Center – Tyler, will present an overview of the internal audit department and discuss current audits at the institution.

Mr. Charles Chaffin, Chief Audit Executive, will further report on the annual report of the Systemwide Internal Audit Program for Fiscal Year 2008. Institutional Internal Activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on an annual basis. The last activity report was sent on October 23, 2008.

Additionally, Mr. Chaffin will report on the status of significant audit recommendations. The fourth quarter activity report on the Status of Outstanding Significant Findings/Recommendations is set forth on Pages 39 - 40. The report shows that satisfactory progress is being made on the implementation of all significant recommendations. Additionally, a list of other audit reports issued by the Systemwide audit program follows on Page 41.

Significant audit findings/recommendations are submitted to and tracked by the U. T. System Audit Office. Quarterly, the chief business officers are asked for the status of implementation, which is reviewed by the internal audit directors. A quarterly summary report is provided to the Audit, Compliance, and Management Review Committee of the U. T. System Board of Regents. Additionally, the Committee members receive a detailed summary of new significant findings and related recommendations quarterly.

Supplemental Materials:

- **U. T. Health Science Center – Tyler PowerPoint presentation on Pages 91 - 94 of Volume 2.**
- **Systemwide Internal Audit Program Annual Report for Fiscal Year 2008 on Pages 95 - 100 of Volume 2.**

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Findings/Recommendations

U. T. SYSTEM AUDIT

Report Date	Institution	Audit	3rd Quarter 2008		4th Quarter 2008		Targeted Implementation Date	Overall Progress Towards Completion (Note)
			Ranking	# of Significant Findings	Ranking	# of Significant Findings		
2007-05	UTARL	General Information Technology Controls – Planning and Organization		1		0	9/24/2008	Implemented
2007-06	UTARL	Implementation Progress of UTS163: Guidance on Effort Reporting Policies		1		1	4/30/2009	Satisfactory
2007-06	UTARL	Protecting the Confidentiality of Social Security Numbers		3		1	3/31/2009	Satisfactory
2008-01	UTARL	Systems Security Audit		2		1	10/31/2008	Satisfactory
2008-05	UTARL	Texas Administrative Code 202 Audit				1	10/24/2008	Satisfactory
2008-05	UTARL	UT Arlington Health Services Audit				2	12/31/2008	Satisfactory
2007-06	UTAUS	UTS163: Guidance on Effort Reporting Policies		1		1	4/30/2009	Satisfactory
2007-08	UTAUS	Payment Card Industry Data Security Standard (PCI DSS)		1		1	12/31/2009	Satisfactory
2004-03	UTB	Contracts and Grants		1		1	12/31/2008	Satisfactory
2004-06	UTB	2003 Financial and Applications Controls Audit of the Financial Aid Office		1		1	2/27/2009	Satisfactory
2008-08	UTB	UTS165: Protecting the Confidentiality and Integrity of Digital Research Data Follow Up				4	10/15/2008	Satisfactory
2007-01	UTD	Annual Financial Report Audit		1		1	12/31/2008	Satisfactory
2007-02	Utep	Campuswide Information Technology Applications		3		3	5/31/2009	Satisfactory
2007-11	Utep	Decentralized Server Security		8		8	5/31/2009	Satisfactory
2008-05	Utep	University Residence Life-Miner Village		1		1	10/31/2008	Satisfactory
2008-08	Utep	University Ticket Center and Office of Special Events				2	10/31/2008	Satisfactory
2008-01	UTPA	Confidentiality of Social Security Numbers		2		1	12/31/2008	Satisfactory
2007-08	UTPB	UTS163: Guidance on Effort Reporting Policies		1		1	10/31/2008	Satisfactory
2008-08	UTPB	Annual Financial Report Audit FY 2007				2	11/30/2008	Unsatisfactory
2004-09	UTSA	Research Compliance - Time and Effort Reporting		1		1	2/1/2009	Satisfactory
2006-05	UTSMC - Dallas	Accounts Payable		1		0	8/31/2008	Implemented
2005-03	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Institutional)		1	No update was obtained due to interruption of operations at UTMB.			
2008-04	UTMB - Galveston	PeopleSoft Application		2	No update was obtained due to interruption of operations at UTMB.			
2008-05	UTMB - Galveston	Information Systems Change Management Process		2	No update was obtained due to interruption of operations at UTMB.			
2008-05	UTMB - Galveston	Information Security Action Plan				2	12/31/2008	Satisfactory
2008-08	UTMB - Galveston	Data Retention and Records Management				1	8/1/2009	Satisfactory
2007-05	UTHSC - Houston	Billing Collection Process and Review of Selected Applications of the Billing System		1		0	6/30/2008	Implemented
2007-05	UTHSC - Houston	Security of Credit Card Data		1		0	10/1/2008	Implemented
2007-11	UTHSC - Houston	Protection of Social Security Numbers		1		1	12/31/2008	Satisfactory
2008-03	UTHSC - Houston	Windows Servers Vulnerabilities		2		2	12/31/2008	Satisfactory
2008-05	UTHSC - Houston	Change in Management: Harris County Psychiatric Center		2		2	1/31/2009	Satisfactory
2006-04	UTHSC - San Antonio	Medical Services, Research and Development Plan Collections		1		0	9/30/2008	Implemented
2007-08	UTHSC - San Antonio	Central Computing Facility		1		0	9/8/2008	Implemented
2007-09	UTHSC - San Antonio	Research Compliance Program		1		1	10/31/2008	Satisfactory

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Findings/Recommendations

Report Date	Institution	Audit	3rd Quarter 2008		4th Quarter 2008		Targeted Implementation Date	Overall Progress Towards Completion (Note)
			Ranking	# of Significant Findings	Ranking	# of Significant Findings		
2001-08	UTMDACC - Houston	Lotus Notes Environment		1		1	5/31/2009	Satisfactory
2006-09	UTMDACC - Houston	Centralized Backup, Storage, and Recovery		1		1	8/31/2008	Satisfactory
2007-06	UTMDACC - Houston	Conflict of Interest		5		4	8/31/2008	Satisfactory
2007-09	UTMDACC - Houston	Maintenance and Security of Biological Research Materials		1		1	11/30/2008	Satisfactory
2007-10	UTMDACC - Houston	Research Compliance Design Review		2		2	5/30/2009	Satisfactory
2008-05	UTMDACC - Houston	Lab Safety		1		1	2/28/2009	Satisfactory
2008-05	UTMDACC - Houston	Clinical Trial Research		1		1	2/28/2009	Satisfactory
2008-05	UTMDACC - Houston	Advance Beneficiary Notice Implementation Review		1		1	5/31/2009	Satisfactory
2005-04	UTHSC - Tyler	Texas Administrative Code 202 Compliance Audit		1		1	8/31/2009	Satisfactory
2005-12	UTSYS ADM	Systemwide Financial Audit		1		1	9/1/2009	Satisfactory
2006-05	UTSYS ADM	UTIMCO Institutional Investment and Compliance Audits		1		1	5/31/2009	Satisfactory
2008-04	UTSYS ADM	Office of Employee Benefits Retiree Drug Subsidy Review		1		0	6/9/2008	Implemented
2008-04	UTSYS ADM	FileNet Audit				1	9/1/2009	Satisfactory
Totals				<u>61</u>		<u>64</u>		

STATE AUDITOR'S OFFICE AUDITS

2007-03	UTPB	2006 Statewide Single Audit - Student Financial Aid Cluster		1		1	11/30/2008	Satisfactory
2008-03	UTMDACC - Houston	Federal Portion of the Statewide Single Audit Report for FY Ended August 31, 2007		3		3	11/30/2008	Satisfactory
2007-05	UTSYS ADM	Charity Care at Health-Related Institutions		1		1	1/31/2009	Satisfactory
Totals				<u>5</u>		<u>5</u>		

Color Legend:

- Either a new significant finding for which corrective action will be taken in the subsequent quarter OR a previous significant finding for which no/limited progress was made towards implementation.
- Significant finding for which substantial progress towards implementation was made during the quarter that the significant finding was first reported.
- Significant finding for which substantial progress towards implementation was made during the quarter.
- Significant finding was appropriately implemented during the quarter and will no longer be tracked.

Note: **Implemented** - The Internal Audit Director deems the significant finding has been appropriately addressed/resolved and should no longer be tracked.
Satisfactory - The Internal Audit Director deems that the significant finding is in the process of being addressed in a timely and appropriate manner.
Unsatisfactory - The Internal Audit Director deems that the significant finding is NOT being addressed in a timely and appropriate manner.

U. T. SYSTEMWIDE INTERNAL AUDIT AND STATE AUDITORS' OFFICE AUDIT REPORTS

OTHER U. T. SYSTEM AUDIT REPORTS RECEIVED BY SYSTEM AUDIT 6/2008 THROUGH 8/2008	
Institution	Audit
UTARL	MyMav Student Information System – Tuition and Fees Audit
UTARL	Procurement Card Monitoring Plan Audit
UTAUS	Cash and Cash Equivalent Controls Audit
UTAUS	Time and Effort (departmental level)
UTAUS	Information Resources Use and Security Policy: Division of Housing and Food Service
UTAUS	Change in Management - College of Liberal Arts
UTAUS	Change in Management - Division of Instructional Innovation and Assessment
UTAUS	Change in Management - Lady Bird Johnson Wildflower Center
UTAUS	Change in Management - Molecular Genetics and Microbiology
UTAUS	Change in Management - Vice President for Information Technology
UTAUS	Change in Management - Continuing and Innovative Education
UTAUS	Change in Management - Department of Economics
UTAUS	Change in Management - Department of Philosophy
UTAUS	Change in Management - South Asia Institute
UTAUS	Change in Management - Center for Strategic Analysis
UTAUS	Change in Management - Vice President for Diversity and Community Engagement
UTAUS	Advanced Research Program/Advanced Technology Program
UTB	Change in Management Audit of the Dean for the College of Science, Math & Technology and Engineering Department
UTD	Scholarships and Fellowships
UTD	Technology Workforce Development Grants
UTD	Comet Cards
UTD	Women's Center
UTD	Student Health Center
UTD	Lena Callier Trust
UTEP	Student Health Center
UTEP	Technology Workforce Development Grant
UTPA	Office of the Vice President of University Advancement
UTPA	Office of the Vice President of Community Engagement
UTPA	Technology Workforce Development Grant
UTPA	National Collegiate Athletic Association (NCAA) Recruiting
UTPA	Student Financial Services
UTPA	Vice President of Information Technology
UTSA	Texas Workforce Development Grants
UTSA	Office of the Provost Reconciliation Process Audit
UTSA	Internal Control Review - Office of Facilities Salvage Property Disposal
UTSA	Utility Billing Audit
UTSA	Institute for Texan Cultures - Financial Audit
UTTY	Endowment Management and Administrative Fees
UTTY	Audit of Director of Information Technology
UTTY	Office of Vice President for Student Affairs
UTTY	Office of Vice President for Academic Affairs
UTSMC - Dallas	Network Security Review
UTSMC - Dallas	University Hospital Accounts Payable
UTSMC - Dallas	University Hospital - Patient Billing & Accounts Receivable
UTSMC - Dallas	Information Technology Computer Inventory Control & Data Encryption
UTSMC - Dallas	Transplant Services
UTMB - Galveston	Post Award Management
UTMB - Galveston	Enrollment Services Review
UTMB - Galveston	Public Affairs Organizational Review
UTMB - Galveston	Student Wellness Services
UTHSC - Houston	Change in Management - Employee Assistance Program
UTHSC - Houston	Electronic Medical Records
UTHSC - Houston	Follow-up on Open Recommendations
UTHSC - Houston	Dental Practice Plan - Oral Maxillofacial Clinic
UTHSC - Houston	Student Financial Services - Fair Lending Practices
UTHSC - Houston	Student Information System
UTHSC - San Antonio	Practice Plans Financial Review
UTHSC - San Antonio	Facilities Development Projects Component
UTMDACC - Houston	Physicians Referral Service Financial Review
UTMDACC - Houston	Construction Vendor Selection Process
UTHSC - Tyler	Audit of the Office of the Vice President for Patient Care Operations and Chief Nursing Officer
UTSYS ADM	University Lands Operator Audit (Anadarko)
UTSYS ADM	UT System Administration Office of Facilities Planning and Construction Conflicts of Interest Audit
UTSYS ADM	UT System Administration Follow Up FY 2008 Audit
UTSYS ADM	UT System Administration TeleCampus Departmental Audit
UTSYS ADM	The University of Texas Health Science Center at Houston Office of the President Change in Management Audit

STATE AUDITOR'S OFFICE AUDIT REPORTS RELEASED 6/2008 THROUGH 8/2008	
Institution	Audit
UTSYS ADM	An Audit Report on Pharmacy Benefit Manager Contracts at Selected State Agencies and Higher Education Institutions

5. **U. T. System: Report on the Systemwide Compliance Program, including introduction of the new Systemwide Compliance Officer**

REPORT

Mr. Larry Plutko, Systemwide Compliance Officer, will brief the Audit, Compliance, and Management Review Committee on the annual activities of the Systemwide Compliance Program. Activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on a quarterly basis. The last activity report was sent on October 23, 2008.