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FOR
AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE

Committee Meeting: 5/2/2012

Board Meeting: 5/3/2012
Austin, Texas

Brenda Pejovich, Chairman
Paul L. Foster, Vice Chairman
Alex M. Cranberg
Wallace L. Hall, Jr.

	Committee Meeting	Board Meeting	Page
Convene	*9:00 a.m.* *Chairman Pejovich*		
1. **U. T. System Board of Regents: Review of Consent Agenda items, if any, referred for Committee consideration**	*9:00 a.m.* **Action**	**Action**	**45**
2. **U. T. System Board of Regents: Approval to authorize negotiations with Deloitte & Touche LLP to provide stand-alone financial audit services at U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler for Fiscal Year 2012 and Fiscal Year 2013**	*9:03 a.m.* **Action** *Mr. Martinez* *Ms. Vicki Keiser, Deloitte & Touche*	**Action**	**46**
3. **U. T. System: Report on the Systemwide internal audit activities, including a summary of the State Auditor's Office issued audit reports and the implementation status of significant audit recommendations**	*9:12 a.m.* **Report/Discussion** *Mr. Martinez*	Not on Agenda	**47**
4. **U. T. System: Report on Privacy Compliance at the U. T. System institutions**	*9:20 a.m.* **Report/Discussion** *Ms. Holthaus*	Not on Agenda	**58**
5. **U. T. System: Report on the U. T. System Information Security Assurance Initiative**	*9:40 a.m.* **Report/Discussion** *Mr. Plutko* *Mr. Watkins*	Not on Agenda	**70**
Adjourn	*10:00 a.m.*		

1. U. T. System Board of Regents: Review of Consent Agenda items, if any, referred for Committee consideration

(The proposed Consent Agenda is at the end of the book.)

2. U. T. System Board of Regents: Approval to authorize negotiations with Deloitte & Touche LLP to provide stand-alone financial audit services at U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler for Fiscal Year 2012 and Fiscal Year 2013

RECOMMENDATION

Approval is requested for U. T. System staff to negotiate and enter into an auditing services contract amendment with Deloitte & Touche LLP to perform stand-alone financial statement audits of U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler [to meet the Southern Association of Colleges and Schools (SACS) accreditation requirements] for Fiscal Year 2012 and Fiscal Year 2013, as part of the overall U. T. System audit, pursuant to delegation of authority from the Texas State Auditor's Office.

BACKGROUND INFORMATION

On August 12, 2010, the Board of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche LLP to perform the audit of the U. T. System financial statements, the stand-alone audit of the U. T. M. D. Anderson Cancer Center financial statements, and the stand-alone audit of The University of Texas Investment Management Company (UTIMCO) managed funds financial statements for Fiscal Year 2011. The original contract, entered into as of February 15, 2011, was for one year with the option to renew for four additional one-year terms.

On February 9, 2012, the Board of Regents authorized renewal of the auditing services contract with Deloitte & Touche LLP to provide the audit of the U. T. System financial statements, the stand-alone audit of the U. T. M. D. Anderson Cancer Center financial statements, and the stand-alone audit of UTIMCO managed funds financial statements for two additional years, Fiscal Year 2012 and Fiscal Year 2013, if approved by the Texas State Auditor's Office.

The source of funding for this contract is Available University Funds, as approved for the prior contracts.

3. U. T. System: Report on the Systemwide internal audit activities, including a summary of the State Auditor's Office issued audit reports and the implementation status of significant audit recommendations

REPORT

Mr. Art Martinez, Executive Director for Board Services, will report on the State Auditor's Office State of Texas Federal and Financial Portion of the Statewide Single Audit Reports for Fiscal Year 2011. A summary of the audit reports and findings by institution are set forth on Pages 48 - 52.

Mr. Martinez will also report on the implementation status of significant audit recommendations. The second quarter activity report on the Implementation Status of Outstanding Significant Findings/Recommendations is set forth on Pages 53 - 54. 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 Pages 55 - 56. The annual internal audit plan status as of March 31, 2012, follows on Page 57.

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.

The University of Texas (UT) System
State Auditor's Office FY 2011 Statewide Single Audit Reports
Summary of Results for UT Institutions

Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2011
As a condition for receiving federal funding, the U.S. Office of Management and Budget (OMB) Circular A-133 requires nonfederal entities that expend at least $500,000 in federal awards in a fiscal year (FY) to obtain annual Single Audits. To supplement the audit procedures performed by KPMG for the FY 2011 State of Texas **Federal** Portion of the Statewide Single Audit, the Texas State Auditor's Office (SAO) audited student financial aid at UT Arlington, UT Austin, and UT San Antonio and audited research and development programs at UT Arlington, UT Austin, UT Southwestern Medical Center, UT Medical Branch - Galveston, UT Health Science Center - San Antonio, and UT Health Science Center - Tyler. The SAO performs this audit every year, and institutions are chosen on a rotational basis with the size of their programs factored into the selection process. The SAO's procedures included assessing compliance with regulatory requirements, assessing internal controls over federal funds, and performing follow-up audit procedures on outstanding findings from previous year audits.

The SAO classifies findings in the categories of control deficiency, significant deficiency, and material weakness, the latter of which indicates a more serious reportable issue.

- *Control Deficiency:* the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.
- *Significant Deficiency:* deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- *Material Weakness:* deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Compliance with Federal Requirements for the Student Financial Assistance Cluster of Programs
The Student Financial Assistance Cluster audits test compliance with federal requirements in 14 areas, such as eligibility and reporting. The State of Texas complied in all material respects with the federal requirements for the Student Financial Assistance Cluster of federal programs in FY 2011. The audit resulted in a total of 14 findings (questioned cost: $63,039) at the three UT institutions, which are outlined below. All of the findings are categorized as significant deficiencies. Institutional management has responded appropriately to the related recommendations, and several have already taken steps towards implementation.

UT Arlington (Total Questioned Cost: $7,248)

1. Inaccurate calculation of Cost of Attendance; Failure to cancel an Academic Competitiveness Grant award (Significant Deficiency and Non-Compliance/Questioned Cost: $188)
2. Untimely reporting of Pell disbursements to Department of Education's Common Origination and Disbursement (COD); Untimely process to identify and correct errors (between the scheduled award and disbursed amounts) in the financial aid system (Significant Deficiency and Non-Compliance/ Questioned Cost: $0)
3. Inadequate controls to verify and correct Free Application for Federal Student Aid information; Incomplete policies and procedures (Significant Deficiency and Non-Compliance/Questioned Cost: $0)
4. Untimely notification to Teacher Education Assistance for College and Higher Education (TEACH) grant recipients (Significant Deficiency and Non-Compliance/Questioned Cost: $0)
5. Untimely and/or inaccurate return of Title IV funds (Significant Deficiency and Non-Compliance/ Questioned Cost: $7,060)
6. Untimely identification of Direct Loan Servicing System submission errors; Untimely reporting of direct loan disbursements to COD; lack of reconciliation of COD School Account Statements to institutional financial records (Significant Deficiency and Non-Compliance/Questioned Cost: $0)

The University of Texas (UT) System
State Auditor's Office FY 2011 Statewide Single Audit Reports
Summary of Results for UT Institutions

UT Austin (Total Questioned Cost: $51,625)

1. Instances of students' non-compliance in Satisfactory Academic Progress due to system program errors; Lack of formal change management process to make system changes (Significant Deficiency and Non-Compliance/Questioned Cost: $48,271)
2. Untimely reporting COD System; Lack of formal change management process to make system changes (Significant Deficiency and Non-Compliance/Questioned Cost: $0)
3. Failure to submit disbursement notifications to TEACH grant recipients; Lack of formal change management process to make system changes (Significant Deficiency and Non-Compliance/ Questioned Cost: $0)
4. Lack of evidence to show student semester attendance; Lack of formal change management process to make system changes (Significant Deficiency and Non-Compliance/Questioned Cost: $3,354)
5. Inadequate controls over loan deferments/cancellations and defaulted borrowers (exit interviews, overdue notices, and reporting default status to credit bureau); Lack of formal change management process to make system changes (Significant Deficiency and Non-Compliance/Questioned Cost: $0)

UT San Antonio (Total Questioned Cost: $4,166)

1. Over awarded National Science and Mathematics Access to Retain Talent grant recipients; Inappropriate access to operating environment of student financial aid system (Significant Deficiency and Non-Compliance/ Questioned Cost: $4,000)
2. Inadequate controls over student withdrawal and the related return of Title IV funds; Inappropriate access to operating environment of student financial aid system (Significant Deficiency and Non-Compliance/Questioned Cost: $166)
3. Untimely reporting of student status changes to National Student Loan Data System; Inappropriate access to operating environment of student financial aid system (Significant Deficiency and Non-Compliance/Questioned Cost: $0)

Status of Prior Year Student Financial Assistance Cluster Audits

The SAO found that corrective actions were taken for several findings from previous Student Financial Assistance Cluster audits, and management provided updated corrective action plans for the remaining open recommendations. Some of the recommendations were reissued as new findings in the FY 2011 audit report. See details below:

- UT Arlington – 1 implemented; 3 partially implemented (reissued)
- UT Austin – 3 partially implemented (reissued)
- UT Dallas – 1 implemented
- UT El Paso – 2 partially implemented
- UT Health Science Center - Houston – 2 implemented
- UT Medical Branch - Galveston – 1 partially implemented
- UT Pan American – 1 implemented
- UT Permian Basin – 2 implemented
- UT San Antonio – 4 implemented; 1 partially implemented (reissued)
- UT Southwestern Medical Center – 2 partially implemented
- UT Tyler – 2 implemented

Compliance with Federal Requirements for the Research and Development Cluster of Programs

The Research and Development Cluster audits test compliance with federal requirements in 14 areas, such as allowable costs and procurement. The State of Texas complied in all material respects with the federal requirements for the Research and Development Cluster of federal programs in FY 2011. The audit resulted in a total of 15 findings (questioned cost: $168,124) at the six UT institutions, which are outlined below. All of the findings are categorized as significant deficiencies; except for one material weakness found at UT Health Science Center - Tyler. Institutional management has responded appropriately to the related recommendations, and several institutions have already taken steps towards implementation.

The University of Texas (UT) System
State Auditor's Office FY 2011 Statewide Single Audit Reports
Summary of Results for UT Institutions

UT Arlington (Total Questioned Cost: $305)

1. Charging unallowable costs; Untimely submission of disclosure statements; Lack of formal change management process to make system changes (Significant Deficiency and Non-Compliance/ Questioned Cost: $305)
2. Unsigned subrecipient agreements; Failure to submit required notifications to Recovery Act subrecipients; Lack of formal change management process to make system changes (Significant Deficiency and Non-Compliance/Questioned Cost: $0)

UT Austin (Total Questioned Cost: $122,856)

1. Lack of policies and procedures related to cost of services provided by specialized service facilities; Lack of formal change management process to make system changes (Significant Deficiency and Non-Compliance/Questioned Cost: $0)
2. Incomplete equipment property records; Inadequate controls to prevent loss, damage, or theft of equipment; Lack of formal change management process to make system changes (Significant Deficiency and Non-Compliance/Questioned Cost: $122,856)

UT Southwestern Medical Center (Total Questioned Cost: $0)

1. Incomplete or inaccurate equipment property records; Inappropriate access to system based on job duties or to maintain segregation of duties; Sharing of administrator account passwords (Significant Deficiency and Non-Compliance/Questioned Cost: $0)
2. Untimely submission of reports to awarding agencies; Inappropriate access to system to maintain segregation of duties; Sharing of administrator account passwords (Significant Deficiency and Non-Compliance/Questioned Cost: $0)

UT Medical Branch - Galveston (Total Questioned Cost: $0)

1. Failure to maintain proper equipment disposition forms or required documented approvals (Significant Deficiency/Questioned Cost: $ 0)
2. Untimely submission of financial reports to awarding entities (Significant Deficiency and Non-Compliance/Questioned Cost: $ 0)

UT Health Science Center - San Antonio (Total Questioned Cost: $0)

1. Inadequate process to collect certified payrolls from construction contractors when required (Significant Deficiency and Non-Compliance/Questioned Cost: $0)
2. Inaccurate equipment property records; Inadequate controls to safeguard assets, including procedures for conducting annual equipment inventory; Inappropriate access to information systems based on job duties and/or employment status, such as terminated employees (Significant Deficiency and Non-Compliance/Questioned Cost: $0)
3. Failure to verify that construction contractor was not suspended or debarred; Failure to include Buy American provision in contract (Significant Deficiency and Non-Compliance/Questioned Cost: $0)

UT Health Science Center - Tyler (Total Questioned Cost: $44,963)

1. Overcharged indirect costs to a federal award; Incomplete effort certifications; Incorrect approval for subrecipient payments; Payment from National Institutes of Health funds over the salary limit; Inaccurate indirect cost calculation; Inadequate documentation of internal service charges rates (Significant Deficiency and Non-Compliance/Questioned Cost: $4,743)
2. Improper inclusion of accounts payable in draw down reports; Inadequate review and approval of draw down reports (Significant Deficiency and Non-Compliance/Questioned Cost: $0)
3. Inadequate controls over obligating funds past the grant funding period; Inadequate review of adjustments to federal grant expenditures (Significant Deficiency and Non-Compliance/Questioned Cost: $3)

The University of Texas (UT) System
State Auditor's Office FY 2011 Statewide Single Audit Reports
Summary of Results for UT Institutions

4. Inadequate justification documented to support limited competition procurements; Failure to secure bids or document the rationale for the method used to procure services for procurements that required bidding; Failure to document that vendor and subrecipient were not suspended or debarred (Material Weakness and Non-Compliance/Questioned Cost: $40,220)

Status of Prior Year Research and Development Cluster Audits
The SAO found that corrective actions were taken for several findings from previous Research and Development Cluster audits, and management provided updated corrective action plans for the remaining open recommendations. Some of the recommendations were reissued as new findings in the FY 2011 audit report. See details below:

- UT Austin – 1 partially implemented (reissued)
- UT Brownsville – 1 partially implemented
- UT Southwestern Medical Center – 4 implemented; 1 partially implemented (reissued)
- UT Medical Branch - Galveston – 1 partially implemented (reissued)
- UT Health Science Center - Houston – 2 implemented; 2 partially implemented
- UT M. D. Anderson Cancer Center – 2 implemented; 2 partially implemented

State of Texas Compliance with Federal Requirements for Selected Major Programs at UT Medical Branch - Galveston for the Fiscal Year Ended August 31, 2011
Overall, the State of Texas complied in all material respects with the federal requirements for the Hazard Mitigation Grant Program and the Disaster Grants – Public Assistance (Presidentially Declared Disasters) Program in FY 2011. UT Medical Branch - Galveston (UTMB) had some weaknesses in its control structure and instances of non-compliance for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) Program. The SAO identified three significant deficiencies and non-compliance at UTMB related to allowable costs, controls over safeguarding equipment, and procurements made after Hurricane Ike (questioned cost: $131,438). UTMB management has responded appropriately to the related recommendations, and has already taken several steps towards implementation.

Financial Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2011
The SAO did not conduct audit procedures on UT institutions' financial statements as part of the audit of the State of Texas Comprehensive Annual Financial Report for FY 2011, as they relied on the external audit of the UT System FY 2011 financial statements, which was performed by Deloitte & Touche LLP. However, as part of the State of Texas Financial Portion of the Statewide Single Audit (Financial Audit) report, the SAO made recommendations related to the completeness, accuracy, and review of the FY 2011 Schedules of Expenditures of Federal Awards (SEFAs) to UT Arlington, UT Austin, UT El Paso, UT Pan American, UT Southwestern Medical Center, and UT Health Science Center - San Antonio.

Status of Prior Year Financial Portion of the Statewide Single Audit
The SAO also performed follow-up audit procedures on outstanding findings from previous year Financial Audits. The SAO found that corrective actions were taken for several findings from the previous Financial Audits, and that management provided updated corrective action plans for the remaining open recommendations. Some recommendations, related to the SEFA, were reissued as new findings in the FY 2011 Financial Audit report. See details below:

- UT Arlington – 1 partially implemented (reissued)
- UT Austin – 2 implemented; 1 partially implemented (reissued)
- UT Brownsville – 1 implemented
- UT El Paso – 1 partially implemented (reissued)
- UT Pan American – 1 partially implemented (reissued)
- UT Southwestern Medical Center – 1 implemented; 1 partially implemented (reissued)

The University of Texas (UT) System
State Auditor's Office FY 2011 Statewide Single Audit Reports
Summary of Results for UT Institutions

- UT Medical Branch - Galveston – 3 implemented
- UT Health Science Center - Houston – 2 implemented
- UT Health Science Center - San Antonio – 1 partially implemented (reissued)
- UT M. D. Anderson Cancer Center – 1 implemented

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

Report Date	Institution	Audit	1st Quarter 2012		2nd Quarter 2012		Targeted Implementation Date	Overall Progress Towards Completion (Note)
			Ranking	# of Significant Findings	Ranking	# of Significant Findings		
U. T. SYSTEM AUDITS								
2011-10	UTD	*Texas Administrative Code* 202		1		1	8/31/2012	Satisfactory
2012-01	UTD	Environmental Health and Safety - Lab Safety				1	12/31/2012	Satisfactory
2012-02	UTD	Annual Financial Report for the Fiscal Year Ended August 31, 2011				5	8/31/2012	Satisfactory
2012-02	UTEP	Annual Financial Report for the Fiscal Year Ended August 31, 2011				1	3/31/2012	Satisfactory
2011-06	UTPA	Employee Assignments		1		1	3/30/2012	Satisfactory
2011-11	UTPA	Information Technology Change Management		1		0	1/31/2012	Implemented
2012-02	UTPA	High School to University Programs & Testing Services				2	8/31/2012	Satisfactory
2010-12	UTPB	Annual Financial Report for the Fiscal Year Ended August 31, 2010		1		1	7/31/2012	Satisfactory
2010-11	UTSA	Information Security Program		2		2	2/28/2013	Satisfactory
2011-07	UTSWMC	Patient Payments at Time of Service		1		0	3/31/2012	Implemented
2010-11	UTHSC - Houston	FY 2010 Financial Assurance Work		1		0	2/29/2012	Implemented
2010-05	UTHSC - San Antonio	UT Medicine Back End Billing Audit		1		0	11/30/2012	Implemented
2011-11	UTHSC - San Antonio	Data Center Physical Security Audit				4	7/31/2012	Satisfactory
2007-09	UTMDACC	Maintenance and Security of Biological Research Materials		1		1	9/30/2012	Satisfactory
2009-03	UTMDACC	Wireless and Firewall Remote Access Security Assessment		2		1	8/31/2012	Satisfactory
2009-05	UTMDACC	Business Continuity Plan Review		1		1	11/30/2012	Satisfactory
2010-12	UTMDACC	Human Resources Contingent Workforce		1		1	2/29/2012*	Satisfactory
2011-06	UTMDACC	Effort Reporting and Certification		1		1	5/31/2012	Satisfactory
2012-01	UTHSC - Tyler	Financial Statements as of and for the Year Ended August 31, 2011				1	6/1/2012	Satisfactory
2012-02	UT System Admin	UT Permian Basin Information Technology Governance Audit				2	8/31/2012	Satisfactory
		Totals		**15**		**26**		

Information Received from Internal Audit Directors and Chief Business Officers
Consolidated by: System Audit Office
March 2012

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

Report Date	Institution	Audit	1st Quarter 2012		2nd Quarter 2012		Targeted Implementation Date	Overall Progress Towards Completion (Note)
			Ranking	# of Significant Findings	Ranking	# of Significant Findings		
STATE AUDITOR'S OFFICE AUDITS								
2012-02	UTEP	Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2011				1	2/28/2012**	Satisfactory
2012-02	UTPA	Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2011				1	6/1/2012	Satisfactory
2011-02	UTPB	Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2010		4		0	5/31/2011	Implemented
2011-02	UTSWMC	Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2010		3		1	8/31/2012	Satisfactory
2012-02	UTSWMC	Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2011				4	8/31/2013	Satisfactory
2012-02	UTSWMC	Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2011				1	2/1/2012**	Satisfactory
2011-02	UTMB	Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2010		2		0	9/1/2011	Implemented
2012-02	UTMB	Compliance with Federal Requirements for the Research & Development Cluster of Federal Programs for the Fiscal Year Ended August 31, 2011				2	8/31/2012	Satisfactory
2012-02	UTMB	Compliance with Federal Requirements for Selected Major Programs at the Department of Public Safety and The University of Texas Medical Branch at Galveston for the Fiscal Year Ended August 31, 2011				3	8/31/2012	Satisfactory
2012-02	UTHSC - San Antonio	Compliance with Federal Requirements for the Research & Development Cluster of Federal Programs for the Fiscal Year Ended August 31, 2011				3	7/31/2012	Satisfactory
2012-02	UTHSC - Tyler	Compliance with Federal Requirements for the Research & Development Cluster of Federal Programs for the Fiscal Year Ended August 31, 2011				0	9/30/2011	Implemented
		Totals		**9**		**16**		

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 awaiting updated implementation status and date from the institution.

****** Recommendation deemed to be implemented per management and awaiting verification and validation by internal audit and/or the State Auditor's Office.

Information Received from Internal Audit Directors and Chief Business Officers
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OTHER U. T. SYSTEM AUDIT REPORTS RECEIVED BY SYSTEM AUDIT 12/2011 through 2/2012	
Institution	**Audit**
UTAUS	National Collegiate Athletic Association Football Attendance - Intercollegiate Athletics
UTD	President's Travel and Entertainment Expenses
UTD	Information Security Program Index
UTD	Carolyn Lipshy Galerstein Women's Center
UTD	The Student Union
UTD	Office of the Vice President for Public Affairs
UTD	Norman Hackerman Advanced Research Program Grants
UTD	Conflict of Interest
UTEP	Desktop Use and Security
UTEP	Norman Hackerman Advanced Research Program
UTEP	Institutional Compliance
UTEP	Office of the Provost Change in Management
UTPA	Year-Round Pell Audit
UTSA	President's Travel, Entertainment, and Housing Expenses
UTSA	Athletics Department Internal Control Review
UTSA	Utility Billing
UTSA	Texas Higher Education Coordinating Board Facilities Audit
UTSA	Research Administration Information Technology General Controls
UTTY	Annual Follow-up
UTSMC	Presidential Travel and Entertainment Expenses
UTSMC	Effort Reporting
UTSMC	Epic Resolute Interface
UTMB - Galveston	Family Practice Residency Program
UTMB - Galveston	Primary Care/Internal Medicine Residency Program
UTMB - Galveston	Campus Security
UTMB - Galveston	Human Resources Change in Management
UTMB - Galveston	Dependent Eligibility
UTMB - Galveston	Student Information System Post-Implementation Review
UTMB - Galveston	Medical Service, Research and Development Plan Expenditure Review
UTMB - Galveston	Advanced Research Program/Advanced Technology Program Grants
UTMB - Galveston	Institutional Compliance Program Effectiveness
UTHSC - Houston	Advanced Research Program/Advanced Technology Program Grants
UTHSC - Houston	Interim Report on Faculty Recruitment and Hiring Process
UTHSC - Houston	Interim Review of Executive Travel and Entertainment
UTHSC - Houston	Follow-up on Open Recommendations
UTHSC - Houston	Family Practice Residency Program Fiscal Year (FY) 2011 Annual Financial Report (AFR)
UTHSC - Houston	Obstetrics and Gynecology Residency Program at Lyndon B. Johnson General Hospital FY 2011 AFR
UTHSC - Houston	Obstetrics and Gynecology Residency Program at Memorial Hermann Hospital FY 2011 AFR
UTHSC - Houston	Family Practice Preceptorship Program FY 2010 and 2011 Financial Status Report
UTHSC - Houston	Internal Medicine Residency Program FY 2011 AFR
UTHSC - San Antonio	EpicCare Application Security Audit
UTHSC - San Antonio	San Antonio Internal Medicine Residency Program
UTHSC - San Antonio	Regional Academic Health Center Internal Medicine Primary Care Residency Program
UTHSC - San Antonio	Family Practice Residency Program
UTHSC - San Antonio	Pediatrics Primary Care Residency Program
UTMDACC	Regional Care Centers
UTMDACC	Nursing Certification Incentive Pay Program
UTMDACC	Data Classification and Archival
UTMDACC	Job Order Contracts
UTHSC - Tyler	Family Medicine Residency Program Grant Audit for the Fiscal Year Ended August 31, 2011
UTHSC - Tyler	PeopleSoft Human Capital Management System - *Texas Administrative Code* § 202 Audit
UTSYS ADM	UT El Paso Office of the President
UTSYS ADM	Cimarex Energy, Co. Oil and Gas Producer Audit
UTSYS ADM	UT Arlington National Collegiate Athletic Association Agreed-Upon Procedures
UTSYS ADM	UT El Paso National Collegiate Athletic Association Agreed-Upon Procedures
UTSYS ADM	UT Pan American National Collegiate Athletic Association Agreed-Upon Procedures
UTSYS ADM	UT San Antonio National Collegiate Athletic Association Agreed-Upon Procedures
UTSYS ADM	Annual Financial Report for the Fiscal Year Ended August 31, 2011
UTSYS ADM	University Lands Wind Power Leases
UTSYS ADM	Dependent Eligibility
UTSYS ADM	University Lands Change in Management

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STATE AUDITOR'S OFFICE AUDIT REPORTS ISSUED 12/2011 through 2/2012	
Institution	**Audit**
UTARL, UTAUS, UTB, UTEP, UTPA, UTSMC, UTMB, UTHSC - Houston, UTHSC - San Antonio, UTMDACC	Financial Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2011
UTARL, UTAUS, UTD, UTEP, UTPA, UTPB, UTSA, UTTY, UTSMC, UTMB, UTHSC - Houston	Compliance with Federal Requirements for the Student Financial Assistance Cluster of Federal Programs for the Fiscal Year Ended August 31, 2011
UTARL, UTAUS, UTB, UTSMC, UTMB, UTHSC - Houston, UTHSC - San Antonio, UTMDACC, UTHSC - Tyler	Compliance with Federal Requirements for the Research and Development Cluster of Federal Programs for the Fiscal Year Ended August 31, 2011
UTARL, UTAUS, UTB, UTD, UTEP, UTPA, UTPB, UTSA, UTTY, UTSMC, UTMB, UTHSC - Houston, UTHSC - San Antonio, UTMDACC, UTHSC - Tyler	Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2011

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U. T. Systemwide Internal Audit Program
FY 2012 Annual Internal Audit Plan Status
(as of March 31, 2012)

	Financial	Operational	Compliance	Information Technology	Follow-up	Projects	Credit for Priority Hours (*Note 1*)	Total Approved Priority Budget Hours (*Note 2*)	Variance (Hours)	Percentage Completion
U. T. System Administration	2,348	3,142	921	2,538	458	1,052	10,458	17,750	7,292	**59%**
Large Institutions:										
U. T. Austin	321	2,665	1,377	640	81	726	5,811	12,031	6,221	**48%**
U. T. Southwestern	850	961	2,266	606	500	531	5,714	11,000	5,286	**52%**
U. T. Medical Branch at Galveston	899	1,335	1,027	801	200	510	4,772	8,160	3,388	**58%**
U. T. HSC - Houston	763	965	836	547	211	410	3,730	7,294	3,564	**51%**
U. T. HSC - San Antonio	554	1,269	1,043	827	119	206	4,017	6,600	2,583	**61%**
U. T. MDA Cancer Center	2,513	1,553	1,200	-	670	74	6,009	10,805	4,796	**56%** *
Subtotal	**5,900**	**8,747**	**7,748**	**3,421**	**1,781**	**2,456**	**30,052**	**55,890**	**25,838**	**54%**
Mid-size Institutions:										
U. T. Arlington	650	440	597	511	223	469	2,889	5,320	2,431	**54%**
U. T. Brownsville	406	532	410	277	150	440	2,214	4,176	1,962	**53%**
U. T. Dallas	626	1,268	309	362	56	75	2,695	5,890	3,195	**46%**
U. T. El Paso	1,430	1,358	398	374	413	136	4,109	8,464	4,355	**49%**
U. T. Pan American	472	1,070	624	418	191	536	3,311	5,825	2,514	**57%**
U. T. San Antonio	800	989	866	599	194	702	4,150	7,280	3,131	**57%**
Subtotal	**4,383**	**5,657**	**3,204**	**2,541**	**1,226**	**2,357**	**19,368**	**36,955**	**17,588**	**52%**
Small Institutions:										
U. T. Permian Basin	91	-	47	42	35	40	255	1,050	795	**24%** **
U. T. Tyler	240	424	167	253	56	397	1,537	2,375	838	**65%**
U. T. HSC at Tyler	325	271	441	300	143	118	1,597	2,761	1,165	**58%**
Subtotal	**656**	**695**	**655**	**595**	**234**	**555**	**3,389**	**6,186**	**2,797**	**55%**
TOTAL	**13,286**	**18,240**	**12,528**	**9,094**	**3,699**	**6,420**	**63,267**	**116,781**	**53,515**	**54%**
Percentage of Total	**21%**	**29%**	**20%**	**14%**	**6%**	**10%**	**100%**			

NOTE 1:

"Credit for Priority Hours" reflects the priority budgeted hours apportioned based on completion status of the audits/projects as of 3/31/2012. The time period from 9/1/2011 through 3/31/2012 represents approximately 58% of the annual audit plan year.

NOTE 2:

Original Total Priority Budget Hours, approved by the ACMRC for priority projects, was 118,038 hours. However, some institutions may change their Total Priority Budget Hours and/or the allocation of hours among the various categories due to changes in priorities and staffing resources during the fiscal year. These changes have been communicated to/approved by the institution's respective president and/or internal audit committee. The total priority budget hours are approximately 80-85% of total budget hours.

*UT M. D. Anderson's total approved priority budget includes 2,845 hours of co-sourced hours that are not reflected above. This work generally is performed in the last two quarters and will be reported on during the next reporting period.

**UT Permian Basin's low percent completion is due to the majority of the audit staff being temporarily assigned to the accounting department in order to complete the Annual Financial Report and other accounting functions when the accounting director and assistant director abruptly left their positions at the start of the fiscal year. The accounting director position was recently filled, and the director started in March 2012. At that time, one of the audit staff did resume her audit function and the other staff person is still in accounting.

4. U. T. System: Report on Privacy Compliance at the U. T. System institutions

REPORT

Ms. Barbara Holthaus, Senior Attorney and Privacy Coordinator in the Office of General Counsel, will report on privacy compliance at U. T. System institutions using the PowerPoint presentation set forth on the following pages.

Systemwide Privacy Compliance

Barbara Holthaus, Senior Attorney &

Privacy Coordinator, Office of General Counsel

Board of Regents' Meeting

Audit, Compliance, and Management Review Committee

May 2012

Information Privacy Generally

- "Privacy" refers to the right of an individual to keep personal information from being disclosed
- Differs from "Information Security"
  - Privacy laws and policies dictate who can access personal data and why data can be accessed
  - Security implements privacy by limiting access to authorized staff and third parties through technological and physical controls

Examples of Privacy Law Categories

- **Medical confidentiality** – Health Insurance Portability and Accountability Act (HIPAA), state physician and mental health provider confidentiality laws, licensing board rules, House Bill 300 – 82nd Session of the Texas Legislature
- **Education records** – Family Educational Rights & Privacy Act (FERPA), Gramm Leach Bliley, Texas Public Information Act (TPIA)
- **Employment records** – Family and Medical Leave Act, Americans with Disabilities Act, Texas Public Information Act
- **Research data** – National Institutes of Health rules, HB 300
- **Breach Notification** – HIPAA/Health Information Technology for Economic and Clinical Health (HITECH) Act, Texas and other state breach notification laws

Drivers of Privacy as Compliance Issue

- Technological advances = ability to maintain and transmit massive amounts of electronic data
- Increasing value of data bits for identity theft and fraud – Social Security Numbers, Insurance ID cards, birthdates
- Heightened consumer and media awareness
- Increased outsourcing to third party vendors involving sensitive data

Breach Issues

- Legal definitions of a “breach” include any unauthorized access, not just hackers or rogue employees
- Increasing numbers of highly publicized breaches involve human error or lack of knowledge that data is subject to privacy laws
- Unnecessary collection and retention of high risk, obsolete, or low value data is frequent subject as it tends to fall off the radar

U. T. System Specific Privacy Issues

- All institutions house diverse categories of confidential and sensitive mission critical data
- Lack of centralized privacy function at academic institutions
- Health science institutions have HIPAA Privacy Programs/Officers but generally do not address nonmedical records
- Several security incidents generated by end user lack of privacy awareness

Deloitte Security Program Review

- Cited lack of position with visibility and authority to effectuate required privacy policies and practices
- Recommended appointment of:
  - Privacy Officer for U. T. System Administration
  - Privacy Coordinator to create and oversee a Systemwide Privacy Council

U. T. System Privacy Coordinator

Appointed by Vice Chancellor and General Counsel on February 2012 to:

- Act as Privacy Officer for U. T. System Administration Offices
- Create a Systemwide Privacy Council with representatives from each U. T. System institution
- Provide dedicated direction and legal counsel to U. T. System offices and institutions on privacy issues

U. T. System Administration Initiatives

- Realignment of U. T. System Administration's current HIPAA Covered Entity (HITECH)
- Adoption of FERPA policy
- Adoption of formal breach response policy
- Development of employee privacy training required by HB 300

Systemwide Privacy Council

- Establish best practices for privacy compliance
  - data collection and retention
  - breach response model policies and programs
- Develop privacy training and awareness programs for end users of confidential and sensitive data
- Ensure uniformity and consistency in common areas (FERPA, employee records)

Systemwide Privacy Council (cont.)

- Collaborate with InfoSec and Systemwide Security Program on issues with combined Privacy and Security Aspects
- Monitor HB 300 implementation and other Privacy legislation and trends affecting higher education

5. U. T. System: Report on the U. T. System Information Security Assurance Initiative

REPORT

Mr. Larry Plutko, Systemwide Compliance Officer, and Mr. Lewis Watkins, Chief Information Security Officer, will provide an update on the U. T. System Information Security Assurance Initiative using the PowerPoint presentation set forth on the following pages.

The University of Texas System
Information Security Assurance Initiative (ISAI)

Addressing Security Gaps Identified by the Deloitte & Touche Assessment

Lewis Watkins, CISSP
May 2012

Board of Regents' Meeting

Audit, Compliance, and Management Review Committee

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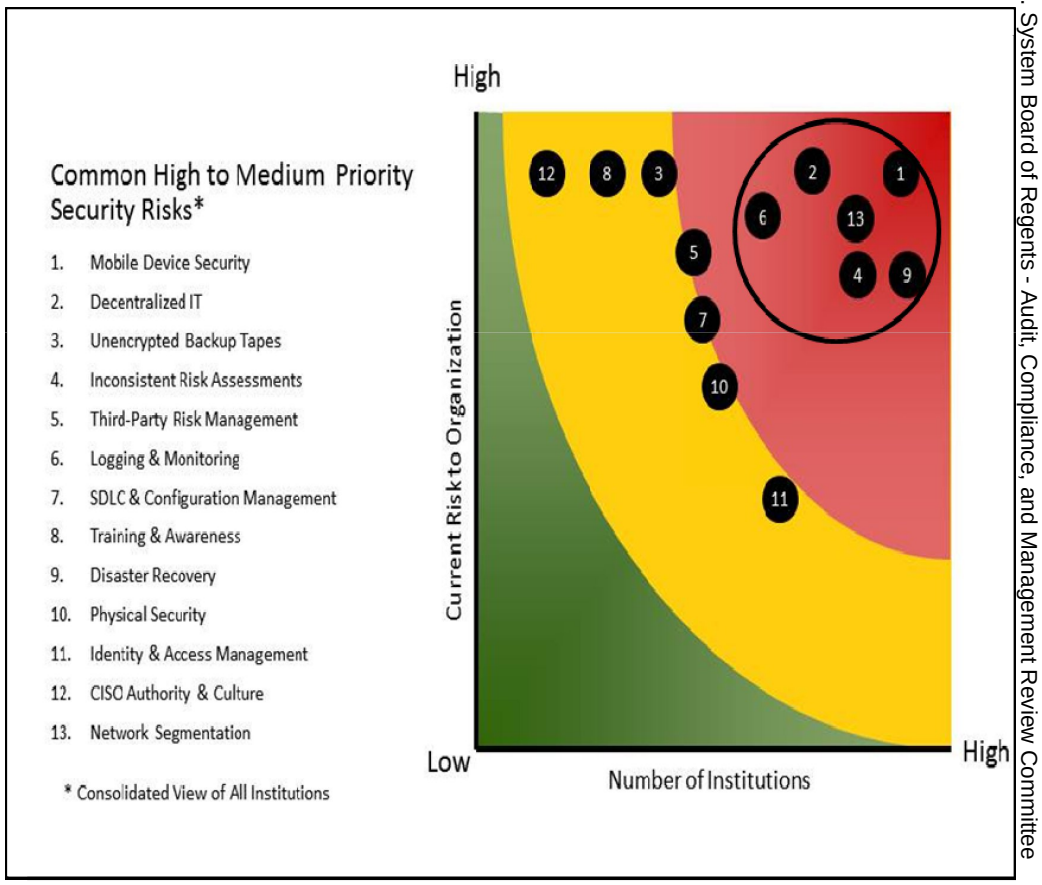
Deloitte & Touche Security Gap Findings

- Deloitte & Touche defined 70 high priority initiatives to be addressed
- Some high risk gaps are common across multiple institutions.
  - Mobile Device Security
  - Disaster Recovery
  - Network Segmentation
  - Risk Assessment Process
  - Decentralized IT Risks
  - Logging and Monitoring
    - Server & Network
    - Monitoring of Access to Electronic Medical Records



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Addressing the Gaps

- Institutions have submitted 470 project proposals
- U. T. System and Deloitte & Touche staff have assessed the proposals:
  - For fit with the Deloitte & Touche high risks and defined initiatives
  - To identify which gaps are best addressed centrally vs. institutionally
  - To determine relative priority of projects
  - To identify best approaches for sourcing the projects
- U. T. System staff are:
  - Establishing processes for tracking all projects and funds
  - Building organization and project plan to address the initiatives and assist the institutions
  - Launching initial Systemwide and institutional projects

Initiative Timeline and Management Plan

Initiative is managed with regular updates to executive management

Planning:

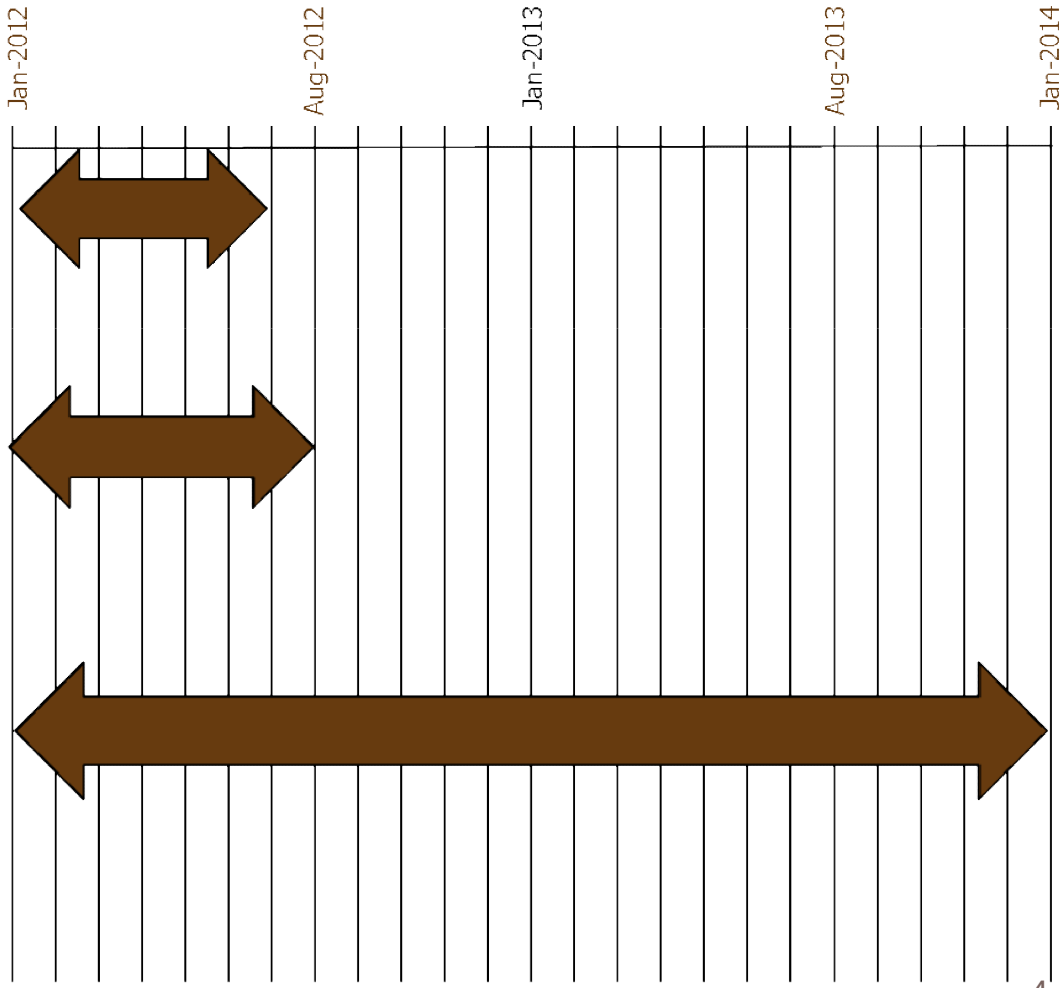
- Organize And Hire Staff
- Define Projects
- Establish Processes
- Develop Initial RFPs

Phase1: Short-term Projects:

- “Securing the Human” User Training
- Confidential Data Location Tool
- Encrypted USB Drives
- Laptop Encryption Licenses

Phase 2: Long-term Projects:

- Mobile Device Management
- Risk Management
- Disaster Recovery
- Logging and Monitoring
- Many Others



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Information Security Assurance Initiative (ISAI) Goals & Measures

Goals:

- Improve the security posture of:
  - The U. T. System as a whole
  - Each U. T. System institution
  - Shared resources such as data centers and networks
- Address high risk gaps identified by the Deloitte & Touche assessments
- Maximize the breadth and effectiveness of benefits achieved with funds

Success Measures:

- Each defined project will be tracked for completion.
- Overall Initiative measures will include:
  - Number of high risks addressed
  - Number of high priority initiatives addressed as percent of those identified by Deloitte & Touche as needing to be addressed
  - Number of institutions participating in Systemwide security initiatives as a percent of those identified as having the need

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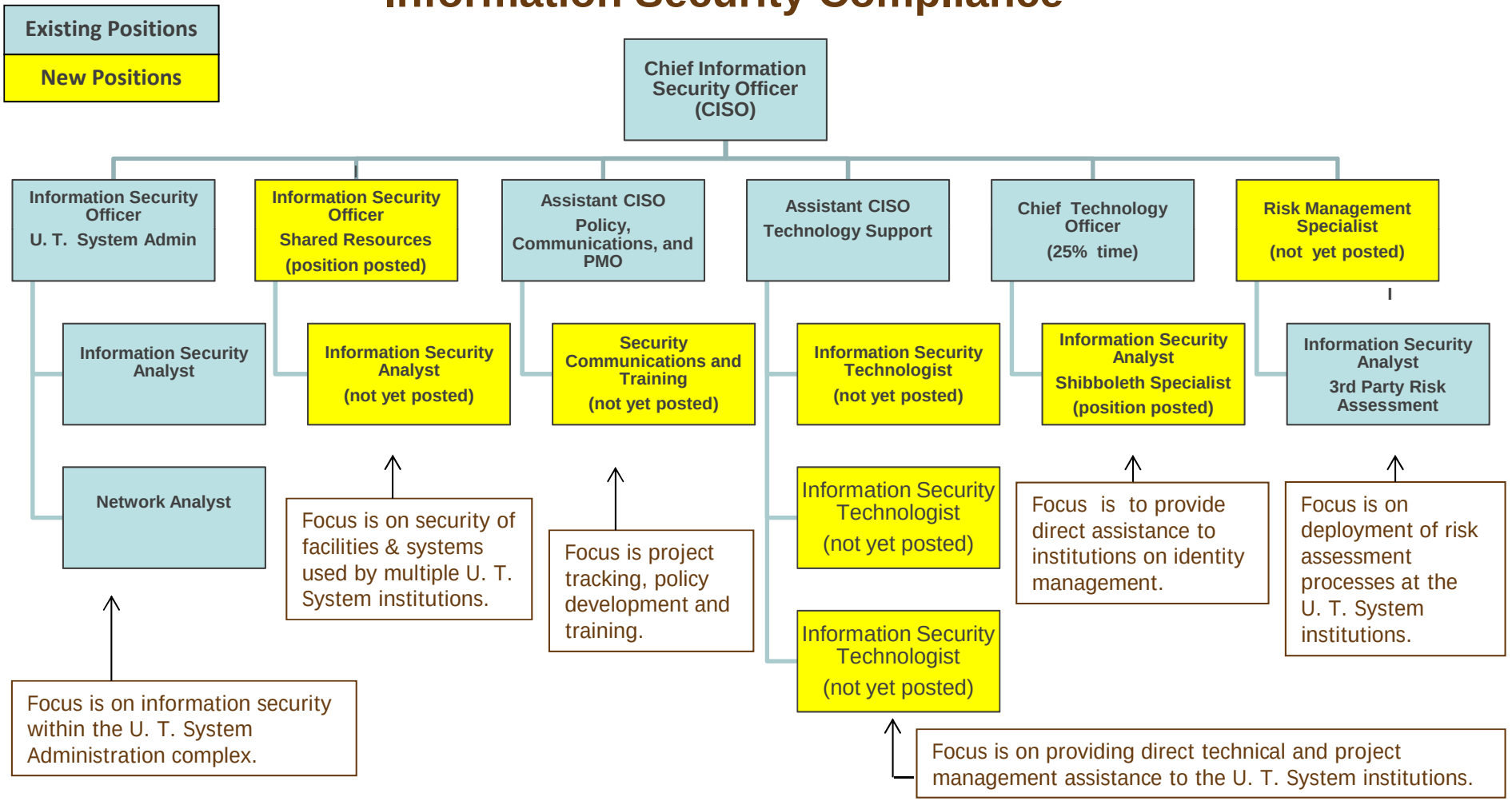
Organization Plan

The University of Texas System
Information Security Compliance



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Central Program Activities and Projects Underway

Start-up activities performed:

- Retained Deloitte & Touche as advisor to assist with program oversight
- Staff on-boarding continues
- Development and execution of memorandum of understandings and project planning documents and processes
- Deployment of Systemwide project management system
- Updates provided to Presidents and Executive Compliance Committee

Projects that have been launched:

- Conducted day-long risk assessment workshop
- Conducted day-long information security metrics reporting workshop
- Launched Systemwide information security awareness training initiative
- Launched Electronic Medical Records monitoring system procurement
- Funded institutional faculty workstation backup and recovery project
- Funded institutional laptop encryption license purchase
- Funded institutional data discovery tool licensing purchase