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FOR  
AUDIT, COMPLIANCE, AND MANAGEMENT  
REVIEW COMMITTEE**

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

**Committee Meeting: 8/13/2008**  
Austin, Texas

	<b>Committee Meeting</b>	<b>Page</b>
<b>A. CONVENE</b>	<i>11:00 a.m. Chairman Foster</i>	
1. <b>U. T. System Board of Regents: Approval of the Audit, Compliance, and Management Review Committee Charter and the Responsibilities Checklist</b>	<i>11:00 a.m. <b>Action</b> Mr. Chaffin</i>	<b>52</b>
2. <b>U. T. System: Report on the System-wide internal audit activity</b>	<i>11:05 a.m. <b>Report</b> Mr. Chaffin</i>	<b>58</b>
3. <b>U. T. System: Report on the System-wide annual audit plan process</b>	<i>11:10 a.m. <b>Report</b> Mr. Chaffin</i>	<b>62</b>
4. <b>U. T. System: Report on the plan for the Fiscal Year 2008 U. T. System Consolidated Annual Financial Report audit</b>	<i>11:15 a.m. <b>Report</b> Mr. Chaffin</i>	<b>64</b>
5. <b>U. T. System: Report on the System-wide compliance program</b>	<i>11:20 a.m. <b>Report</b> Mr. Chaffin</i>	<b>65</b>
<b>B. RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551</b>	<i>11:30 a.m.</i>	
1. <b>Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071</b>	<i>11:30 a.m. <b>Discussion</b> Mr. Burgdorf</i>	
2. <b>Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074</b>		
<b>Discussion with the Chief Audit Executive and System-wide Compliance Officer concerning evaluation and duties of individual System and institutional employees involved in the audit and compliance functions</b>	<i>11:45 a.m. <b>Discussion</b> Mr. Chaffin</i>	
<b>C. ADJOURN</b>	<i>12:00 p.m.</i>	

1. **U. T. System Board of Regents: Approval of the Audit, Compliance, and Management Review Committee Charter and the Responsibilities Checklist**

**RECOMMENDATION**

On a periodic basis, the Audit, Compliance, and Management Review Committee reviews its Charter and the Responsibilities Checklist to ensure that any changes in regulatory requirements, authoritative guidance, and evolving oversight practices are reflected. Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, recommends the proposed Charter and the Responsibilities Checklist for the Audit, Compliance, and Management Review Committee be reviewed by the Committee and approved, with minor suggested changes, as set forth on Pages 53 - 57.

**BACKGROUND INFORMATION**

On November 12, 2003, the Committee approved the Action Plan to Implement the "Spirit" of Sarbanes-Oxley Act of 2002. Included in the Action Plan was the establishment of a Committee Charter and the Responsibilities Checklist. The Committee Charter specifies that the Committee's responsibilities in carrying out its oversight role will be delineated in the Responsibilities Checklist. The Charter, including the Responsibilities Checklist, was originally approved by the U. T. System Board of Regents on November 13, 2003, and the Responsibilities Checklist was amended on November 5, 2004. Minor editorial changes were made to both the Charter and Responsibilities Checklist on February 8, 2006. The Charter and Responsibilities Checklist were reviewed and approved with no changes on August 22, 2007.

**Charter  
for the  
Audit, Compliance, and Management Review Committee  
of the  
Board of Regents of The University of Texas System**

**Role**

The Audit, Compliance, and Management Review Committee (“the Committee”) of the Board of Regents (“the Board”) of The University of Texas (“U. T.”) System assists the Board in fulfilling its responsibilities for:

- ◆ Oversight of the quality and integrity of the accounting and financial reporting practices, including the annual financial statements, and the system of internal controls;
- ◆ Oversight and direction of the internal auditing function, any external auditors whom the Committee may employ, and engagements with the State Auditor;
- ◆ Oversight and direction for the System-wide compliance function;
- ◆ Oversight of the review of effective institutional management practices at all U. T. System institutions; and
- ◆ Other duties as directed by the Board.

The Committee’s role includes a particular focus on U. T. System’s processes to manage business and financial risk, and for compliance with significant applicable legal, ethical, and regulatory requirements.

**Membership**

The membership of the Committee shall consist of at least four Board members, appointed by the Chairman of the Board, who shall be free of any relationship that would interfere with his or her individual exercise of independent judgment. Applicable laws and regulations shall be followed in evaluating a member’s independence.

**Reporting**

The Chief Audit Executive, System-wide Compliance Officer, and executive management shall provide periodic reports related to audit, compliance, and management review to the Committee. Any public accounting firm employed by the Committee shall report directly to the Committee. The State Auditor’s reports will be submitted to this Committee. The Committee is expected to maintain free and open communications, which shall include private executive sessions, at least annually, with these parties, as it deems appropriate and is permitted by law.

The Committee chairperson shall regularly report Audit, Compliance, and Management Review Committee activities to the full Board of Regents, particularly with respect to:

- (i.) any issues that arise regarding compliance with legal or regulatory requirements and the performance and independence of internal and external auditing and assurance functions; and
- (ii.) such other matters as are relevant to the Committee’s discharge of its responsibilities.

**Education**

U. T. System executive management is responsible for providing the Committee with educational resources related to accounting principles and procedures, risk management, and other information that may be requested by the Committee. U. T. System executive management shall assist the Committee in maintaining appropriate financial and compliance literacy.

**Charter  
for the  
Audit, Compliance, and Management Review Committee  
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**Authority**

The Committee, in discharging its oversight role, is empowered to study or investigate any matter related to audit, compliance, and management of interest or concern that the Committee, in its sole discretion, deems appropriate for study or investigation by the Committee. The Committee shall be given full access to all U. T. System employees and operations as necessary to carry out this authority.

**Responsibilities**

The Committee's specific responsibilities in carrying out its oversight role are delineated in the Audit, Compliance, and Management Review Committee Responsibilities Checklist. The responsibilities checklist will be updated ~~annually~~ periodically by the Committee to reflect changes in regulatory requirements, authoritative guidance, and evolving oversight practices. As the compendium of Committee responsibilities, the most recently updated responsibilities checklist will be considered to be an addendum to this charter.

The Committee relies on the expertise and knowledge of management, the internal auditors, the State Auditor, and any public accounting firm they may employ in carrying out its oversight responsibilities. U. T. System executive management is responsible for preparing complete and accurate financial statements and for monitoring internal controls and compliance with all applicable laws, regulations, and internal policies and procedures. Any public accounting firm hired by the Committee is responsible for performing the services specified in the hiring contract.

**Responsibilities Checklist  
for the  
Audit, Compliance, and Management Review Committee  
of the  
Board of Regents of The University of Texas System**

1. The Committee will perform such other functions as assigned by law or the Board of Regents of The University of Texas System (“the Board”).
2. The Committee shall meet four times per year or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.
3. The agenda for Committee meetings will be prepared in consultation between the Committee chairman (with input from the Committee members), U. T. System executive management, the Chief Audit Executive, and the System-wide Compliance Officer.
4. The Committee shall verify that its membership is familiar with the Committee’s Charter, goals, and objectives.
5. The Committee shall review the independence of each Committee member based on applicable independence laws and regulations.
6. The Committee shall review and approve the appointment or change in the Chief Audit Executive.
7. The Committee shall have the power to conduct or authorize investigations into any matters within the Committee’s scope of responsibilities.
8. The Committee shall provide an open avenue of communication between the State Auditor, internal auditors, any public accounting firm employed, executive management, and the Board. The Committee chairperson shall report Committee actions to the Board with such recommendations as the Committee may deem appropriate.
9. For the purpose of preparing or issuing an audit report or related work, the Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any employed public accounting firm (including the resolution of disagreements between management and the auditor regarding financial reporting). This does not preclude an individual institution from hiring a public accounting firm to perform work at the institutional level.
10. The Chief Audit Executive has responsibility for ensuring that no conflicts of interest exist between public accounting firms performing consulting services and firms conducting financial statement audits. The Chief Audit Executive shall report annually on the status and integrity of U. T. System’s engagements with public accounting firms.
11. The Committee shall review with executive management, the Chief Audit Executive, the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm the coordination of efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of resources.
12. The Committee shall inquire of executive management, the Chief Audit Executive, the System-wide Compliance Officer, and any employed public accounting firm about significant risks or exposures and assess the steps management has taken to minimize such risk to U. T. System.
13. The Committee shall consider and review with the Chief Audit Executive, the System-wide

**Responsibilities Checklist  
for the  
Audit, Compliance, and Management Review Committee  
of the  
Board of Regents of The University of Texas System**

Compliance Officer, the State Auditor, and any employed public accounting firm:

- a. The adequacy of U. T. System's internal controls including computerized information system controls and security;
  - b. The adequacy and efficiency of senior-level management with respect to fiscal operations and compliance functions at all institutions;
  - c. Any related significant findings and recommendations of the State Auditor, independent public accountants, and internal audit together with management's responses thereto.
14. Regarding the U. T. System's financial statements, the Committee shall review with executive management and/or the Chief Audit Executive:
- a. U. T. System's annual financial statements and related footnotes;
  - b. Any audit and assurance work performed on components of the annual financial statements;
  - c. Any significant changes to the financial statements requested by the State Auditor, internal audit, or any independent public accountants;
  - d. Any serious difficulties or disputes with management encountered during assurance work on components of the financial statements;
  - e. Other matters related to the conduct of assurance services that are to be communicated to the Committee under generally accepted government auditing standards.
15. The Committee shall require the U. T. System Chief Financial Officer certify the annual financial statements for the U. T. System as a whole, and that each institutional Chief Financial Officer certify the annual financial statements for their respective institution.
16. The Committee shall review legal and regulatory matters that may have a material impact on the financial statements, internal auditing and/or compliance activities.
17. The Committee shall at least annually
- a. review with executive management and the Chief Audit Executive the U. T. System's critical accounting policies, including any significant changes to Generally Accepted Accounting Procedures (GAAP), Regents' *Rules and Regulations*, and/or operating policies or standards;
  - b. engage executive management and the external audit firm in the discussion of off-balance sheet transactions/arrangements that have, or are reasonably likely to have, a current or future effect on the System's or any of the institution's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to users of the financial statements. The discussion should include the extent of the off-balance sheet transactions/arrangements and whether GAAP or other regulations results in the financial statements reflecting the economics of such transactions/arrangements.
18. On an annual basis, the Committee shall review, recommend, and approve the annual audit plan, including the allocation of audit hours.

**Responsibilities Checklist  
for the  
Audit, Compliance, and Management Review Committee  
of the  
Board of Regents of The University of Texas System**

19. Regarding audits, the Committee shall consider and review with executive management and the Chief Audit Executive:
  - a. Significant findings during the year and management's responses thereto;
  - b. Any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information;
  - c. Any changes required in the planned scope of the audit plan.
20. The Committee shall conduct an annual performance review and evaluation of the Chief Audit Executive. The Committee may delegate responsibility for the performance review to the Chancellor, in which case the Chancellor would provide a recommendation and supporting documentation to the Committee as a basis for their evaluation.
21. The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding internal controls or auditing matters; and the confidential anonymous submission by employees of concerns regarding questionable auditing matters.
22. The Committee shall monitor The University of Texas System Institutional Compliance Program and review with executive management and the System-wide Compliance Officer the status of the program and the results of its activities, including:
  - a. Significant institutional risks identified during the year and mitigating actions taken;
  - b. Significant findings during the year and management's responses thereto;
  - c. Any difficulties encountered in the course of inspections or assurance activities, including any restrictions on the scope of work or access to required information;
  - d. Any changes required in planned scope of the compliance action plan.
23. The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding compliance issues and the confidential anonymous submission by employees of concerns regarding ethically or legally questionable matters.
24. The Committee shall meet with the Chief Audit Executive, the System-wide Compliance Officer, executive management, or any employed external auditors in executive session to discuss any matters that the Committee or the before named believe should be discussed privately with the Committee, to the extent permitted by applicable law.
25. The Committee shall review and update the Audit, Compliance, and Management Review Committee Responsibilities Checklist ~~annually~~periodically.

## 2. U. T. System: Report on the System-wide internal audit activity

### REPORT

Mr. Charles Chaffin, Chief Audit Executive, will report on the external quality assurance review of the U. T. System Audit Office and the upcoming presidential expense audits.

Additionally, Mr. Chaffin will report on the status of significant audit recommendations. The third quarter activity report on the Status of Outstanding Significant Findings/ Recommendations is set forth on Pages 59 - 60. The report shows that satisfactory progress is being made on the implementation of all significant recommendations. Additionally, a list of other audit reports issued by the System-wide audit program and the annual internal audit plan status as of May 31, 2008, follows on Page 61.

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

**Supplemental Materials: System Audit Office External Quality Assurance Review Compliance Letter and Report on Pages 52 – 59 of Volume 2.**

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

Report Date	Institution	Audit	2nd Quarter 2008		3rd Quarter 2008		Targeted Implementation Date	Overall Progress Towards Completion (Note)
			Ranking	# of Significant Findings	Ranking	# of Significant Findings		
2007-05	UTARL	General Information Technology Controls – Planning and Organization		1		1	8/31/2008	Satisfactory
2007-06	UTARL	Implementation Progress of UTS163: Guidance on Effort Reporting Policies		1		1	7/15/2008	Satisfactory
2007-06	UTARL	Protecting the Confidentiality of Social Security Numbers		3		3	8/31/2008	Satisfactory
2008-01	UTARL	Systems Security Audit		2		2	8/31/2008	Satisfactory
2007-06	UTAUS	UTS163: Guidance on Effort Reporting Policies		1		1	4/30/2009	Satisfactory
2007-08	UTAUS	Payment Card Industry Data Security Standard (PCI DSS)		1		1	12/31/2008	Satisfactory
2004-03	UTB	Contracts and Grants		1		1	8/31/2008	Satisfactory
2004-06	UTB	2003 Financial and Applications Controls Audit of the Financial Aid Office		1		1	6/30/2009	Satisfactory
2007-01	UTD	Annual Financial Report Audit		1		1	12/31/2008	Satisfactory
2007-02	UTEP	Campus-wide Information Technology Applications		5		3	11/30/2008	Satisfactory
2007-11	UTEP	Decentralized Server Security		8		8	10/31/2008	Satisfactory
2008-05	UTEP	University Residence Life-Miner Village				1	8/31/2008	Satisfactory
2008-01	UTPA	Confidentiality of Social Security Numbers		2		2	11/30/2008	Satisfactory
2007-08	UTPB	UTS163: Guidance on Effort Reporting Policies		1		1	7/31/2008	Satisfactory
2004-09	UTSA	Research Compliance - Time and Effort Reporting		1		1	2/1/2009	Satisfactory
2006-05	UTSMC - Dallas	Accounts Payable		1		1	8/31/2008	Satisfactory
2005-03	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Institutional)		1		1	6/30/2008	Satisfactory
2008-04	UTMB - Galveston	PeopleSoft Application				2	10/31/2008	Satisfactory
2008-05	UTMB - Galveston	Information Systems Change Management Process				2	12/1/2008	Satisfactory
2007-05	UTHSC - Houston	Billing Collection Process and Review of Selected Applications of the Billing System		1		1	6/30/2008	Satisfactory
2007-05	UTHSC - Houston	Security of Credit Card Data		1		1	10/1/2008	Satisfactory
2007-11	UTHSC - Houston	Protection of Social Security Numbers		1		1	9/1/2008	Satisfactory
2008-03	UTHSC - Houston	Windows Servers Vulnerabilities				2	12/1/2008	Satisfactory
2008-05	UTHSC - Houston	Change in Management: Harris County Psychiatric Center				2	8/31/2008	Satisfactory
2006-04	UTHSC - San Antonio	Medical Services, Research and Development Plan Collections		1		1	9/30/2008	Satisfactory
2007-08	UTHSC - San Antonio	Central Computing Facility		2		1	8/31/2008	Satisfactory
2007-09	UTHSC - San Antonio	Research Compliance Program		1		1	10/31/2008	Satisfactory
2001-08	UTMDACC - Houston	Lotus Notes Environment		1		1	8/31/2008	Satisfactory
2006-09	UTMDACC - Houston	Centralized Backup, Storage, and Recovery		2		1	8/31/2008	Satisfactory
2007-06	UTMDACC - Houston	Conflict of Interest		5		5	8/31/2008	Satisfactory
2007-09	UTMDACC - Houston	Maintenance and Security of Biological Research Materials		2		1	11/30/2008	Satisfactory
2007-10	UTMDACC - Houston	Research Compliance Design Review		2		2	11/30/2008	Satisfactory
2008-05	UTMDACC - Houston	Lab Safety				1	2/28/2009	Satisfactory
2008-05	UTMDACC - Houston	Clinical Trial Research				1	2/28/2009	Satisfactory
2008-05	UTMDACC - Houston	Advance Beneficiary Notice Implementation Review				1	5/31/2009	Satisfactory
2005-04	UTHSC - Tyler	Texas Administrative Code 202 Compliance Audit		1		1	8/31/2009	Satisfactory
2005-12	UTSYS ADM	System-wide Financial Audit		1		1	9/1/2009	Satisfactory
2006-05	UTSYS ADM	UTIMCO Institutional Investment and Compliance Audits		1		1	5/31/2009	Satisfactory
2008-04	UTSYS ADM	Office of Employee Benefits Retiree Drug Subsidy Review				1	9/1/2008	Satisfactory
Totals				53		61		

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

Report Date	Institution	Audit	2nd Quarter 2008		3rd Quarter 2008		Targeted Implementation Date	Overall Progress Towards Completion (Note)
			Ranking	# of Significant Findings	Ranking	# of Significant Findings		

**STATE AUDITOR'S OFFICE AUDITS**

2007-03	UTPB	2006 Statewide Single Audit - Student Financial Aid Cluster		1		1	8/31/2008	Satisfactory
2008-03	UTMDACC - Houston	Federal Portion of the Statewide Single Audit Report for FY Ended August 31, 2007				3	8/31/2008	Satisfactory
2007-05	UTSYS ADM	Charity Care at Health-Related Institutions		1		1	1/31/2009	Satisfactory

Totals

2                      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.

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**U. T. SYSTEM-WIDE INTERNAL AUDIT AND STATE AUDITORS' OFFICE AUDIT REPORTS**

<b>OTHER U. T. SYSTEM AUDIT REPORTS RECEIVED BY SYSTEM AUDIT 3/2008 THROUGH 5/2008</b>	
<b>Institution</b>	<b>Audit</b>
UTARL	Texas Workforce Development Grants Audit
UTAUS	Texas Administrative Code, Chapter 202
UTAUS	National Automated Clearing House Association (NACHA)
UTAUS	Human Resource Services -- Campus-wide Hiring Practices
UTAUS	Environmental Health and Safety
UTB	2008 Limited Scope Audit of Endowment Management Administration and Fee Analysis Proposal
UTB	Fiscal Year 2008 State Auditor's Office Review of UT Brownsville's Fiscal Year 2007 Financial Statements
UTB	2008 Follow-Up Audit of Student Health Service
UTD	Engineering and Science Research Enhancement Initiative (Project Emmitt)
UTD	UTS165: Protecting the Confidentiality of Research Data
UTD	Change in Management Audit: Multicultural Center
UTD	Callier Center Medical Billing System
UTEP	Procurement Card
UTSA	Student Health Services Center Audit
UTSA	Endowment Administration and Management Fee Audit
UTTY	Course Availability and Scheduling
UTSMC - Dallas	Cash Receipts Operations - Hospitals & Clinics
UTSMC - Dallas	University Hospital Radiology
UTSMC - Dallas	Organ Transplant Program
UTSMC - Dallas	Willed Body
UTMB - Galveston	UTS155 – Medical Service Research Development Plan/Dental Service Research Development Plan/Physicians Referral Service/Allied Health Research Development Plan Business Operations
UTMB - Galveston	Office of University Advancement Change in Management
UTMB - Galveston	PeopleSoft Applications
UTMB - Galveston	Information Systems Change Management Process
UTMB - Galveston	Cancer Casebook Process Review
UTMB - Galveston	Construction Change Order Process
UTHSC - Houston	Printing Services Inventory Controls
UTHSC - Houston	Follow-up on Open Recommendations
UTHSC - Houston	Fraud Risk Assessment
UTHSC - Houston	Harris County Jail Contract
UTHSC - San Antonio	Procurement Card Program
UTHSC - San Antonio	Patient Scheduling and Registration
UTHSC - San Antonio	Institutional Follow-Up - Fiscal Year 2008 2nd Quarter
UTMDACC - Houston	Mainframe Operating System Security
UTMDACC - Houston	Revenue Assurance
UTMDACC - Houston	Endowment Management and Administrative Fees
UTSYS ADM	UT Southwestern Special Project
UTSYS ADM	Office of Employee Benefits Retiree Drug Subsidy Program Review
UTSYS ADM	Office of Employee Benefits Departmental
UTSYS ADM	Endowment Fee
UTSYS ADM	UTIMCO Asset Allocation
UTSYS ADM	Bauer House Operations
UTSYS ADM	Office of Controller Departmental
UTSYS ADM	XTO Audit Report

<b>STATE AUDITOR'S OFFICE AUDIT REPORTS RELEASED 3/2008 THROUGH 5/2008</b>	
<b>Institution</b>	<b>Audit</b>
UTAUS	State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2007
UTSA	State Auditor's Office - Statewide Single Audit A-133

### **3. U. T. System: Report on the System-wide annual audit plan process**

#### REPORT

Mr. Charles Chaffin, Chief Audit Executive, will present the process for developing the Fiscal Year 2009 U. T. System-wide Annual Audit Plan (Audit Plan), which is a blueprint of the internal audit activities that will be performed by the internal audit function throughout U. T. System. A timeline chart is set forth on Page 63.

Individual annual audit plans are prepared at U. T. System Administration and each institution in July and August with input and guidance from the U. T. System Audit Office, the Offices of Academic or Health Affairs, and the institution's management and Internal Audit Committee. Development of the annual audit plans is based on risk assessments performed at each institution to ensure areas/activities specific to each institution with the greatest risk are identified to be audited. The Chief Audit Executive provides direction to the internal audit directors prior to the preparation of the annual audit plans and provides formal feedback through "audit hearings" with each institution. After the review process, each institutional Audit Committee formally approves its institution's annual audit plan in August.

Upon recommendation by the Audit, Compliance, and Management Review Committee, the U. T. System Board of Regents will be asked to approve the proposed Audit Plan at a special called meeting in October 2008. Implementation of the Audit Plan will be coordinated with the institutional auditors.



THE UNIVERSITY of TEXAS SYSTEM  
*Nine Universities. Six Health Institutions. Unlimited Possibilities.*

# Annual Audit Plan Approval Process



4. **U. T. System: Report on the plan for the Fiscal Year 2008 U. T. System Consolidated Annual Financial Report audit**

REPORT

Mr. Charles Chaffin, Chief Audit Executive, will present the internal audit approach and plan for conducting the Fiscal Year 2008 U. T. System Consolidated Annual Financial Report audit including methodology, staffing, and timelines.

**Supplemental Materials: PowerPoint presentation on Pages 60 – 62 of Volume 2.**

BACKGROUND INFORMATION

In November 2003, the U. T. System Board of Regents approved an initiative to implement the "spirit" of the Sarbanes-Oxley Act as a good faith effort toward manifesting financial accountability and compliance in the public sector. As a result, in June 2004, the Board of Regents sought proposals for a comprehensive annual financial statement audit by an independent certified public accounting firm to obtain assurance that U. T. System has a sound financial base and adequate resources to support the mission of the organization and the scope of its programs and services.

A contract with Deloitte & Touche, LLP, was negotiated to provide an audit of the U. T. System Consolidated Financial Statements for the fiscal year ending August 31, 2005. The contract commenced on August 30, 2004, and terminated on April 1, 2006. On March 28, 2006, the Board authorized a renewal of the contract for the fiscal year ending August 31, 2006. The contract commenced on April 1, 2006, and terminated on April 1, 2007. On April 16, 2007, the Board of Regents voted not to renew the contract for the fiscal year ending August 31, 2007, but expressed confidence in the financial audit work that could be performed by the institutional and U. T. System Administration auditors. As a result of that decision, the U. T. System Audit Office put together a plan to oversee and coordinate the internal audit of the Fiscal Year 2007 U. T. System Consolidated Financial Statements and will conduct this process again for the audit of the Fiscal Year 2008 U. T. System Consolidated Financial Statements.

5. **U. T. System: Report on the System-wide compliance program**

REPORT

Mr. Charles Chaffin, System-wide Compliance Officer, will present an overview of the U. T. System-wide compliance program.

Mr. Chaffin will also brief the Audit, Compliance, and Management Review Committee on the third quarter report of the System-wide compliance program. Institutional activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on a quarterly basis. The last activity reports were sent on July 25, 2008.

**Supplemental Materials: Third quarter report of the System-wide Compliance Program on Pages 63 – 66 of Volume 2.**