TABLE OF CONTENTS FOR AUDIT, COMPLIANCE, AND RISK MANAGEMENT COMMITTEE

Committee Meeting: 11/19/2025

Board Meeting: 11/20/2025
Austin, Texas

Nolan Perez, Chairman
Christina Melton Crain
Jodie Lee Jiles
Janiece Longoria
Kelcy L. Warren
Rad Weaver

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

RECOMMENDATION

The Board will be asked to approve the Consent Agenda beginning on Page 99.

2. U.T. System: Report and discussion on the Systemwide internal audit activities, including Fiscal Year 2025 Annual Report

Chief Audit Executive Peppers will present the FY 2025 Systemwide Annual Report of internal audit activities, using a PowerPoint presentation set forth on the following pages. He will also provide an update on the status of the external financial audit. Additional details on the Systemwide observations by subject area and significance, the annual audit plan's budget to actual hours status, as well as the planned scope and timing of the external financial audit were provided to the Audit, Compliance, and Risk Management Committee members prior to the meeting.

BACKGROUND INFORMATION

Internal audit across the U.T. System uses a consistent classification process to evaluate audit results to identify Priority, High, Medium, or Low level reportable observations. A Priority Observation is defined as "an issue that, if not addressed timely, has a high probability to directly impact achievement of a strategic or important operational objective of a U.T. institution or the U.T. System as a whole." All reportable observations are rated based on an assessment of applicable risk factors and the probability of a negative outcome occurring if the risk is not adequately mitigated. The standard risk factors considered are: Qualitative (evaluates the probability and consequences across seven areas), Operational Control (evaluates operational vulnerability to risks by considering the existence of management oversight and effective alignment of operations), and Quantitative (evaluates the level of financial exposure or lost revenue).

FY 2025 Systemwide Internal Audit Annual Report

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

U.T. System Board of Regents Meeting

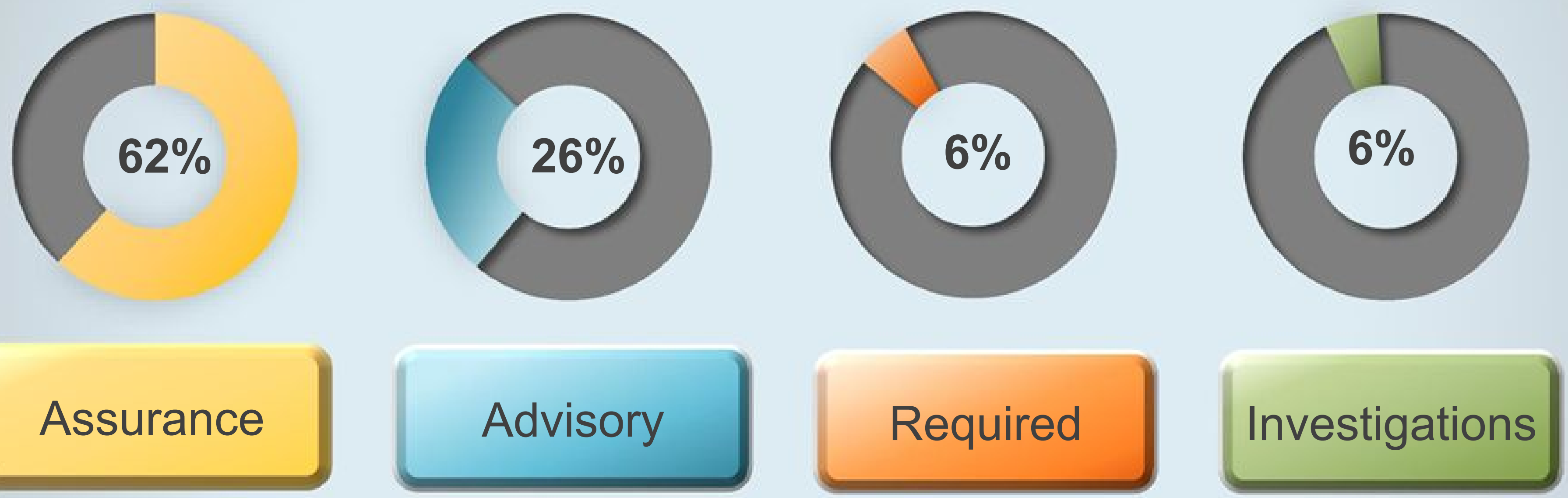
Audit, Compliance, and Risk Management Committee

November 2025

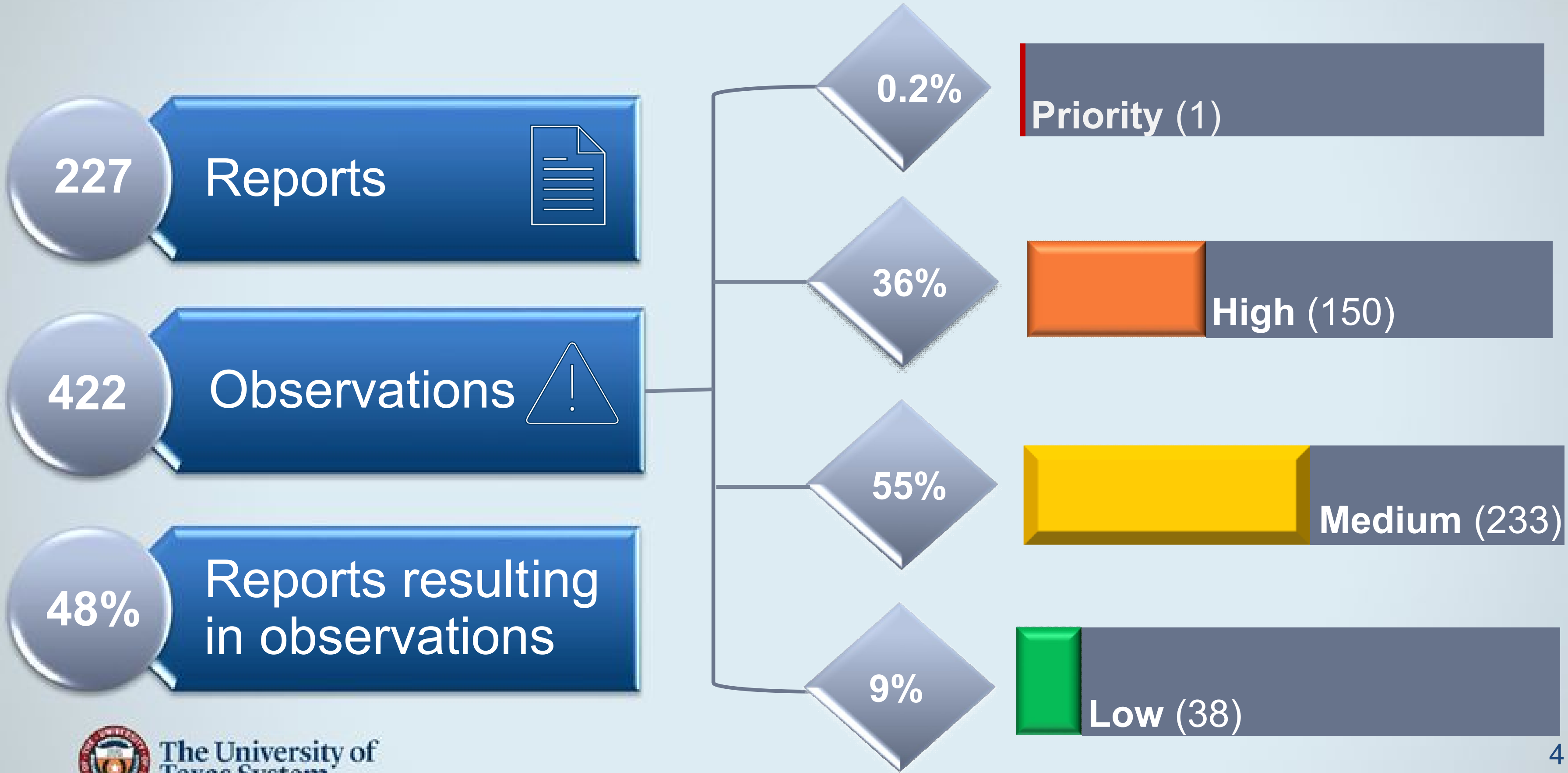
Annual Audit Plan

Actual Hours Spent	Internal Auditors	Audit Plan Completion
168K	102	96%

Engagement Categories



Audit Reports and Observations



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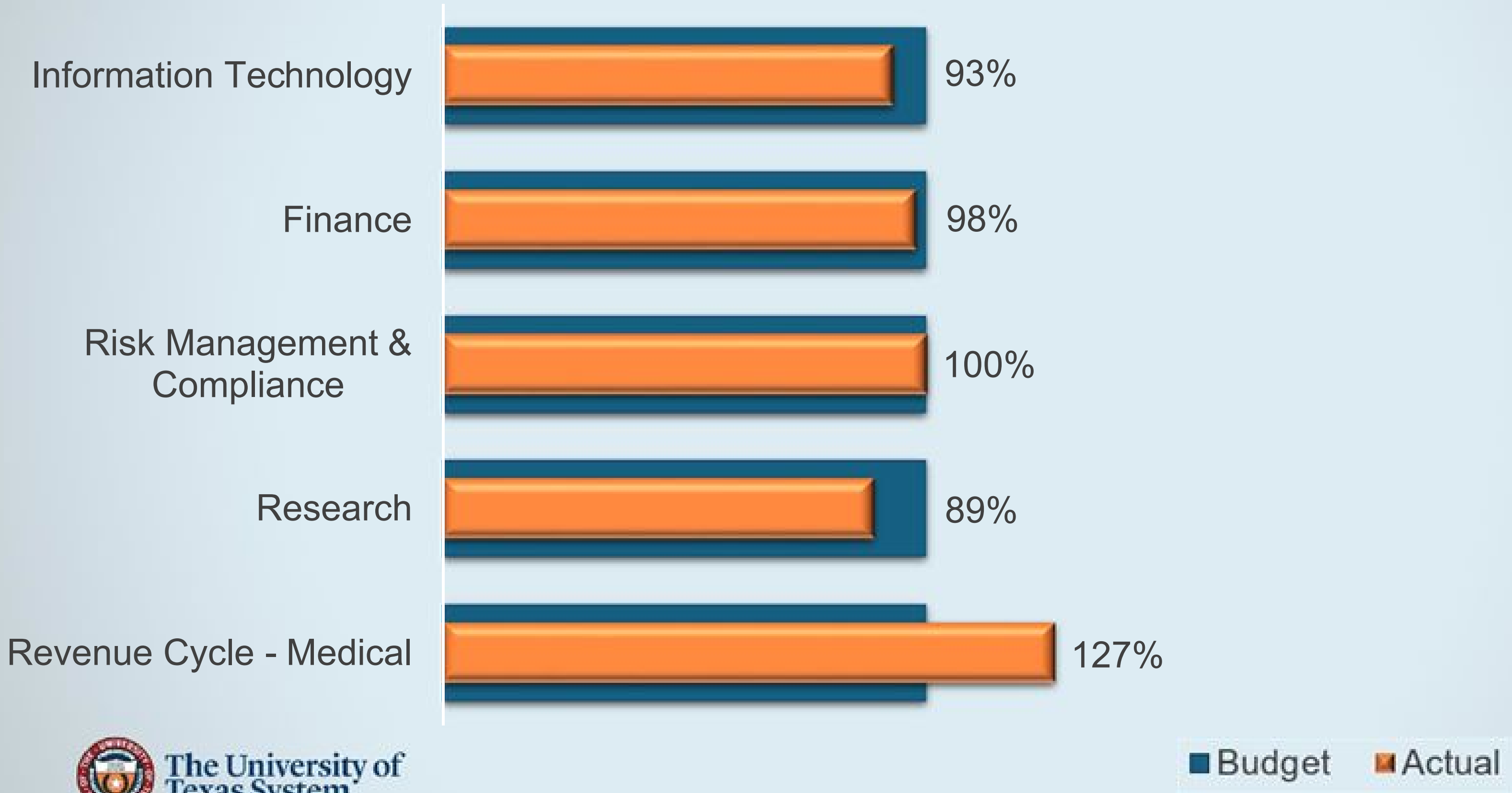
Actual to Budgeted Hours: Top Five Taxonomies



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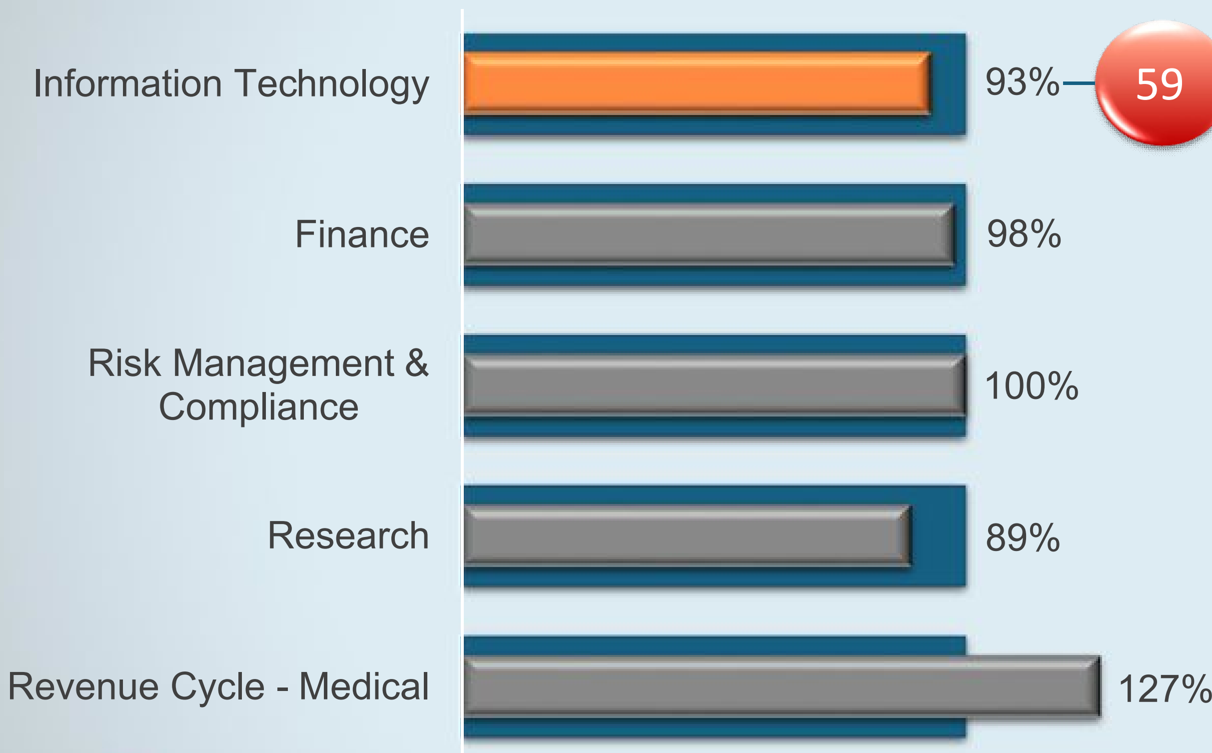
Actual to Budgeted Hours: Information Technology



59 Priority & High-level Observations

- Identity & Access Management
- Cyber Vulnerability Management & Incident Response
- Hardware & Software Inventory Management
- Legal & Regulatory Compliance
- Third Party Security & Risk Management

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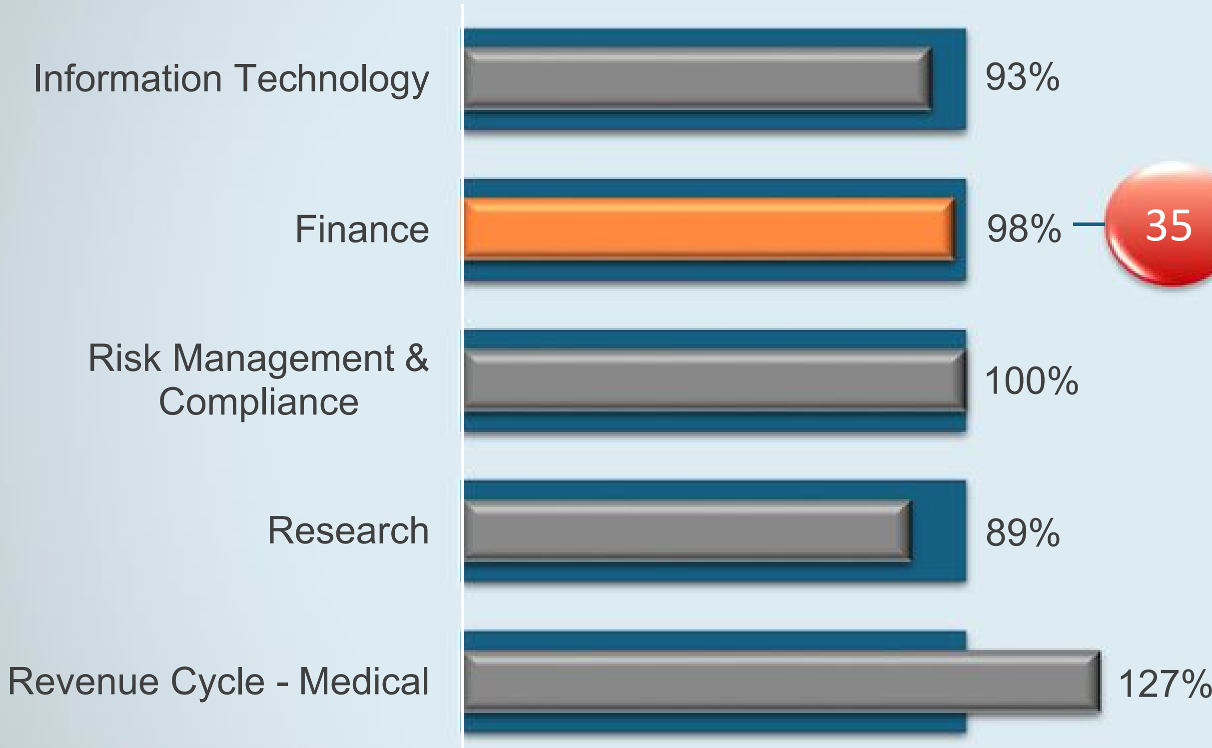
Actual to Budgeted Hours: Finance



35 Priority & High-level Observations

- Cash Management/Treasury & Investments
- Financial Reporting
- Fixed Asset & Capital Management
- Accounts Payable & Receivable
- Purchasing & Supply Chain

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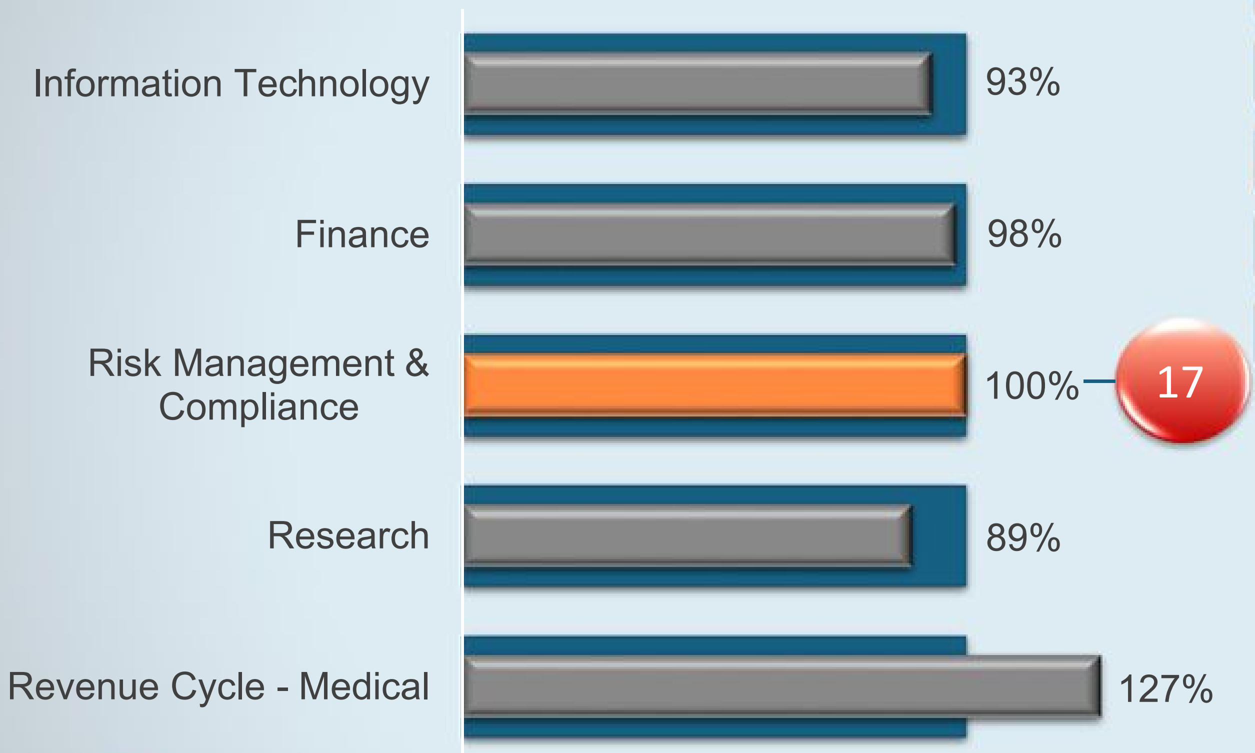
Actual to Budgeted Hours: Risk Management & Compliance



- Title IX & Clery Act
- Youth Protection for Minors Programs
- Compliance Program
- Environmental Health & Safety
- Emergency Preparedness

Priority & High-level Observations

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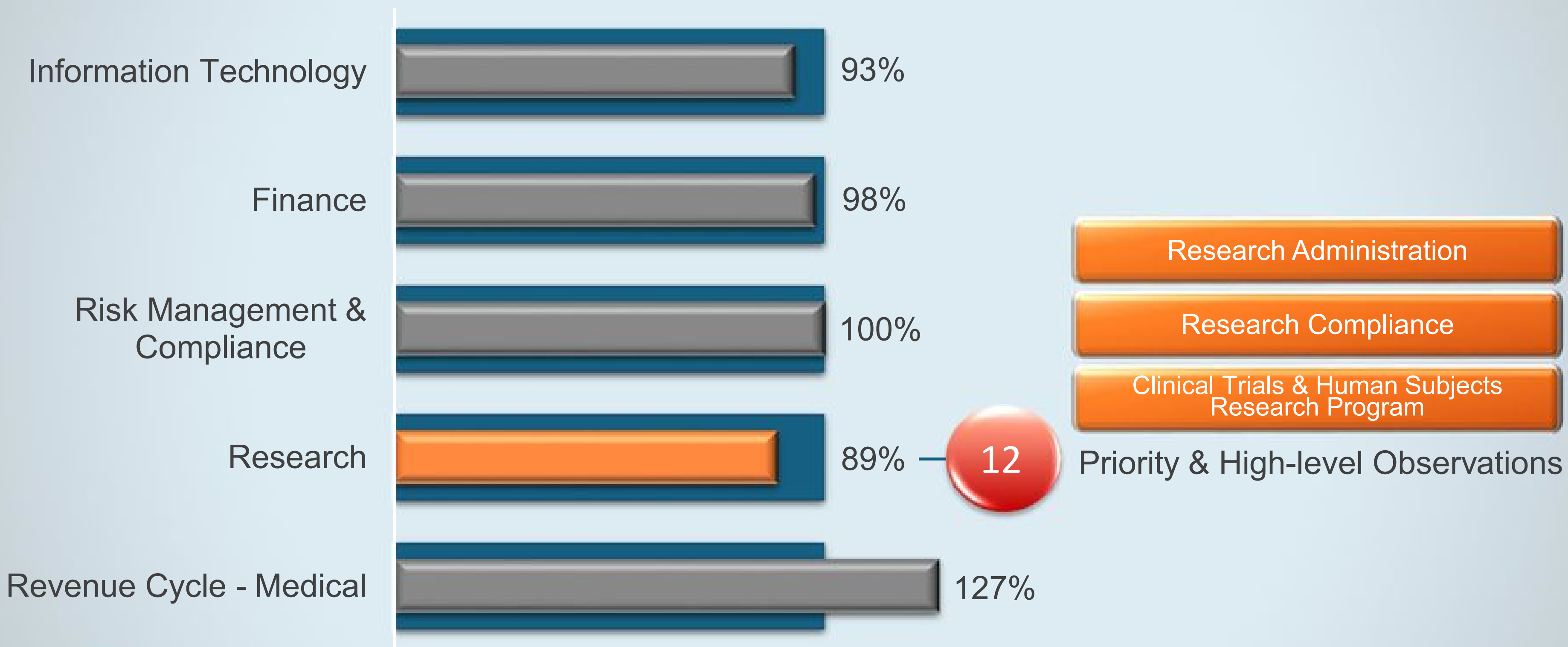
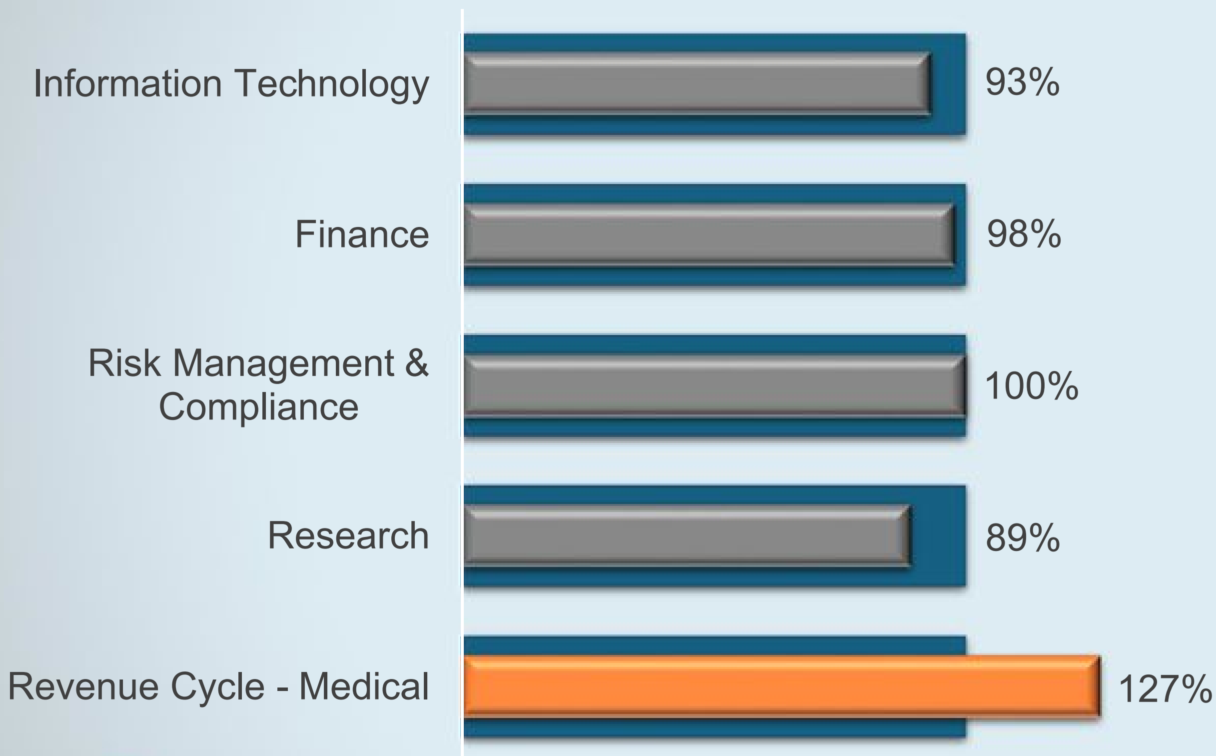
Actual to Budgeted Hours: Research



Actual to Budgeted Hours: Revenue Cycle - Medical



Billing Practices

Charge Capture

Supporting Documentation

5 Priority & High-level Observations

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Top Five Root Causes of Priority and High-level Observations

Internal Audit (IA) Client Satisfaction

IA provides valuable and constructive information and insights

IA conducts work in professional and competent manner

IA produces clear and accurate reporting

4.6 Average client survey score

59% Average response rate

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Internal Audit Competencies and Contributions

Average Staff Proficiencies

- 79% professional certifications
- 53% advanced degrees
- 16 years experience
- 58 hours of continuing professional education

Contributions

- Professional organizations
  - Local
  - National
  - Global
- Board service
- Leadership positions
- Conference presentations

Academic Enterprise Support

- Student interns
- Guest/part-time lecturers
- Professional publications

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