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FOR
AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW
COMMITTEE**

Committee Meeting: 11/9/2005
Austin, Texas

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

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A. CONVENE			
1. U. T. System Board of Regents: Report on the U. T. System Financial Statement Audit	9:30 a.m. <i>Chairman Estrada</i> 9:30 a.m. Report <i>Mr. Lenfant,</i> <i>Deloitte & Touche</i>	Not on Agenda	9
2. U. T. System Board of Regents: Report on the results of The University of Texas Investment Management Company (UTIMCO) Audit	9:40 a.m. Report <i>Mr. Richter,</i> <i>Ernst & Young</i>	Not on Agenda	9
3. U. T. System: Report on the System-wide Internal Audit Activities	9:50 a.m. Report <i>Mr. Chaffin</i> <i>Ms. Barrett</i> <i>Mr. Rubel,</i> <i>UTSMC - Dallas</i> <i>Mr. Peters, UTEP</i>	Not on Agenda	10
4. U. T. System: Annual Report on System-wide Institutional Compliance Program	9:55 a.m. Report <i>Mr. Chaffin</i> <i>Mr. Givens</i> <i>Ms. Lyons,</i> <i>UTMDACC</i>	Not on Agenda	11

Committee Meeting

10:00 a.m.

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

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 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. RECONVENE TO CONSIDER ANY ACTION FROM EXECUTIVE SESSION AND ADJOURN

10:30 a.m.

1. **U. T. System Board of Regents: Report on the U. T. System Financial Statement Audit**

REPORT

Mr. Rodney Lenfant, Deloitte & Touche LLP, will report on the progress and preliminary results of the U. T. System Financial Statement Audit for Fiscal Year 2005.

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 Request for Qualifications (RFQ) was distributed by U. T. System staff in June 2004. Two proposals were received. After a review of the proposals and firm interviews by Audit, Compliance, and Management Review Committee, Chairman Estrada, and U. T. System staff, the Board of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche LLP, at the July 16, 2004 Board of Regents' meeting. The contract, which terminates on April 1, 2006, provides U. T. System the option to renew for two additional one-year terms.

2. **U. T. System Board of Regents: Report on the results of The University of Texas Investment Management Company (UTIMCO) Audit**

REPORT

Mr. Ricky Richter, Ernst & Young, LLP, will report on the results of the audit of the financial statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, and Short Term Intermediate Fund.

Due to the timing of the auditor's fieldwork, the Ernst & Young report or a summary of findings are not available at this time. A copy of Ernst & Young's report will be mailed separately in advance of the meeting and published on The University of Texas Investment Management Company (UTIMCO) website upon approval by the Audit, Compliance, and Management Review Committee.

BACKGROUND INFORMATION

On July 7, 2003, the Board authorized U. T. System staff to negotiate and enter into an auditing services contract with Ernst & Young, LLP to perform a financial audit of the funds managed by UTIMCO for the fiscal year ending August 31, 2003. The contract was for one year with a right to renew in one-year increments for four years. The Board renewed the auditing services contract with Ernst & Young, LLP for the first time on February 4, 2004, and the second time on February 10, 2005, to perform the 2005 financial audit of the funds managed by UTIMCO. The Board is required by Section 66.08 of the *Texas Education Code* to have an annual audit of the financial statements of the Permanent University Fund.

3. U. T. System: Report on the System-wide Internal Audit Activities

REPORT

Mr. Charles Chaffin, Chief Audit Executive, and Ms. Amy Barrett, Assistant Director for Audit, will report on System-wide audit activity for Fiscal Year 2005, including the status of significant audit recommendations.

The fourth quarter activity report on the Status of Outstanding Significant Recommendations is set forth on Pages 8 - 10 in the Supplemental Materials (Volume 2) of the Agenda Book. 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 11 in the Supplemental Materials (Volume 2) of the Agenda Book.

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. The last summary report was sent on October 28, 2005.

Mr. Chaffin will then provide an update on external audit peer review activities at the institutions. Mr. Robert Rubel, Director of Internal Audits at U. T. Southwestern Medical Center - Dallas, and Mr. William Peters, Director of Auditing and Consulting Services at U. T. El Paso, will present the results of their recent institutional peer reviews.

4. **U. T. System: Annual Report on System-wide Institutional Compliance Program**

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 annual report of the System-wide Compliance Program, as set forth on Pages 12 - 15 in 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 October 28, 2005.

Next, Mr. Chaffin will report on the overall number and types of compliance "hotline" calls that have been received System-wide during the 2005 Fiscal Year.

Mr. Chaffin will then provide an update on the peer review activities at the institutions. Ms. Carrie Lyons, Vice President and Chief Compliance Officer at U. T. M. D. Anderson Cancer Center, will present the results of their recent institutional peer review.