**EXHIBIT D - THE UT SYSTEM INTERNAL AUDIT REPORTING STRUCTURE**

Note: *Executive Vice Chancellor and Vice Chancellor are used interchangeably in this document.*

Audit, Compliance, and Management Review Committee of the Board of Regents (ACMR)

Assist 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, and external auditors whom the ACMR 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 UT System institutions; and
* Other duties as directed by the Board of Regents.

The ACMR's role includes a particular focus on UT System's processes to manage business and financial risk, and for compliance with signification applicable legal, ethical, and regulatory requirements.

Chancellor

* Responsible for all aspects of the UT System’s operations.
* Implements the Board’s policies and a system of internal controls.
* Directs the management of System Administration and all institutions.
* Responsible for ensuring the implementation of appropriate audit procedures for the System.
* Nominates the System Chief Audit Executive.
* Recommends the hiring of external auditing firms to perform significant functions.
* Reviews the system-wide audit plan.
* Reviews all State Auditor and external auditor reports, and a written summary of UT System audit activity.
* Attends the System Administration Internal Audit Committee and Audit, Compliance, and Management Review Committee meetings, and provides direct communication between the System Chief Audit Executive, the committees, and senior management.

Executive Vice Chancellors

* Responsible for all aspects of the academic and health institutions, including business offices.
* Ensures that appropriate internal controls are implemented and monitored at the institutions.
* Reviews the institution internal audit plans and provides guidance and suggestions.
* Provides oversight to the institution Internal Audit Committees by reviewing their agenda packets, minutes and audit reports, and ensures that audit findings are appropriately addressed.
* Attends the System Administration Internal Audit Committee meetings regularly and the Audit, Compliance, and Management Review Committee meetings periodically to provide input and guidance.

Presidents

* Responsible for all aspects of the institution.
* Ensures that appropriate internal controls are implemented and monitored.
* Responsible for ensuring the implementation of appropriate audit procedures.
* Hires the Internal Audit Director.
* Reviews and approves the internal audit plan, in conjunction with the institution Internal Audit Committee.
* Reviews all State Auditor, external and internal audit reports and ensures that audit findings are appropriately addressed.
* Attends the institution Internal Audit Committee meetings to provide direct communication between the Audit Director and senior management.
* Nominates external members to serve on the institution Internal Audit Committee.
* Chairs (or designates the Chair of the institution Internal Audit Committee).
* Ensures that all significant audit findings are monitored to their ultimate resolution.
* Ensures that all findings are monitored by the institutional internal audit department.

The System Chief Audit Executive

* Responsible for coordinating the effective auditing of the UT System.
* Provides audit assistance to the Chancellor, the Executive Vice Chancellors, and institution executive management in the exercise of their responsibilities.
* Develops an internal audit plan based upon a risk assessment at System Administration.
* Reviews and provides input into the development of institution audit plans that have their own internal audit departments.
* Executes the audit plan at System Administration by conducting audits and issuing audit reports.
* Provides technical expertise and conducts audits at institutions.
* Will perform an audit of the institutional Presidents’ offices on a rotating five year basis.
* Obtains and reviews institutions' audit reports.
* Meets with the Audit, Compliance, and Management Review Committee, System Administration Internal Audit Committee, and institution internal audit committees to discuss audit reports and audit activities.
* Oversees and directs System-wide audits requested by the ACMR, including evaluating the performance of internal auditors.
* Gathers information regarding each institution audit department’s activities and reports progress toward completion of the audit plan to the Audit, Compliance, and Management Review Committee on a periodic basis.
* Chairs the Internal Audit Council, which facilitates communication and the sharing of ideas and information among the institutions’ internal auditors.
* Participates in the selection of new audit directors by being a member of the selection or search committee.
* Approves the Peer Review Team nominated by the institution's audit committee. Attends exit conferences with the institution Internal Audit Department Peer Review Teams, conducted every three years, to gain insight into the institution internal audit department’s compliance with Internal Auditing Standards. Can conduct an internal review of the institution Internal Audit Departments for compliance with Internal Auditing Standards prior to such peer review. Recommends a peer review team for a review of the System Audit Office every three years.
* Establishes System-wide requirements for follow-up peer reviews.

**Large Institutions**

These institutions have the financial ability and the complexity to have their own freestanding internal audit departments that have the resources to conduct internal audits in every area of operations. These audit departments report to their institution President and meet with their institutional internal audit committees at least quarterly. These institutions include:

* [UT Austin](http://www.utexas.edu/)
* [UT Southwestern Medical Center at Dallas](http://www.swmed.edu/)
* [UT Health Science Center at Houston](http://www.uthouston.edu/)
* [UT Health Science Center at San Antonio](http://www.uthscsa.edu/)
* [UT Medical Branch at Galveston](http://www.utmb.edu/)
* [UT M. D. Anderson Cancer Center](http://www.mdacc.tmc.edu/)

Internal Audit Committee - The committees consist of the President, Business Officer, Academic Officer, and key members of senior management of the institution. They also include at least one external member. They meet at least quarterly to provide direct communication between the internal audit director and senior management. Functions include approval of the annual audit plan; consideration of work schedules and activity reports; and discussion of results of audits, including significant audit findings and recommendations. The System Chief Audit Executive and/or his/her designee will attend all meetings and be an active participant.

Audit Oversight - All internal audit committee agenda packets, including minutes, annual audit plans, and audit reports are submitted to the System Chief Audit Executive or his designee for review and comment and to the Executive Vice Chancellor for Health Affairs or Academic Affairs at their request. An executive summary of the significant issues discussed at the Internal Audit Committee will be provided to the Executive Vice Chancellor for Health Affairs or Academic Affairs within two weeks of the meeting at their request. The System Chief Audit Executive or designee provides regular input, guidance, and oversight to the audit function. The System Chief Audit Executive or designee oversees the internal review of the institution audit department and attends the external Peer Review Team's exit conference.

Communication with the Audit, Compliance, and Management Review Committee - All audit reports with significant audit findings and recommendations and all audit reports issued by the State Auditor's Office, Comptroller's Office, and other external auditors with significant findings are summarized for the Audit, Compliance, and Management Review Committee. Significant recommendations are tracked and their status is reported quarterly to the ACMR. The institution internal audit departments track all findings and recommendations and their status. The institution internal audit director will meet with the ACMR periodically to communicate the audit activities at the institution. At the conclusion of the meeting, the Director will meet privately with the ACMR to communicate any areas of concern. Quarterly, the ACMR receives a list of issued audit reports that did not contain significant recommendations.

**Mid-size Institutions**

These institutions are large institutions with limited resources, which have internal audit departments that can conduct internal audits in most areas of operations. However, because of the limited size of the departments (three to eight auditors), the audit staff needs some guidance, direction and assistance from the System Audit Office. The audit departments report to their institution President and meet with their internal audit committees at least quarterly. These institutions include:

* [UT Arlington](http://www.uta.edu/)
* [UT Brownsville](http://www.utb.edu/)
* [UT Dallas](http://www.utdallas.edu/)
* [UT El Paso](http://www.utep.edu/home.html)
* [UT Pan American](http://www.panam.edu/)
* [UT San Antonio](http://www.utsa.edu/)

Internal Audit Committees -The committees consist of the President, Business Officer, Academic Officer, and key members of senior management of the institution. They also include at least one external member. They meet at least quarterly to provide direct communication between the internal audit director and senior management. Functions include approval of the annual audit plan; consideration of work schedules and activity reports; and discussion of results of audits, including significant audit findings and recommendations. The System Chief Audit Executive and/or his/her designee will attend all meetings and be an active participant.

Audit Oversight - All Internal Audit Committee agenda packets, including minutes, annual audit plans, and audit reports, are submitted to the System Chief Audit Executive or his designee for review and comment and to the Executive Vice Chancellor for Academic Affairs upon request. An executive summary of the significant issues discussed at the Internal Audit Committee will be provided to the Executive Vice Chancellor for Academic Affairs within two weeks of the meeting upon request. The System Chief Audit Executive or his designee provides regular input, guidance, and oversight to the audit function. The System Chief Audit Executive or designee oversees the internal review of the institution audit department and attends the external Peer Review Team’s exit conference.

Direct Audit Assistance - Because the mid-size institution audit staffs are limited in size and expertise in certain areas, the System Audit Office may supplement the institution audit staffs in circumstances when auditing is beyond the institution's capacity. The System auditors will report their findings to the institution's appropriate executive management.

Communication with the Audit, Compliance, and Management Review Committee - All audit reports with significant audit findings and recommendations and all audit reports issued by the State Auditor's Office, Comptroller's Office, and other external auditors with significant findings are summarized for the Audit, Compliance, and Management Review Committee. The significant recommendations are tracked and their status is reported quarterly to the ACMR. The institution internal audit departments track all findings and recommendations and their status. The System Chief Audit Executive will communicate with the ACMR about audit activities at the mid-size institutions. The mid-size institution Audit Director may meet with the ACMR periodically. Quarterly, the ACMR receives a list of issued audit reports that did not contain significant recommendations. The institution internal audit director will meet periodically with the ACMR as coordinated by the System Chief Audit Executive.

**Small Institutions**

These institutions, with limited resources, do not have internal audit departments large enough to conduct internal audits in all areas of operations. As a result, the System Audit Office may provide direct audit assistance to the institution. The institution's audit staff and System auditors report to the institution President and meet with the institution internal audit committees at least quarterly. These institutions include:

* [UT Permian Basin](http://www.utpb.edu/)
* [UT Tyler](http://www.uttyl.edu/)
* [UT Health Center at Tyler](http://www.uthct.edu/)

Internal Audit Committees - The committees consist of the President, Business Officer, Academic Officer, and key members of senior management of the institution. They also include at least one outside member. They meet at least quarterly to provide direct communication between the institution internal audit directors and System auditors and senior management. Functions include approval of the annual audit plan; consideration of work schedules and activity reports; and discussion of results of audits, including significant audit findings and recommendations. The System Chief Audit Executive and/or his/her designee will attend all meetings and be an active participant.

Audit Oversight - All Internal Audit Committee agenda packets, including minutes, annual audit plan, and audit reports are submitted to the the System Chief Audit Executive or his designee for review and comment and to the Executive Vice Chancellor for Health Affairs or Academic Affairs at their request. An executive summary of the significant issues discussed at the Internal Audit Committee will be provided to the Executive Vice Chancellor for Health Affairs or Academic Affairs within two weeks of the meeting at their request. In addition, audit plans and complex audit reports are submitted to the System Chief Audit Executive or designee for detail review and comments. At those institutions with audit staff, the System Chief Audit Executive, and/or his/her designee, will provide regular input, guidance, and oversight to the audit function. The System Chief Audit Executive or his/her designee oversees the internal review of the institution audit departments and attends the external Peer Review Team's exit conference.

Direct Audit Assistance - Because the small institution audit staffs are limited in size and expertise in certain areas, the System Audit Office may supplement the institution's audit staff in circumstances when auditing is beyond the institution's capacity. The System auditors will report their findings to the institutional President.

Communication with the Audit, Compliance, and Management Review Committee - All audit reports with significant audit findings and recommendations and all audit reports with significant findings issued by the State Auditor's Office, Comptroller's Office, and other external auditors are summarized for the Audit, Compliance, and Management Review Committee. The significant recommendations are tracked and their status is reported quarterly to the ACMR. The institution internal audit departments track all findings and recommendations and their status. The System Chief Audit Executive will communicate with the ACMR about audit activities at the small institutions. The small institution Audit Director may meet with the ACMR periodically. Quarterly, the ACMR receives a list of issued audit reports that did not contain significant recommendations.