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FOR
AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE

Committee Meeting: 5/11/2006
Austin, Texas

Robert A. Estrada, Chairman
Rita C. Clements
Judith L. Craven, M.D.
Cyndi Taylor Krier
Robert B. Rowling

	Committee Meeting	Board Meeting
B. RECESS TO EXECUTIVE SESSION, IF NEEDED, PURSUANT TO *TEXAS GOVERNMENT CODE*, **CHAPTER 551**		Not on Agenda

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

2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071

C. ADJOURN   *9:00 a.m.*

1. **U. T. System: Presentation of certificate of appreciation to Mr. Lawrence Warder**

RECOMMENDATION

Appreciation will be extended to Mr. Lawrence Warder who voluntarily served as the first external member of the Internal Audit and Executive Compliance Committee of the U. T. System Administration. He was appointed by Chancellor Yudof and served on the Committee for two years. Mr. Warder is a retired Global Director, Operations, with Deloitte Consulting. External members were added to the institutional audit committees in keeping with the "Spirit" of Sarbanes-Oxley.

2. **U. T. System: Report from State Auditor's Office on results from the federal portion of the Statewide Single Audit Report for the Fiscal Year ended August 31, 2005**

REPORT

Ms. Carol Smith, Assistant State Auditor, and Ms. Aggie Rasmusen, Project Manager, from the State Auditor's Office will report on the results of the procedures performed at several U. T. System institutions to express an opinion on the federal portion of the statewide single audit for the Fiscal Year ended August 21, 2005. The procedures performed included auditing compliance with the compliance requirements of the U.S. Office of Management and Budget Circular A-133 Compliance Supplement.

Audit procedures were performed at the following institutions:
- U. T. Austin
- U. T. Dallas
- U. T. Pan American
- U. T. San Antonio
- U. T. Medical Branch - Galveston
- U. T. Southwestern Medical Center - Dallas
- U. T. Health Science Center - Houston

3. **U. T. System: Report on Research Compliance Initiatives**

REPORT

Research activities within the U. T. System are governed by federal and state laws and institutional policies and procedures. Noncompliance with these rules and regulations can result in significant penalties to the institution and, in some instances, to the individual researcher. Research compliance programs have been established at each

institution to ensure compliance with grant management, time and effort reporting, protection of human subjects, the welfare of animals, the safe use of recombinant DNA, pathogens and toxins, and to enhance the ethical conduct.

Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, and Mr. Richard St. Onge, Assistant Vice Chancellor for Health Affairs, will provide an update on several research compliance initiatives related to time and effort reporting, institutional review board accreditation, biosafety, and compliance audits.

4.   U. T. System: Report on System-wide Institutional Compliance Activities

REPORT

Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, and Mr. David Givens, System-wide Compliance Supervisor, will brief the Audit, Compliance, and Management Review Committee on the second quarter report of the System-wide Compliance Program, set forth on Pages 22 - 25 of the Supplemental Materials (Volume 2) of the Agenda Book. 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 April 28, 2006.

Mr. Chaffin will then provide an update on the peer review activities at the institutions.

5.   U. T. System: Report on the Healthcare Billing Compliance Program

REPORT

Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, and Mr. Dieter Lenhortt, Assistant Vice President for Institutional Compliance at U. T. Southwestern Medical Center - Dallas, will provide a PowerPoint presentation on the Healthcare Billing Compliance Program as set forth on Pages 26 - 29 of the Supplemental Materials (Volume 2) of the Agenda Book.

6.   U. T. System: Report on System-wide Internal Audit Activity

REPORT

Mr. Charles Chaffin, Chief Audit Executive, and Ms. Amy Barrett, Assistant Director for Audit, will report on System-wide audit activity for the second quarter of Fiscal Year 2006, including the status of significant audit recommendations.

The first quarter activity report on the Status of Outstanding Significant Recommendations is set forth on Pages 41 - 42. The report shows that satisfactory progress is being made on the implementation of all significant recommendations. Additionally, a list of other audit reports that have been issued by the System-wide audit program follows on Page 43.

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, and the internal audit directors verify implementation. A 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 recommendations quarterly.

Additionally, Mr. J. Richard Dawson, Executive Director of Audit, Compliance, and Risk Services at U. T. San Antonio, will present the results of their recent external peer review.

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	1st Quarter Ranking	1st Quarter # of Significant Findings	2nd Quarter Ranking	2nd Quarter # of Significant Findings	Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance: Material to Institution's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")
2004-03	UT Austin	Information Security Management		1		1	6/30/2006	Satisfactory	C, O
2004-12	UTA	Texas Administrative Code 202 Information Security Compliance		1		1	6/1/2006	Satisfactory	C
2004-03	UTB	Contracts and Grants		1		1	6/30/2006	Satisfactory	C, O
2004-06	UTB	2003 Financial and Applications Controls Audit of the Financial Aid Office		1		1	6/30/2006	Satisfactory	C, O
2004-10	UTB	Physical Plant		3		3	7/31/2006	Satisfactory	C, O
2003-12	UTD	Lab and Biological Safety		1		1	5/31/2006	Satisfactory	C, O
2004-01	UTEP	Information Technology - General Controls Review		1		1	7/31/2006	Satisfactory	O
2005-05	UTEP	Office of the Registrar		2		1	5/31/2006	Satisfactory	O
2005-08	UTEP	Texas Success Initiative		1		1	12/31/2006	Satisfactory	C,O
2003-09	UTHC-T	Medical Services, Research, and Development Plan Annual Financial Report		1		1	8/31/2007	Satisfactory	F, O
2004-04	UTHC-T	Discretionary Funds		1		0	n/a	Removed	F, O
2005-04	UTHC-T	Texas Administrative Code 202 Compliance		1		1	9/1/2007	Satisfactory	C
2005-11	UTHC-T	IT Security Audit of Meditech and LSS Patient Information Systems		1		1	10/31/2006	Satisfactory	C
2005-11	UTHC-T	Hospital and Physician Billing Audit of Patient Registration Processes		1		1	4/30/2006	Satisfactory	F, O
2006-01	UTHC-T	Annual Financial Report Audit Fiscal Year Ended August 31, 2005				2	5/31/2006	Satisfactory	F, C, O
2004-02	UTHSC-SA	Medical Services, Research, and Development Plan Front-End Billing		3		1	6/30/2006	Satisfactory	O
2003-05	UTMB Galveston	Delivery of Operating Room Services		2		2	5/31/2006	Satisfactory	O
2003-08	UTMB Galveston	Pharmacy Costs of Goods Sold Review		1		0	9/30/2005	Completed	O
2004-02	UTMB Galveston	Compliance Inspection: Account Reconciliation and Segregation of Duties		2		2	5/31/2006	Satisfactory	F, O
2004-07	UTMB Galveston	Office of Sponsored Programs (OSP) & Contracts and Grants (C & G)		6		6	8/31/2006	Satisfactory	F, C, O
2004-09	UTMB Galveston	Agreed Upon Procedures on Financial Statement Fund Balance		4		2	5/1/2006	Satisfactory	F, O
2004-09	UTMB Galveston	Endowment Compliance Program of the Office of University Advancement ("OUA")		1		0	9/30/2005	Completed	C, O
2005-03	UTMB Galveston	Compliance Update with the HIPAA Final Security Rule (Institutional)		1		1	5/31/2006	Satisfactory	C, O
2005-06	UTMB Galveston	Audit of Department of Neurosciences and Cell Biology Control Self-Assessment		1		0	2/28/2006	Completed	C
2005-07	UTMB Galveston	Compliance Update with the HIPAA Final Security Rule (Correctional Managed Care)		3		3	6/30/2006	Satisfactory	C, O
2005-08	UTMB Galveston	Audit of Institutional Review Board Human Subjects Protection		2		1	8/31/2006	Satisfactory	C, O
2005-12	UTMB Galveston	System-wide Financial Audit				1	8/31/2006	Satisfactory	F, C, O
2001-08	UTMDACC	Lotus Notes Environment		1		2	2/28/2007	Satisfactory	O
2004-01	UTMDACC	PeopleSoft Payroll		1		1	2/28/2007	Satisfactory	O
2005-08	UTPA	Contracts		1		1	5/31/2006	Satisfactory	O
2005-09	UTPA	College of Education		1		1	5/31/2006	Satisfactory	O

Report Date	Institution	Audit	1st Quarter Ranking	1st Quarter # of Significant Findings	2nd Quarter Ranking	2nd Quarter # of Significant Findings	Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance: Material to Institution's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")
2004-03	UTSA	Information Technology Organization and Planning Controls	yellow	2	yellow	2	5/31/2006	Satisfactory	F, O
2004-09	UTSA	Research Compliance - Time and Effort Reporting	yellow	1	yellow	1	9/1/2006	Satisfactory	C
2004-11	UTSA	Scholarship Management		1	green	1	6/1/2006	Satisfactory	O
2004-12	UTSA	Texas Administrative Code 202		1	green	0	3/15/2006	Completed	O
2005-11	UTSA	Animal Research Audit	red	1	yellow	1	6/1/2006	Satisfactory	O
2006-01	UT Southwestern	Hospital Accounts Payable			yellow	4	7/1/2006	Satisfactory	F, O, C
2005-12	UTSYS ADM	System-wide Financial Audit			orange	7	3/31/2007	Satisfactory	F, O
2005-04	UTT	East Texas Rural Fiscal and Physical Outreach Program Grant	yellow	1	green	0	3/1/2006	Completed	C
		Totals		54		57			

STATE AUDITOR'S OFFICE AUDITS

Report Date	Institution	Audit	1st Quarter Ranking	1st Quarter # of Significant Findings	2nd Quarter Ranking	2nd Quarter # of Significant Findings	Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance: Material to Institution's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")
2006-02	UT Austin	Federal Portion of the Statewide Single Audit FY 2005			red	1	8/31/2006	Satisfactory	F, O
2006-02	UT Dallas	Federal Portion of the Statewide Single Audit FY 2005			yellow	0	10/31/2005	Completed	C
2004-06	UT Southwestern	Protection of Research Data at Higher Education Institutions	yellow	1	yellow	1	8/31/2006	Satisfactory	O
2002-09	UTB	A Financial Review	yellow	1	yellow	1	3/31/2007	Satisfactory	F
2006-02	UTHSC-H	Federal Portion of the Statewide Single Audit FY 2005			red	1	8/31/2006	Satisfactory	C
2004-06	UTHSC-SA	Protection of Research Data at Higher Education Institutions	yellow	2	green	2	8/31/2006	Satisfactory	O
2002-11	UTMB Galveston	Security Over Electronic Protected Health Information at Selected Texas Academic Medical Institutions	yellow	1	green	0	12/31/2005	Completed	C
2006-02	UTMB Galveston	Federal Portion of the Statewide Single Audit FY 2005			red	4	12/31/2006	Satisfactory	F, C, O
2002-11	UTMDACC	Security Over Electronic Protected Health Information at Selected Texas Academic Medical Institutions	yellow	1	yellow	1	5/31/2006	Satisfactory	C
2005-02	UTMDACC	Federal Portion of the Statewide Single Audit FY 2004	yellow	2	yellow	4	9/1/2006	Satisfactory	C
2006-02	UTPA	Federal Portion of the Statewide Single Audit FY 2005			green	0	1/31/2006	Completed	C
2004-02	UTSA	Financial Review		3	yellow	3	12/31/2006	Satisfactory	F
2006-02	UTSA	Federal Portion of the Statewide Single Audit FY 2005			green	0	1/31/2006	Completed	C
2004-06	UTSYS ADM	Protection of Research Data at Higher Education Institutions	yellow	1	green	0	3/31/2006	Satisfactory	O
		Totals		12		18			

Color Legend:

Any audit with institutionally significant findings. Not necessarily a failure - just an area that needs high level attention. Corrective action will be taken subsequent to the quarter in which the finding was reported.

Significant progress toward resolution was made during the quarter in which the significant finding was first reported.

A red or orange audit becomes a yellow when significant progress continues beyond the quarter in which the significant finding was first reported.

All issues have been appropriately resolved, including any issues resolved during the quarter in which they were first reported.

Note:
Completed - The institutional Internal Audit Director deems the significant issues have been appropriately addressed and resolved.
Satisfactory - The institutional Internal Audit Director believes that the significant issues are in the process of being addressed in a timely and appropriate fashion.
Unsatisfactory - The institutional Internal Audit Director does not feel that the significant issues are being addressed in a timely and appropriate fashion.

Information Received from Internal Audit Directors and Chief Business Officers
Consolidated by: System Audit Office
April 2006

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* OTHER U. T. SYSTEM AUDITS COMPLETED - 12/2005 through 2/2006

Month Received by System	Institution	Audit
2005-12	UT Austin	Applied Research Laboratories Audit
2005-12	UT Austin	Departmental Reviews Audit
2005-12	UT Austin	Advanced Research Program / Advanced Technology Program Audit
2005-12	UT Pan American	NCAA Financial Aid Compliance
2005-12	UT Pan American	University Scholars Program
2005-12	UT Southwestern	National Pediatric Infectious Diseases Foundation Audit
2005-12	UT Southwestern	Legislative Budget Board Performance Measures Audit
2005-12	UT Southwestern	Community Prevention Intervention Unit Audit
2005-12	UT System Admin	Executive Travel and Entertainment Expense Audit
2005-12	UT System Admin	Office of the Board of Regents Departmental Audit
2005-12	UTHC Tyler	Review of Time and Effort Reporting Principles
2005-12	UTHC Tyler	Family Practice Residency Program Annual Financial Report Audit for Fiscal Year End 8/31/2005
2005-12	UTHC Tyler	Retail Pharmacy Agreed Upon Procedures Audit
2005-12	UTHSC Houston	Report on Internal Medicine Residency Program Fiscal Year 2005 Annual Financial Report
2005-12	UTHSC Houston	Report on Obstetrics and Gynecology Residency Program and Memorial Hermann Hospital Fiscal Year 2005 Annual Financial Report
2005-12	UTHSC Houston	Report on Family Practice Statewide Preceptorship Program Fiscal Years 2004-2005 Annual Financial Reports
2005-12	UTHSC San Antonio	Family Practice Residency Program Audit
2006-1	UT Arlington	Annual Financial Report Audit
2006-1	UT Austin	Dean of Students - Student Organization Bank Audit
2006-1	UT Brownsville	Annual Financial Report Audit
2006-1	UT El Paso	Human Subject Research Audit
2006-1	UT El Paso	Counseling and Guidance Services Audit
2006-1	UT Southwestern	Hospital Charge Entry Audit
2006-1	UT Southwestern	External Financial Audit Support Report
2006-1	UT Southwestern	Home Health Care Audit
2006-1	UT Southwestern	Delegated Purchasing Audit
2006-1	UT Southwestern	University Cash Receipting Audit
2006-1	UT Southwestern	Hospital Accounts Payable Audit
2006-1	UT Southwestern	Faculty Service Plan (FSP) Financial Review Audit
2006-1	UT Southwestern	Family Practice Residency Program and Graduate Medical Education Grants Audit
2006-1	UT System Admin	UTA NCAA Agreed-Upon Procedures FY 2005
2006-1	UT System Admin	UTEP NCAA Agreed-Upon Procedures FY 2005
2006-1	UT System Admin	UTSA NCAA Agreed-Upon Procedures FY 2005
2006-1	UT System Admin	UTPA NCAA Agreed-Upon Procedures FY 2005
2006-1	UT System Admin	Medical Liability Benefit Plan Audit FY 2006
2006-1	UTHC Tyler	Annual Financial Report Audit
2006-1	UTHC Tyler	Automated Peripherals, Inc. (API) System Application Audit
2006-1	UTHSC Houston	Report on Governor's Fraud Initiative
2006-1	UTHSC Houston	Report on Obstetrics and Gynecology Residency Program at LBJ General Hospital Fiscal Year 2005 Annual Financial Report
2006-1	UTHSC Houston	Report on Family Practice Residency Program Fiscal Year 2005 Annual Financial Report
2006-1	UTHSC Houston	Report on Harris County Psychiatric Center (HCPC) Petty Cash
2006-1	UTHSC San Antonio	State Auditor's Office - Information Technology Research Security Follow-up Audit
2006-1	UTHSC San Antonio	Department of Medicine - Financial Audit
2006-2	UT Arlington	Health Services Cash Handling Procedures Review Follow-up
2006-2	UT El Paso	Land and Building Audit
2006-2	UT Pan American	College of Social and Behavioral Sciences Dean's Office
2006-2	UT Pan American	President's Office
2006-2	UT System Admin	Client Participant and Client Management Systems for the Intermediate Term Fund - Consulting Engagement
2006-2	UTHC Tyler	Office of Related Health Sciences Change in Management Audit
2006-2	UTHSC Houston	Follow-up Audit

* STATE AUDITOR'S OFFICE AUDITS COMPLETED - 12/2005 through 2/2006

Month Received by System	Institution	Audit
2006-2	UT Austin, UT Dallas, UTHSC Houston, UTMB Galveston, UTPA, UTSA, UT Southwestern	Federal Portion of the Statewide Single Audit FY 2005
2006-2	UTSA	State Comptroller Post Payment Audit

Information received from the Institutional Audit Directors
Consolidated by the System Audit Office
March 2006

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