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Committee Meeting: 2/4/2010

Board Meeting: 2/5/2010  
Dallas, Texas

R. Steven Hicks, *Chairman*  
Paul Foster  
Janiece Longoria  
Robert L. Stillwell

|   | <b>Committee Meeting</b>   | <b>Board Meeting</b> | <b>Page</b> |
|---|--|----------------------|-------------|
| <b>A. CONVENE JOINT MEETING WITH FINANCE AND PLANNING COMMITTEE</b>   | <i>3:45 p.m.<br/>Chairmen Hicks and Foster</i>   |                      |             |
| 1. <b>U. T. System: Report on the Fiscal Year 2009 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit</b>  | <i>3:45 p.m.<br/><b>Report</b><br/>Mr. Wallace<br/>Mr. Chaffin</i>   | Not on Agenda        | <b>53</b>   |
| <b>B. ADJOURN JOINT MEETING AND RECONVENE MEETING OF THE AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE</b>   |  |                      |             |
| 2. <b>U. T. System Board of Regents: Approval to renew the contract with Deloitte &amp; Touche, LLP, as the external auditor for the Fiscal Year 2010 audit of funds managed by The University of Texas Investment Management Company (UTIMCO)</b>  | <i>4:00 p.m.<br/><b>Action</b><br/>Chairman Hicks<br/>Mr. Chaffin</i>  | <b>Action</b>        | <b>53</b>   |
| 3. <b>U. T. System: Report on the Systemwide internal audit activities, including performance metrics used to evaluate the audit departments and the status of audits of financial controls at the institutional police departments; and Internal Audit Department report for U. T. Permian Basin</b> | <i>4:05 p.m.<br/><b>Report</b><br/>Ms. Holmes,<br/>U. T. Permian Basin<br/>Mr. Chaffin</i>                         | Not on Agenda        | <b>54</b>   |
| 4. <b>U. T. System: Report on the institutional compliance work plan for FY 2010 at U. T. Southwestern Medical Center – Dallas</b>  | <i>4:20 p.m.<br/><b>Report</b><br/>Mr. Plutko<br/>Mr. Lehnortt,<br/>U. T. Southwestern Medical Center – Dallas</i> | Not on Agenda        | <b>71</b>   |
| 5. <b>U. T. System: Report on the Systemwide Information Security Program Index</b>   | <i>4:30 p.m.<br/><b>Report</b><br/>Mr. Plutko<br/>Mr. Watkins</i>  | Not on Agenda        | <b>79</b>   |

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

Personnel matters relating to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of officers or employees - Section 551.074

**Discussion with institutional auditors and compliance officers concerning evaluation and duties of individual System Administration and institutional employees involved in internal audit and compliance functions**

*4:40 p.m.*  
*Ms. Holmes,*  
*U. T. Permian Basin*  
*Mr. Schroeder,*  
*U. T. Arlington*  
*Mr. Chaffin*  
*Mr. Plutko*

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

*5:00 p.m.*

1. **U. T. System: Report on the Fiscal Year 2009 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit**

### REPORT

See Item 6 on Page 191 of the Finance and Planning Committee.

2. **U. T. System Board of Regents: Approval to renew the contract with Deloitte & Touche, LLP, as the external auditor for the Fiscal Year 2010 audit of funds managed by The University of Texas Investment Management Company (UTIMCO)**

### RECOMMENDATION

Mr. Charles Chaffin, Chief Audit Executive, recommends approval to renew the auditing services contract with Deloitte & Touche, LLP (Deloitte) to perform audits of the financial statements and audit the performance statistics for FY 2010 for the funds managed by The University of Texas Investment Management Company (UTIMCO) as listed below:

- a. Permanent University Fund (PUF)
- b. The University of Texas System General Endowment Fund (GEF)
- c. Permanent Health Fund (PHF)
- d. The University of Texas System Long Term Fund (LTF)
- e. The University of Texas System Intermediate Term Fund (ITF)

The proposed Deloitte fees for the FY 2010 audit of funds managed by UTIMCO, including the performance statistics audit, are included on the next page with a comparison to the fees of the prior year's audit. In addition, out-of-pocket expense reimbursements in connection with the audit are not to exceed \$65,000.

**Deloitte Proposed Fees  
UTIMCO Funds - year ended August 30, 2010**

| <u>Entity</u>             | <u>2009<br/>Fees</u> | <u>2010<br/>Fees</u> | <u>Dollar<br/>Decrease</u> | <u>Percentage<br/>Decrease</u> |
|---------------------------|----------------------|----------------------|----------------------------|--------------------------------|
| Permanent University Fund | 223,000              | 213,000              | 10,000                     | (4.48%)                        |
| General Endowment Fund    | 175,000              | 170,000              | 5,000                      | (2.86%)                        |
| Permanent Health Fund     | 23,000               | 23,000               | 0                          | 0                              |
| Long Term Fund            | 23,000               | 23,000               | 0                          | 0                              |
| Intermediate Term Fund    | 133,000              | 130,000              | 3,000                      | (2.26%)                        |
| Performance Statistics    | 23,000               | 23,000               | 0                          | 0                              |
| Total                     | 600,000              | 582,000              | 18,000                     | (3.00%)                        |

**BACKGROUND INFORMATION**

Fiduciary responsibility for the PUF, GEF, PHF, LTF, and ITF rests with the U. T. System Board of Regents. *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 of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche, LLP, for one year with a right to renew in one-year increments for four additional years. The contract was renewed by the Board of Regents on February 7, 2008, and February 11, 2009. The original auditing services contract includes an option to audit and report on management's assessment of the internal controls over financial reporting.

- U. T. System: Report on the Systemwide internal audit activities, including performance metrics used to evaluate the audit departments and the status of audits of financial controls at the institutional police departments; and Internal Audit Department report for U. T. Permian Basin**

**REPORT**

Ms. Narita Holmes, [Director of Audit and Compliance](#), U. T. Permian Basin, will report on the role of internal audit in the Southern Association of Colleges and Schools (SACS) accreditation review using a PowerPoint presentation set forth on Pages 56 - 65.

Mr. Charles Chaffin, Chief Audit Executive, will present the results of the FY 2009 Systemwide internal audit performance metrics. As part of the Systemwide internal audit activity's quality assurance and improvement program, an internal audit directors task force recommended the establishment of performance metrics in the four areas of Internal Audit Committee, Internal Audit Clients, Internal Audit Process, and Staff Resources/Competencies to consistently evaluate the audit departments at each of the institutions and System Administration on an annual basis. These performance metrics, including the specific tools used to measure them, were approved by the U. T. System Administration Internal Audit Committee, chaired by Chancellor Cigarroa, on September 8, 2009.

The System Audit Office submitted the performance metrics results, by institution, along with the mean, median, and range for academic institutions, health institutions, and all institutions (including System Administration) to the institutional internal audit director, president, and Internal Audit Committee chair (if not held by the president) for review and analysis. The internal audit directors, working with their president and/or Internal Audit Committee chair, were tasked to develop and submit an action plan in response to the metrics results. The plans, which build on the strengths and improve on the weaknesses identified, will be submitted to the appropriate Executive Vice Chancellor and Chief Audit Executive by January 31, 2010. The mean, median, and range results of the performance metrics follow on Page 66.

Mr. Chaffin will report on the implementation status of the recommendations made as a result of the financial controls audits of the institutional police departments.

Mr. Chaffin will also report on the implementation status of significant audit recommendations. The first quarter activity report on the Implementation Status of Outstanding Significant Findings/Recommendations is set forth on Pages 67 - 68. 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 is on Page 69. The annual internal audit plan status as of October 31, 2009, follows on Page 70.

### BACKGROUND INFORMATION

Significant audit findings/recommendations are tracked by the U. T. System Audit Office. Quarterly, chief business officers provide 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, Committee members receive a detailed summary of new significant findings and related recommendations quarterly.



**Ms. Narita Holmes  
Director of Audit and Compliance**

**U. T. System Board of Regents' Meeting  
Audit, Compliance, and Management Review Committee  
February 2010**



# Internal Audit Committee

- Dr. Chris Forrest, Vice President for Business Affairs and Chair
- Dr. W. David Watts, President
- Dr. William Fannin, Provost and Vice President for Academic Affairs
- Dr. Susan Lara, Vice President of Student Services
- Dr. Karen Smith, Interim Assistant Vice President for Research and Graduate Studies
- Ms. Linda Isham, Director of Human Resources
- Mr. Alex Castillo, Director of Accounting
- Mr. Rick Carlton, Banker, External Member



# Internal Audit Department

- Ms. Narita K. Holmes, CPA, CIA, Director of Audit and Compliance
- Mr. Aaron Munoz, CIA, CGAP, Part-time Auditor II
- Vacant, Auditor I position to be split equally between audit and compliance (applications currently being accepted)
- Ms. Cristy Jones, Student Intern
- Internal Audit issued seven reports in FY 2009





# Internal Audit Reporting Structure

- Director reports directly to the president
- The Internal Audit Committee includes all members of executive management



# High Risk Areas to be Audited in FY 2010

## Institutional High Risk Areas

- Procurement Cards
- Cash Management and Handling

## Compliance High Risk Areas

- Implementation of U. T. System policies regarding account reconciliation and monitoring (UTS 142.1)
- Grant Compliance
- Compliance with Information Security Standards (*Texas Administrative Code Section 202*)



# Internal Audit External Quality Assurance Review

The most recent quality assurance review report was issued in September 2009. Areas identified for further improvement include:

- Set a time limit for management responses to audit recommendations
- Train department heads to ensure awareness of University policies and procedures
- Use Teammate software exclusively for audit work papers and include additional procedures for quality assurance
- Train audit staff on use of COGNOS software to extract information from the DEFINE accounting system
- Finalize revisions to audit charter and train the Internal Audit Committee on their responsibilities



## Commission on Colleges of the Southern Association of Colleges & Schools (SACS)

- Responsible for the accreditation of degree-granting higher education institutions in 11 southern states, including Texas
- Undergoes a review by the U.S. Department of Education
- Ensures higher education institutions meet acceptable levels of quality
- Accreditation is a minimal requirement for the receipt of federal financial aid and research funds, transfer of credits, and recognition of degrees
- Accreditation must be periodically renewed



## U. T. Permian Basin SACs Reaffirmation of Accreditation

### Two-part process:

#### Off-site review:

- Certification and evidence of compliance with 89 standards

#### On-site review:

- Questions on compliance from off-site review committee
- Confirmation of 14 federal standards (e.g. student achievement, program curriculum, and recruitment materials)
- Evaluation of the university's Quality Enhancement Plan (institution's plan to enhance student learning)



## **Internal Audit Participation in SACS Reaffirmation**

- Served on the SACS Compliance Committee to review all parts of the submittals for conformity with SACS requirements
- Chaired SACS compliance subcommittees to draft financial and governance sections
- Reviewed accuracy and completeness of documentation of SACS submittals
- Completed the financial audit for review by the Texas State Auditor's Office
- Performed follow-up audit procedures on prior internal and external audit findings



# U. T. Permian Basin SACS Reaffirmation Timeline

|                |   |
|----------------|---|
| Spring 2007    | U. T. Permian Basin reaffirmation teams appointed   |
| September 2009 | Compliance Certification and supporting documentation submitted                           |
| November 2009  | Off-site review report received (U. T. Permian Basin compliant in 84 of the 89 standards) |
| February 2010  | Quality Enhancement Plan (QEP) and Focus Report responding to off-site questions          |
| April 2010     | On-site visit   |
| December 2010  | Decision on reaffirmation   |
| 2015           | Fifth-year report (QEP impact and federal standard compliance)                            |



## U. T. Systemwide FY 2009 Internal Audit Performance Metrics

The mean, median, and range of the performance metrics results for all institutions, including U. T. System Administration are as follows.

| Audit Committee <sup>1</sup> |        |             |
|------------------------------|--------|-------------|
| Mean                         | Median | Range       |
| 4.28                         | 4.24   | 4.08 - 4.64 |

| Audit Client <sup>2</sup> |        |             |
|---------------------------|--------|-------------|
| Mean                      | Median | Range       |
| 3.38                      | 3.33   | 3.09 - 3.90 |

| Audit Process <sup>3</sup> |        |           |
|----------------------------|--------|-----------|
| Mean                       | Median | Range     |
| 85%                        | 87%    | 62% - 92% |

| Resources/ Competencies <sup>4</sup> |        |            |
|--------------------------------------|--------|------------|
| Mean                                 | Median | Range      |
| 71%                                  | 71%    | 38% - 100% |

### Legend

#### 1. Audit Committee:

Score was calculated using survey results based on a 5 point rating scale with equal weight given to each of the 15 questions. Surveys were administered and results were analyzed independently by the System Audit Office for the institutions and by the Office of the Board of Regents for the System Audit Office.

#### 2. Audit Client:

Score was calculated using survey results based on a 4 point rating scale with equal weight given to each of the 25 questions. Surveys were administered and results were analyzed independently by the System Audit Office for the institutions and by the Office of the Board of Regents for the System Audit Office.

#### 3. Audit Process (*Completion of FY 2009 Annual Audit Plan*)

Percentage was calculated based on FY 2009 budgeted hours for priority audits completed compared to total FY 2009 priority audit hours, which were approved by the Board of Regents. See details below:

- Full credit given for the Priority Budget if the project is complete, even if the number of hours is over or under budget.
- Partial credit given for the Priority Budget if the project is in process at year-end, but never the full Priority Budget.
- No credit is given if a project is not started, postponed, or cancelled.
- The Priority Budget is reduced if the audit area is not ready for audit.
- Substitutions are allowed if the Chancellor/President and/or Internal Audit Committee provides approval.

#### 4. Resources/Competencies:

Percentage was calculated based on number of audit staff members with at least one of the following certifications, as of August 31, 2009, compared to total number of audit staff members.

- Certified Public Accountant (CPA)
- Certified Internal Auditor (CIA)
- Certified Information Security Auditor (CISA)



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

**U. T. SYSTEM AUDIT**

| Report Date | Institution         | Audit  | 4th Quarter 2009 |                           | 1st Quarter 2010 |                           | Targeted Implementation Date | Overall Progress Towards Completion (Note) |
|-------------|---------------------|--|------------------|---------------------------|------------------|---------------------------|------------------------------|--|
|             |                     |  | Ranking          | # of Significant Findings | Ranking          | # of Significant Findings |                              |  |
| 2007-06     | UTARL               | Implementation Progress of UTS163: Guidance on Effort Reporting Policies                   |                  | 1                         |                  | 0                         | 10/31/2009                   | Implemented                                |
| 2008-01     | UTARL               | Systems Security Audit   |                  | 1                         |                  | 1                         | 12/31/2009                   | Satisfactory                               |
| 2009-07     | UTARL               | Digital Research Data Audit  |                  |                           |                  | 1                         | 1/31/2010                    | Satisfactory                               |
| 2009-08     | UTARL               | Campus Security/Emergency Preparedness Audit   |                  |                           |                  | 0                         | 10/31/2009                   | Implemented                                |
| 2007-06     | UTAUS               | UTS163: Guidance on Effort Reporting Policies  |                  | 1                         |                  | 1                         | 4/30/2010                    | Satisfactory                               |
| 2008-08     | UTB                 | UTS166: Protecting the Confidentiality and Integrity of Digital Research Data Follow Up    |                  | 1                         |                  | 1                         | 4/1/2010                     | Satisfactory                               |
| 2009-02     | UTB                 | 2008 Physical Plant Audit  |                  | 1                         |                  | 1                         | 3/1/2010                     | Satisfactory                               |
| 2009-02     | UTB                 | Fiscal Year 2008 Student Fees Audit  |                  | 1                         |                  | 1                         | 3/1/2010                     | Satisfactory                               |
| 2009-02     | UTB                 | 2008 Special Request - International Technology Education Commerce Campus Lease Agreements |                  | 3                         |                  | 0                         | 12/16/2009                   | Implemented                                |
| 2007-01     | UTD                 | Annual Financial Report Audit  |                  | 1                         |                  | 0                         | 11/6/2009                    | Implemented                                |
| 2009-07     | UTD                 | Unix   |                  | 1                         |                  | 1                         | 6/1/2010                     | Satisfactory                               |
| 2007-02     | UTEP                | Campus-wide Information Technology Applications  |                  | 2                         |                  | 0                         | 11/30/2009                   | Implemented                                |
| 2007-11     | UTEP                | Decentralized Server Security  |                  | 1                         |                  | 0                         | 11/30/2009                   | Implemented                                |
| 2008-05     | UTEP                | University Residence Life-Miner Village  |                  | 1                         |                  | 0                         | 12/31/2009                   | Implemented                                |
| 2009-11     | UTEP                | Annual Financial Reporting 2008-2009   |                  |                           |                  | 1                         | 3/31/2010                    | Satisfactory                               |
| 2008-01     | UTPA                | Confidentiality of Social Security Numbers   |                  | 1                         |                  | 0                         | 10/30/2009                   | Implemented                                |
| 2008-12     | UTPA                | Fiscal Year 2008 Annual Financial Report Audit   |                  | 1                         |                  | 0                         | 11/30/2009                   | Implemented                                |
| 2009-11     | UTPA                | Fiscal Year 2009 Annual Financial Report Audit   |                  |                           |                  | 0                         | 1/4/2010                     | Implemented                                |
| 2008-08     | UTPB                | Fiscal Year 2007 Annual Financial Report Audit   |                  | 1                         |                  | 0                         | 11/30/2009                   | Implemented                                |
| 2008-12     | UTPB                | Fiscal Year 2008 Annual Financial Report Audit   |                  | 3                         |                  | 0                         | 11/30/2009                   | Implemented                                |
| 2009-03     | UTSA                | Banner User Access (Security)  |                  | 1                         |                  | 1                         | 12/31/2010                   | Satisfactory                               |
| 2008-09     | UTSA                | Information Technology Change Management Audit   |                  | 1                         |                  | 1                         | 8/31/2010                    | Satisfactory                               |
| 2008-09     | UTT                 | Fiscal Year 2008 State and Federal Grant Awards  |                  | 1                         |                  | 1                         | 8/31/2009 *                  | Satisfactory                               |
| 2008-11     | UTT                 | Fiscal Year 2008 Annual Financial Report Audit   |                  | 1                         |                  | 1                         | 6/30/2010                    | Satisfactory                               |
| 2008-12     | UTT                 | Enrollment Management Department   |                  | 3                         |                  | 0                         | 12/31/2009                   | Implemented                                |
| 2009-03     | UTT                 | College of Business and Technology - Office of Dean and Assistant Dean                     |                  | 3                         |                  | 0                         | 12/31/2009                   | Implemented                                |
| 2009-04     | UTT                 | Audit of Cash Handling Procedures  |                  | 2                         |                  | 2                         | 5/31/2010                    | Satisfactory                               |
| 2009-06     | UTT                 | Human Resource Development and Technology  |                  | 4                         |                  | 4                         | 7/31/2009 *                  | Satisfactory                               |
| 2009-08     | UTT                 | University Police Department   |                  | 1                         |                  | 1                         | 12/31/2009                   | Satisfactory                               |
| 2009-03     | UTT                 | Department of Communications   |                  |                           |                  | 1                         | 1/31/2010 *                  | Satisfactory                               |
| 2008-05     | UTMB - Galveston    | Information Systems Change Management Process  |                  | 2                         |                  | 2                         | 8/31/2010                    | Satisfactory                               |
| 2008-05     | UTMB - Galveston    | Information Security Action Plan   |                  | 2                         |                  | 2                         | 2/28/2010                    | Satisfactory                               |
| 2008-08     | UTMB - Galveston    | Data Retention and Records Management  |                  | 3                         |                  | 0                         | 11/30/2009                   | Implemented                                |
| 2009-02     | UTHSC - Houston     | Medical Service, Research, and Development Plan Audit                                      |                  | 1                         |                  | 0                         | 11/30/2009                   | Implemented                                |
| 2009-07     | UTHSC - San Antonio | Cash Handling/Participant Reimbursement Accounts Audit                                     |                  | 3                         |                  | 2                         | 5/31/2010                    | Satisfactory                               |

THE UNIVERSITY OF TEXAS SYSTEM

Implementation Status of Outstanding Significant Findings/Recommendations

| Report Date | Institution         | Audit   | 4th Quarter 2009 |                           | 1st Quarter 2010 |                           | Targeted Implementation Date | Overall Progress Towards Completion (Note) |
|-------------|---------------------|---|------------------|---------------------------|------------------|---------------------------|------------------------------|--|
|             |                     |   | Ranking          | # of Significant Findings | Ranking          | # of Significant Findings |                              |  |
| 2009-08     | UTHSC - San Antonio | Change in Management - Police Audit                       |                  | 2                         |                  | 2                         | 1/5/2010                     | Satisfactory                               |
| 2001-08     | UTMDACC - Houston   | Lotus Notes Environment                                   |                  | 1                         |                  | 0                         | 5/31/2009                    | Implemented                                |
| 2007-06     | UTMDACC - Houston   | Conflict of Interest                                      |                  | 1                         |                  | 1                         | 2/28/2010                    | Satisfactory                               |
| 2007-09     | UTMDACC - Houston   | Maintenance and Security of Biological Research Materials |                  | 1                         |                  | 1                         | 8/31/2009*                   | Satisfactory                               |
| 2007-10     | UTMDACC - Houston   | Research Compliance Design Review                         |                  | 1                         |                  | 1                         | 11/30/2009*                  | Satisfactory                               |
| 2008-05     | UTMDACC - Houston   | Clinical Trial Research                                   |                  | 1                         |                  | 1                         | 2/28/2010                    | Satisfactory                               |
| 2009-03     | UTMDACC - Houston   | Spirit of Sarbanes-Oxley                                  |                  | 1                         |                  | 0                         | 8/31/2009                    | Implemented                                |
| 2009-03     | UTMDACC - Houston   | Wireless and Firewall Remote Access Security Assessment   |                  | 4                         |                  | 4                         | 8/31/2012                    | Satisfactory                               |
| 2009-03     | UTMDACC - Houston   | A Review of Patch Management                              |                  | 1                         |                  | 1                         | 11/30/2009*                  | Satisfactory                               |
| 2009-03     | UTMDACC - Houston   | A Review of Performance and Capacity Monitoring           |                  | 4                         |                  | 4                         | 8/31/2009*                   | Satisfactory                               |
| 2009-05     | UTMDACC - Houston   | Business Continuity Plan Review                           |                  | 1                         |                  | 1                         | 2/28/2010                    | Satisfactory                               |
| 2005-12     | UTSYS ADM           | System - wide Financial Audit Fiscal Year 2005            |                  | 1                         |                  | 1                         | 9/1/2010                     | Satisfactory                               |
| 2006-06     | UTSYS ADM           | UTMCO Institutional Investment and Compliance Audits      |                  | 1                         |                  | 1                         | 12/31/2009**                 | Satisfactory                               |
| 2008-08     | UTSYS ADM           | FileNet Audit   |                  | 1                         |                  | 0                         | 12/30/2009                   | Satisfactory                               |
| 2008-12     | UTSYS ADM           | Fiscal Year 2008 Consolidated Annual Financial Report     |                  | 1                         |                  | 0                         | 12/1/2009                    | Implemented                                |
| 2009-03     | UTSYS ADM           | UT Federation Operating Practices and Procedures          |                  | 1                         |                  | 0                         | 12/31/2009*                  | Implemented                                |
| Totals      |                     |   |                  | 72                        |                  | 44                        |                              |  |

STATE AUDITOR'S OFFICE AUDITS

|         |                     |   |  |   |  |   |            |              |
|---------|---------------------|---|--|---|--|---|------------|--------------|
| 2009-03 | UTPB                | Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2008   |  | 1 |  | 1 | 3/31/2010  | Satisfactory |
| 2009-02 | UTHSC - San Antonio | Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2008 |  | 1 |  | 0 | 10/31/2009 | Implemented  |
| 2009-08 | UTSWMC - Dallas     | Campus Security Emergency Management Plans Audit  |  | 4 |  | 3 | 12/31/2010 | Satisfactory |
| 2007-05 | UTSYS ADM           | Charity Care at Health-Related Institutions   |  | 1 |  | 1 | 10/31/2010 | Satisfactory |
| Totals  |                     |   |  | 7 |  | 5 |            |              |

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.

\* Recommendation deemed to be implemented per management and awaiting verification and validation by internal audit.

\*\* Revised implementation to be determine, pending approval of U. T. System Administration Internal Audit Committee.

**OTHER U. T. SYSTEM AUDIT REPORTS RECEIVED BY SYSTEM AUDIT 9/2009 through 11/2009**

| <b>Institution</b>  | <b>Audit</b>  |
|---------------------|---|
| UTARL               | Profile and Partnership Information Technology Audit                                    |
| UTARL               | Fiscal Year 2009 Annual Financial Report Audit  |
| UTARL               | President's Travel, Entertainment, and Housing Expenditures Audit                       |
| UTAUS               | Laboratory Safety   |
| UTAUS               | Technology Workforce Development Program Grants   |
| UTAUS               | Information Management - University Development Office                                  |
| UTAUS               | Encryption  |
| UTAUS               | Change in Management - School of Law  |
| UTAUS               | Purchasing Contracts  |
| UTAUS               | Gift Administration Campus-wide - University Development Office                         |
| UTAUS               | Student Fees  |
| UTAUS               | Travel, Entertainment, and Housing Expenditures - Office of the President               |
| UTB                 | Fiscal Year 2009 Audit of Distance Education  |
| UTB                 | Fiscal Year 2009 Audit of UTS166: Cash Management and Cash Handling                     |
| UTB                 | Fiscal Year 2009 Audit of the Institutional Review Board (IRB)                          |
| UTB                 | Fiscal Year 2009 Audit of the College of Education                                      |
| UTD                 | Lena Callier Trust  |
| UTD                 | Texas Schools Project   |
| UTD                 | Annual Financial Report   |
| UTEP                | Accounts Payable  |
| UTPA                | Procurement Card  |
| UTPA                | Student Fees  |
| UTPB                | President's Travel and Entertainment  |
| UTSA                | Research/Service Centers and Institutes   |
| UTSA                | President's Travel, Entertainment, and Housing Expenses                                 |
| UTSA                | Fiscal Year 2009 Annual Financial Report  |
| UTTY                | President's Office - Travel and Entertainment   |
| UTSMC - Dallas      | University of Texas Southwestern University Police                                      |
| UTSMC - Dallas      | Core Labs/Recharge Centers  |
| UTMB - Galveston    | General Computing Controls  |
| UTMB - Galveston    | Managed Care Review   |
| UTMB - Galveston    | Healthcare Workforce Management   |
| UTMB - Galveston    | School of Health Professions Support Services Review                                    |
| UTHSC - San Antonio | Annual Financial Review Audit 2010  |
| UTMDACC - Houston   | Job Order Contracts Research and Education Facilities                                   |
| UTMDACC - Houston   | Effort Certification and Reporting Technology (ECRT) System Post-Implementation         |
| UTMDACC - Houston   | Faculty Academic Affairs and the VISA Office I-9 Compliance                             |
| UTMDACC - Houston   | President's Housing, Travel and Entertainment   |
| UTHSC - Tyler       | Presidential Travel and Entertainment Audit for the Fiscal Year Ended August 31, 2009   |
| UTSYS ADM           | Chancellor's Travel, Entertainment, and Housing Expenses Audit                          |
| UTSYS ADM           | Office of the Director of Police Operations Review                                      |
| UTSYS ADM           | UTIMCO Chief Executive Officer/Chief Investment Officer Expenses Audit                  |
| UTSYS ADM           | UTIMCO Follow-Up Audit  |
| UTSYS ADM           | University Lands Oil and Gas Company Audit - Pioneer Natural Resources                  |
| UTSYS ADM           | System Administration Hosted Conferences Audit  |
| UTSYS ADM           | Office of Real Estate Departmental Audit  |
| UTSYS ADM           | UT El Paso President's Travel, Entertainment, and Housing Audit                         |
| UTSYS ADM           | UT Southwestern Medical Center President's Travel and Entertainment Expenses Audit      |
| UTSYS ADM           | UT Medical Branch at Galveston President's Travel, Entertainment, Housing Expense Audit |
| UTSYS ADM           | System Administration Fiscal Year 2009 Annual Financial Report Audit                    |
| UTSYS ADM           | Office of Facilities Planning and Construction Follow-Up Audit                          |

**STATE AUDITOR'S OFFICE AUDIT REPORTS RELEASED 9/2009 THROUGH 11/2009**

| <b>Institution</b> | <b>Audit</b>                                |
|--------------------|---|
| UTSA               | State-funded Student Financial Aid Programs |



## U. T. Systemwide FY 2010 Annual Internal Audit Plan Status As of October 31, 2009

|                                   | Financial     | Operational  | Compliance   | Information Technology | Follow-up  | Projects     | Total Actual Hours (Note 1) | Total Priority Budget Hours (Note 2) | Variance (Hours) | Percentage Completion |
|-----------------------------------|---------------|--------------|--------------|------------------------|------------|--------------|-----------------------------|--------------------------------------|------------------|-----------------------|
| U. T. System Administration       | 1,363         | 1,433        | 9            | 423                    | 198        | 892          | 4,318                       | 18,005                               | 13,687           | 24%                   |
| <b>Large Institutions:</b>        |               |              |              |                        |            |              |                             |                                      |                  |                       |
| U. T. Austin                      | 593           | 677          | 262          | 566                    | 75         | 610          | 2,783                       | 14,225                               | 11,443           | 20%                   |
| U. T. Southwestern                | 1,278         | 755          | 444          | 9                      | 42         | 768          | 3,296                       | 14,510                               | 11,214           | 23%                   |
| U. T. Medical Branch at Galveston | 657           | 243          | 47           | 455                    | 50         | 222          | 1,674                       | 6,845                                | 5,171            | 24%                   |
| U. T. HSC - Houston               | 1,543         | 148          | 14           | 24                     | 2          | 65           | 1,795                       | 8,050                                | 6,255            | 22%                   |
| U. T. HSC - San Antonio           | 1,198         | -            | 59           | 280                    | 70         | 282          | 1,889                       | 7,480                                | 5,591            | 25%                   |
| U. T. MDA Cancer Center           | 434           | 910          | 566          | -                      | 81         | 254          | 2,245                       | 13,080                               | 10,836           | 17%                   |
| <b>Subtotal</b>                   | <b>5,703</b>  | <b>2,734</b> | <b>1,391</b> | <b>1,333</b>           | <b>320</b> | <b>2,201</b> | <b>13,681</b>               | <b>64,190</b>                        | <b>50,509</b>    | <b>21%</b>            |
| <b>Mid-size Institutions:</b>     |               |              |              |                        |            |              |                             |                                      |                  |                       |
| U. T. Arlington                   | 867           | -            | 21           | 65                     | 42         | 304          | 1,299                       | 5,660                                | 4,362            | 23%                   |
| U. T. Brownsville                 | 551           | -            | 75           | -                      | 25         | 46           | 697                         | 3,700                                | 3,003            | 19%                   |
| U. T. Dallas                      | 1,115         | 137          | 160          | 13                     | -          | 57           | 1,481                       | 5,030                                | 3,549            | 29%                   |
| U. T. El Paso                     | 792           | 362          | 106          | 180                    | 204        | 242          | 1,886                       | 8,790                                | 6,904            | 21%                   |
| U. T. Pan American                | 913           | 91           | 55           | -                      | 31         | 123          | 1,212                       | 5,640                                | 4,429            | 21%                   |
| U. T. San Antonio                 | 738           | 188          | 54           | 188                    | 78         | 268          | 1,514                       | 6,780                                | 5,266            | 22%                   |
| <b>Subtotal</b>                   | <b>4,976</b>  | <b>777</b>   | <b>470</b>   | <b>446</b>             | <b>380</b> | <b>1,040</b> | <b>8,088</b>                | <b>35,600</b>                        | <b>27,512</b>    | <b>23%</b>            |
| <b>Small Institutions:</b>        |               |              |              |                        |            |              |                             |                                      |                  |                       |
| U. T. Permian Basin               | 71            | 316          | -            | -                      | -          | 2            | 389                         | 2,200                                | 1,811            | 18%                   |
| U. T. Tyler                       | 243           | 110          | 72           | 11                     | 32         | 62           | 529                         | 2,568                                | 2,039            | 21%                   |
| U. T. HSC at Tyler                | 806           | -            | -            | -                      | 14         | 52           | 872                         | 3,238                                | 2,366            | 27%                   |
| <b>Subtotal</b>                   | <b>1,120</b>  | <b>426</b>   | <b>72</b>    | <b>11</b>              | <b>46</b>  | <b>116</b>   | <b>1,790</b>                | <b>8,006</b>                         | <b>6,216</b>     | <b>22%</b>            |
| <b>TOTAL</b>                      | <b>11,799</b> | <b>3,936</b> | <b>1,933</b> | <b>1,790</b>           | <b>746</b> | <b>3,356</b> | <b>23,559</b>               | <b>107,796</b>                       | <b>84,237</b>    | <b>22%</b>            |
| <b>Percentage of Total</b>        | <b>50%</b>    | <b>17%</b>   | <b>8%</b>    | <b>8%</b>              | <b>3%</b>  | <b>14%</b>   | <b>100%</b>                 |                                      |                  |                       |

**NOTE 1:**

"Total Actual Hours" are total actual hours for the two months from 9/1/09 through 10/31/09, which represents approximately 17% of the audit plan year.

**NOTE 2:**

"Total Priority Budget Hours" reflect budgeted hours approved by ACMR for priority projects. These hours are approximately 80-85% of total budget hours.

4. **U. T. System: Report on the institutional compliance work plan for FY 2010 at U. T. Southwestern Medical Center – Dallas**

REPORT

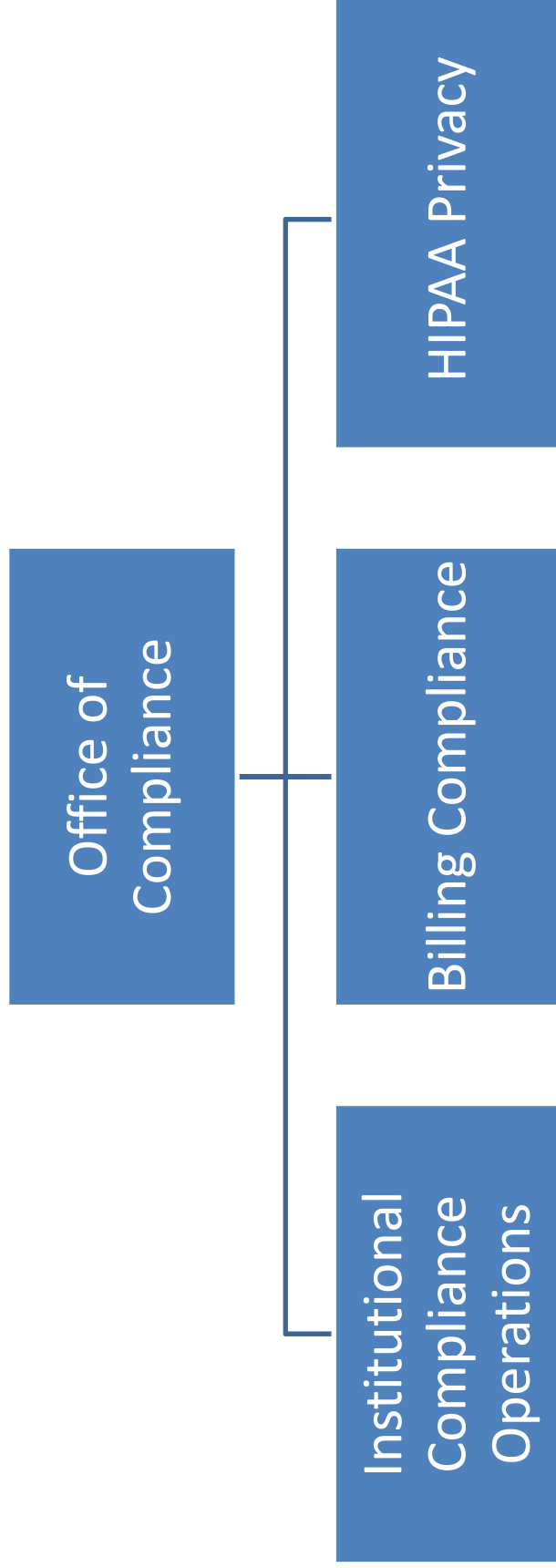
Mr. Dieter Lehnortt, Assistant Vice President and Institutional Compliance Officer, U. T. Southwestern Medical Center – Dallas, will present an overview of the institutional compliance work plan following a PowerPoint presentation on Pages 72 – 78.

# Office of Compliance Work Plan – FY 2010

Presenter: Dieter A. Lehnortt, Assistant Vice President and  
Institutional Compliance Officer

The University of Texas System Board of Regents' Meeting  
Audit, Compliance, and Management Review Committee  
February 2010

Office of Compliance Work Plan – FY 2010  
U. T. Southwestern Medical Center – Dallas



## Office of Compliance Work Plan – FY 2010 U. T. Southwestern Medical Center – Dallas

- Work Plan includes anticipated activities for the three offices that comprise the Office of Compliance
  - Institutional Compliance Operations
  - Billing Compliance (Medical)
  - HIPAA Privacy
- Work Plan includes common compliance activities
  - Annual risk assessment
  - Ongoing critical risk assurance reviews
  - Ongoing awareness, education/training, and communications programs
- Work Plan also includes a number of specialized projects/activities
  - Standards of Conduct Guide revisions
  - Follow-up to Compliance Awareness and Perception Survey
  - Increased effort to more effectively collaborate on compliance issues with affiliated hospitals



## Office of Compliance Work Plan – FY 2010 U. T. Southwestern Medical Center – Dallas

- Work Plan will be reviewed and approved by the Executive Compliance Committee each year
- Work Plan will assist the Office of Compliance in identifying and establishing compliance project priorities for the fiscal year
- Work Plan will serve as a tool to assist the Office of Compliance, as well as the Executive Compliance Committee, in tracking project status
- Work Plan will be helpful in providing the U. T. Systemwide Compliance Office with useful information about local compliance priorities, related activities, and status

## Office of Compliance Work Plan – FY 2010

### U. T. Southwestern Medical Center – Dallas

- Institutional Compliance Operations Work Plan Items
  - Conduct critical risk assurance reviews
  - Perform annual compliance risk assessment
  - Conduct compliance awareness, education, and communications programs
  - Revise the Standards of Conduct Guide
  - Continue to identify compliance awareness gaps using last year’s Compliance Awareness and Perception Survey, and develop appropriate mechanisms to address these gaps
  - Identify opportunities to work collaboratively with our affiliated hospital partners on compliance issues of mutual concern
  - Identify and develop needed compliance policies

# Office of Compliance Work Plan – FY 2010

## U. T. Southwestern Medical Center – Dallas

- Billing Compliance Work Plan Items
  - Continue developing Recovery Audit Contractor (RAC) program
  - Continue developing clinical research billing compliance program
  - Conduct annual Practice Plan billing compliance risk assessment
  - Conduct annual University Hospitals billing compliance risk assessment
  - Continue conducting formal billing compliance reviews of Practice Plan and University Hospitals coding and billing activities
  - Continue development of online/internet-based billing compliance training programs
  - Continue identifying billing compliance policy gaps, and identify most appropriate mechanism for addressing these gaps

## Office of Compliance Work Plan – FY 2010

### U. T. Southwestern Medical Center – Dallas

- HIPAA Privacy Office Work Plan Items
  - Continue to develop appropriate policies and procedures to ensure U. T. Southwestern compliance with the federal Health Information Technology for Economic and Clinical Health (HITECH) Act HIPAA provisions
  - Conduct annual HIPAA Privacy risk assessment
  - Continue to perform risk assurance reviews in identified clinical/hospital areas
  - Continue to review existing U. T. Southwestern policies and make needed changes to update these policies
  - Continue to work with appropriate internal communications staff to develop better awareness of the HIPAA Privacy program, as well as related HIPAA Privacy requirements

5. **U. T. System: Report on the Systemwide Information Security Program Index**

REPORT

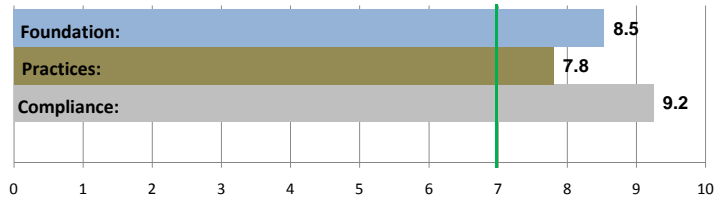
Mr. Lewis Watkins, Chief Information Security Officer, will report on the Systemwide Information Security Program Index (ISPI) that was developed and deployed in 2009 to assess the effectiveness of the U. T. System institutional information security programs.

The ISPI is an assessment framework and process to facilitate understanding of the state of the U. T. System institutional information security programs. The ISPI is comprised of 30 measures that cover three broad components of the U. T. System information security programs: foundation, practices, and compliance. The ISPI's primary purpose is to facilitate discussion among information security staff and executive leadership to support program planning and continuous improvement.

An example of the Information Security Program Index is on Page 80 and an ISPI FAQ is on Page 81.

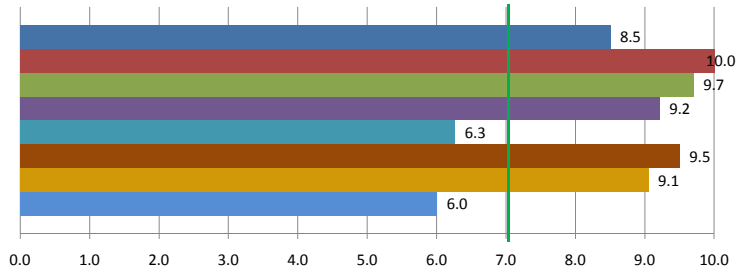
# U. T. System Information Security Program Index

University of Texas at Example



## Foundation

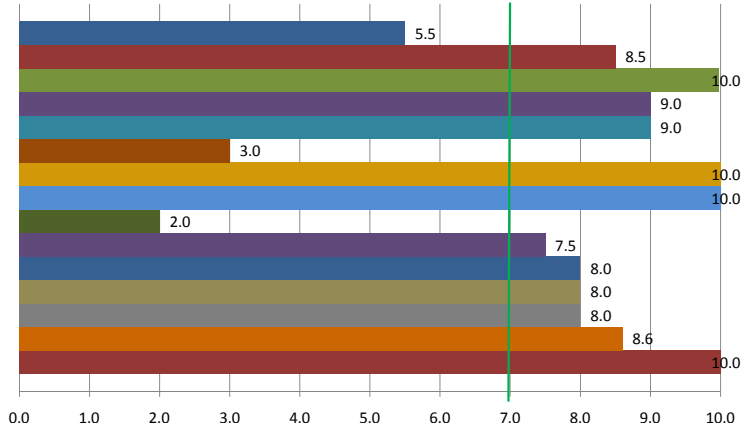
- A-1 Information Security Budget
- A-2 Staffing - Information Security Staff Level
- A-3 Staffing - Information Security Staff Expertise
- A-4 Tools - Info. Security Appliances, Software & Services
- A-5 Network Architecture
- A-6 ISA Program and Training
- A-7 Program Coordination & Communications
- A-8 Data Classification and Assignment of Ownership



8.5

## Practices

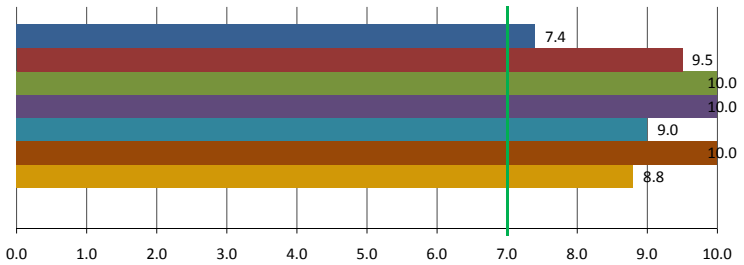
- B-1 Server Configuration Management
- B-2 Desktop/Laptop Configuration Management
- B-3 Malware Avoidance Methods
- B-4 Network Monitoring / IDS-IPS
- B-5 Vulnerability Assessment Practices
- B-6 External 3rd Party Penetration Testing
- B-7 Encryption - Encryption of Laptops
- B-8 Email Encryption Support
- B-9 Confidential Data at Rest - Search and Removal
- B-10 Confidential Data - Traffic Filtering
- B-11 Applications Scanning
- B-12 Identity Management Practices
- B-13 Account and Access Control Policies & Practices
- B-14 User Training Execution
- B-15 Purchasing/Outsourcing Security Review Practices



7.8

## Compliance

- C-1 Risk Assessments
- C-2 Annual President Report and Program
- C-3 Quarterly & Annual Metrics Reports to UT System
- C-4 Incident Reporting to UT System
- C-5 TAC 202 Compliance Status
- C-6 PCI-DSS Compliance Status
- C-7 HIPAA Compliance Status



9.2

# **The University of Texas System Information Security Program Index Frequently Asked Questions (FAQ)**

## **1. What is the Information Security Program Index?**

The Information Security Program Index (ISPI) is a structured method for assessing and reporting the state of an institution's information security program. It consists of thirty individual metrics and three summary metrics regarding important aspects of an institution's information security program. For each metric specific assessment criteria have been defined so that each metric can be scored on a scale of 0 to 10 with a score of 7 or higher being the target for each metric.

## **2. What is the purpose of the ISPI and who is it for?**

Its purpose is to facilitate understanding of security program strengths, weaknesses, and trends. It supports the planning process and helps leadership stay informed about levels of compliance with security policies and government regulations. ISPI reports are used as a tool for focusing discussion during briefings of the Chancellor and the U. T. Systemwide Executive Compliance Committee.

Each institutional chief information security officer is encouraged to use its ISPI report to inform the President and appropriate executive management about the state of the institution's security program. ISPI reports also provide input for consideration when developing an institution's annual information security action, training, and monitoring plans.

## **3. How is the ISPI assessment performed?**

This is a collaborative process that takes place through discussion among staff from The University of Texas System Office of Information Security Compliance and the institutional chief Information security officer and staff. In scoring, data from quarterly and annual reports submitted by U. T. institutions to U. T. System is considered along with other information provided by the institution.

## **4. How often is scoring performed?**

At a minimum, all metrics are to be updated annually for each institution. However, scores may be updated more frequently based on information provided through the quarterly reports submitted to U. T. System. Also, scores may be updated at any time a material change occurs that affects a particular metric. For example, the completion of a security project, such as deployment of configuration management, may cause a significant change in the institution's current state of security. Such changes should be acknowledged immediately so that the current state of the institution's security program is accurately reflected in any ISPI reports generated.