TABLE OF CONTENTS
FOR
AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE

Committee Meeting: 11/9/2007
Austin, Texas

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 individual System and institutional employees involved in internal audit and compliance functions

   Mr. Terry Reeves, U. T. Medical Branch - Galveston
   Ms. Diane Salvador, U. T. Health Science Center – San Antonio

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

C. RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS AND ADJOURN   *10:00 a.m.*

1. **U. T. System Board of Regents: Report on results of the audits of funds managed by The University of Texas Investment Management Company (UTIMCO)**

REPORT

Mr. Tom Wagner and Mr. Rodney Lenfant, Deloitte & Touche LLP, will report on the results of the financial statement audits of the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF), Long Term Fund (LTF), and Intermediate Term Fund (ITF).

A copy of Deloitte & Touche's report was mailed separately in advance of the meeting.

BACKGROUND INFORMATION

Fiduciary responsibility for the PUF, GEF, PHF, LTF, and ITF (the Funds) rests with the U. T. System Board of Regents. *Texas Education Code* Section 66.08(f) requires that the U. T. System provide for an annual financial audit of the PUF, if the PUF is within the scope of funds managed by an external management corporation.

On July 11, 2007, the Board authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche LLP to perform a financial audit of the Funds managed by UTIMCO for the fiscal year ending August 31, 2007. The contract provides for the option to renew for four additional one-year terms.

2. **U. T. System: Report on Environmental Health and Safety at U. T. System institutions**

REPORT

The U. T. System Environmental Health and Safety Advisory Committee, initially formed in 1990, is comprised of health and safety program representatives from the U. T. System institutions and designated representatives from U. T. System Administration. The mission of the Committee, which is institutionally led, is to provide expert advice and recommendations to U. T. System in support of the development and implementation of appropriate programs and to serve as the mechanism for the free exchange of information and cooperation among U. T. System institutions and U. T. System Administration with regard to health and safety issues.

Mr. Bruce Brown, Chair of the Environmental Health and Safety Advisory Committee, will report on U. T. System-wide environmental health and safety efforts at U. T. System institutions. Mr. Brown is the Director of Environmental Health & Safety at U. T. Health Science Center - Houston.

Supplemental Materials: PowerPoint presentation on Pages 109 - 112 of Volume 2.

3.   **U. T. System: Annual Report on the System-wide Compliance Program and Institutional Compliance Program report for U. T. Medical Branch - Galveston**

REPORT

Mr. Terry Reeves, Institutional Compliance Officer at U. T. Medical Branch - Galveston, will present an overview of the institutional compliance program at U. T. Medical Branch - Galveston.

Mr. Charles Chaffin, System-wide Compliance Officer, will present the annual report of the System-wide Compliance Program. 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 19, 2007.

Mr. Chaffin will also report on the overall number and types of compliance "hotline" calls received System-wide during Fiscal Year 2007.

Supplemental Materials:
- **U. T. Medical Branch - Galveston PowerPoint presentation on Pages 113 - 116 of Volume 2.**

- **Annual report of the System-wide Compliance Program on Pages 117 - 122 of Volume 2.**

4.   **U. T. System: Report on the U. T. System Financial Statements Audit**

REPORT

Ms. Amy Barrett, Assistant Director of the U. T. System Audit Office, will report on the progress and preliminary results of the U. T. System Financial Statements Audit for Fiscal Year 2007.

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 auditors. As a result of that decision, the System Audit Office developed a plan to oversee and coordinate the internal audit of the Fiscal Year 2007 U. T. System Consolidated Financial Statements.

5.   U. T. System: Report on the System-wide internal audit activities and Internal Audit Department report for U. T. Health Science Center - San Antonio

REPORT

Ms. Diane Salvador, Director of Internal Audits at U. T. Health Science Center - San Antonio, will present an overview of the internal audit department and the results of the recent follow-up peer review at U. T. Health Science Center - San Antonio.

Mr. Charles Chaffin, Chief Audit Executive, will report on the annual report of the U. T. System-wide Internal Audit Program for Fiscal Year 2007. Activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on an annual basis. The last activity report was sent on October 19, 2007.

Additionally, Mr. Chaffin will report on the status of significant audit recommendations. The fourth quarter activity report on the Status of Outstanding Significant Recommendations is set forth on Pages 155 - 156. 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 follows on Pages 157 - 158.

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 verified 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:
- **U. T. Health Science Center - San Antonio PowerPoint presentation on Pages 123 - 126 of Volume 2.**

- **Internal Audit Program for Fiscal Year 2007 on Pages 127 - 130 of Volume 2.**

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

Report Date	Institution	Audit	3rd Quarter 2007 Ranking	3rd Quarter 2007 # of Significant Findings	4th Quarter 2007 Ranking	4th Quarter 2007 # of Significant Findings	Targeted Implementation Date	Overall Progress Towards Completion (Note)
2007-05	UTARL	General IT Controls – Planning and Organization				1	10/31/2007	Satisfactory
2007-06	UTARL	Implementation Progress of UTS 163: Guidance on Effort Reporting Policies				1	10/31/2007	Satisfactory
2007-06	UTARL	Protecting the Confidentiality of Social Security Numbers				3	8/31/2008	Satisfactory
2007-07	UTARL	Animal Subjects Research Audit				1	12/31/2007	Satisfactory
2007-06	UTAUS	UTS163: Guidance on Effort Reporting Policies				1	8/31/2008	Satisfactory
2007-08	UTAUS	Payment Card Industry Data Security Standard (PCI DSS)				1	12/31/2007	Satisfactory
2004-03	UTB	Contracts and Grants				1	12/15/2007	Satisfactory
2004-06	UTB	2003 Financial and Applications Controls Audit of the Financial Aid Office		1		1	1/31/2008	Satisfactory
2004-10	UTB	Physical Plant		2		2	11/30/2007	Satisfactory
2007-06	UTB	Student Health Services				8	12/31/2007	Satisfactory
2007-06	UTB	Research Centers				1	8/31/2007	Satisfactory
2003-12	UTD	Lab and Biological Safety		1		0	8/31/2007	Implemented
2007-01	UTD	Annual Financial Report Audit		1		1	2/28/2008	Satisfactory
2007-06	UTD	Waterview Park Phases V-IX				1	11/30/2007	Satisfactory
2005-05	UTEP	Office of the Registrar		1		1	10/26/2007	Satisfactory
2005-08	UTEP	Texas Success Initiative		1		0	8/31/2007	Implemented
2007-02	UTEP	Campus-wide Information Technology Applications		5		5	1/30/2008	Satisfactory
3007-04	UTEP	Bid and Contract Processes		1		0	8/31/2007	Implemented
2007-05	UTPA	Grants & Contracts - Cost Sharing		6		1	10/31/2007	Satisfactory
2007-08	UTPB	UTS163: Guidance on Effort Reporting Policies				2	9/18/2007	Satisfactory
2004-09	UTSA	Research Compliance - Time and Effort Reporting		1		1	11/15/2007	Satisfactory
2006-07	UTSA	Information Technology Change Management		1		0	6/25/2007	Implemented
2006-10	UTSA	Library Audit		1		0	9/1/2007	Implemented
2007-04	UTSA	Confidentiality of SSNs		1		0	9/1/2007	Implemented
2006-05	UTSMC - Dallas	Accounts Payable		1		1	8/31/2007	Satisfactory
2006-09	UTSMC - Dallas	Hospital Compliance Program		1		1	11/30/2007	Satisfactory
2005-03	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Institutional)		1		1	2/29/2008	Satisfactory
2005-07	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Correctional Managed Care)		2		1	11/30/2007	Satisfactory
2006-11	UTMB - Galveston	Wireless Access		1		1	11/30/2007	Satisfactory
2006-10	UTHSC - Houston	Patient Registration		1		1	10/1/2007	Satisfactory
2007-05	UTHSC - Houston	Billing Collection Process and Review of Selected Applications of the Billing System		2		1	6/30/2008	Satisfactory
2007-05	UTHSC - Houston	Medical School Charge Capture Processes		1		1	1/31/2008	Satisfactory
2007-05	UTHSC - Houston	Security of Credit Card Data		5		5	8/31/2008	Satisfactory
2006-04	UTHSC - San Antonio	Medical Services, Research and Development Plan Collections		1		1	12/31/2007	Satisfactory
2007-06	UTHSC - San Antonio	Protection of Digital Research Data				2	1/30/2008	Satisfactory
2001-08	UTMDACC - Houston	Lotus Notes Environment				1	8/31/2008	Satisfactory
2004-01	UTMDACC - Houston	PeopleSoft Payroll		1		0	8/28/2007	Implemented
2006-07	UTMDACC - Houston	Pharmacy Inventory Review		3		0	8/31/2007	Implemented
2006-09	UTMDACC - Houston	Centralized Backup, Storage and Recovery		2		2	8/31/2008	Satisfactory
2007-06	UTMDACC - Houston	Conflict of Interest				5	2/28/2008	Satisfactory
2005-04	UTHC - Tyler	Texas Administrative Code 202 Compliance		1		1	2/28/2008	Satisfactory
2005-11	UTHC - Tyler	IT Security Audit of Meditech and Lake Superior Software Patient Information Systems		1		1	12/31/2007	Satisfactory
2006-06	UTHC - Tyler	Review of the Office of the President's Travel & Entertainment		1		1	11/30/2007	Satisfactory
2005-12	UTSYS ADM	System-wide Financial Audit		3		3	9/1/2009	Satisfactory
2006-05	UTSYS ADM	UTIMCO Institutional Investment and Compliance Audits		3		3	12/31/2007	Satisfactory
		Totals		57		66		

155

Information Received from Internal Audit Directors and Chief Business Officers
Consolidated by: System Audit Office
September 2007

1

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

STATE AUDITOR'S OFFICE AUDITS

Report Date	Institution	Audit	3rd Quarter 2007		4th Quarter 2007		Targeted Implementation Date	Overall Progress Towards Completion (Note)
			Ranking	# of Significant Findings	Ranking	# of Significant Findings		
2007-03	UTPB	2006 Statewide Single Audit - Student Financial Aid Cluster		2		2	12/13/2007	Satisfactory
2004-02	UTSA	Financial Review		1		1	12/31/2007	Satisfactory
2006-02	UTTY	2006 Single Audit-Financial Aid Cluster				1	1/31/2008	Satisfactory
2006-02	UTMB - Galveston	Federal Portion of Statewide Single Audit FY 2005		2		2	12/31/2007	Satisfactory
2004-06	UTHSC - San Antonio	Protection of Research Data at Higher Education Institutions		1		1	12/31/2007	Satisfactory
2005-02	UTMDACC - Houston	Federal Portion of the Statewide Single Audit FY 2004		2		2	11/30/2007	Satisfactory
2002-11	UTMDACC - Houston	Security Over PHI		1		1	8/31/2010	Satisfactory
2007-05	UTMDACC - Houston	Charity Care at Health-Related Institutions		1		0	5/1/2007	Implemented
		Totals		10		10		

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.

156

Information Received from Internal Audit Directors and Chief Business Officers
Consolidated by: System Audit Office
September 2007

2

Institution	Audit
OTHER U. T. SYSTEM AUDIT REPORTS RECEIVED BY SYSTEM AUDIT 6/2007 through 8/2007	
Institution	**Audit**
UTARL	Development Audit - Gift Acceptance Processes and Procedures
UTARL	Fixed Asset Management Audit
UTAUS	Department of Government Departmental Review
UTAUS	Plan II Honors Program Departmental Review
UTAUS	Language and Area Center for Latin American Studies/Teresa Lozano Long Institute of Latin American Studies Departmental Review
UTAUS	Department of Petroleum and Geosystems Engineering Departmental Review
UTAUS	College of Fine Arts Departmental Review
UTAUS	Department of Theater and Dance Departmental Review
UTAUS	Technology Resources for Employee and Campus Services Departmental Review
UTAUS	Department of Linguistics Departmental Review
UTAUS	National Collegiate Athletic Association Recruiting (Bylaw, Article 13)
UTAUS	National Collegiate Athletic Association Eligibility (Bylaw, Article 14)
UTAUS	Center for Asian American Studies Departmental Review
UTAUS	Department of Marketing Departmental Review
UTAUS	National Automated Clearinghouse Association (NACHA) Audit
UTAUS	Health Insurance Portability and Accountability Act (HIPAA): University Health Services Audit
UTAUS	BPM 53 (Superseded by UTS 165) - College of Engineering
UTB	Travel and Entertainment for Vice Presidents and Provost Audit
UTB	UTS165, Section 10 - Reduction of Use and Collection of Social Security Numbers Audit
UTB	UTS163: Guidance on Effort Reporting Policies Audit
UTD	Lena Callier Trust for the Hard of Hearing and the Deaf Audit
UTD	Emergency Operations Plan Audit
UTD	Time and Effort Reporting Audit
UTD	Purchasing Cards Audit
UTD	Cash Handling Audit
UTD	*Texas Administrative Code* Section 202 Compliance Audit
UTD	Contracts and Grants Audit
UTEP	Advanced Research Program/Advanced Technology Program (ARP/ATP) Audit
UTPA	Time & Effort Reporting Audit
UTSA	Institutional Review Board Audit
UTSA	UTS163: Guidance on Effort Reporting Policies Audit
UTSA	Athletics Compliance Review (Report by Bond, Schoeneck & King, PLLC)
UTTY	Time and Effort Reporting Principles, UTS163 Audit
UTTY	Locally Managed Construction Projects Audit
UTTY	Compliance w/ Business Procedures Memorandum 66: Protecting Confidentiality of Social Security Numbers (Superseded by UTS165) Audit
UTTY	The University of Texas at Tyler Health Clinic Audit
UTTY	Dean's Office of the College of Arts and Sciences Fiscal Year 2007 Audit
UTSMC - Dallas	Institutional Review Board Audit
UTSMC - Dallas	Hospital and Campus Pharmacy Operations Audit
UTSMC - Dallas	Accounts Receivable Audit
UTSMC - Dallas	Review of Epic® Implementation
UTSMC - Dallas	St. Paul Emergency Operations Audit
UTSMC - Dallas	Audit of Implementation of UTS163, Effort Reporting Policy
UTSMC - Dallas	Audit of Implementation of UTS165, Identity Protection of Social Security Numbers
UTMB - Galveston	Laboratory Safety Audit
UTMB - Galveston	Medical Billing Compliance Audit
UTMB - Galveston	Confidentiality of Social Security Numbers Audit
UTMB - Galveston	Payment Card Industry Data Security Standard (PCI DSS) Audit
UTMB - Galveston	Decentralized Information Technology Operations Review: Biochemistry and Molecular Biology
UTMB - Galveston	Decentralized Information Technology Operations Review: Bioinformatics Program
UTMB - Galveston	Decentralized Information Technology Operations Review: Sealy Center for Vaccine Development
UTMB - Galveston	Wireless Access Audit
UTMB - Galveston	Patient Information Management Processes Audit
UTMB - Galveston	Change in Management Review: Office of the Executive Vice President
UTMB - Galveston	Hospital Unsponsored Charity Care Audit
UTMB - Galveston	President and Spousal Travel, Entertainment, and Housing Expenses Audit
UTMB - Galveston	Joint Admission Medical Program (JAMP) Review
UTMB - Galveston	Family Practice Residency Program Audit
UTMB - Galveston	Graduate Medical Education Program Audit
UTMB - Galveston	A Design Review of UTMB's Conflict of Interest Policy
UTMB - Galveston	UTS163: Guidance on Effort Reporting Policies Implementation Audit
UTHSC - Houston	Advanced Research Program/Advanced Technology Program (ARP/ATP) Audit
UTHSC - Houston	UTS163: Time and Effort Reporting Audit
UTHSC - Houston	Willed Body Program Audit
UTHSC - Houston	Dental Service Research and Development Plan Audit
UTHSC - Houston	Compliance Design Audit - Research
UTHSC - Houston	Disaster Relief and Emergency Medical Services Project (DREAMS) Subrecipient Monitoring Audit
UTHSC - Houston	Follow-Up Audit on Open Recommendations
UTHSC - San Antonio	Institutional Follow-Up Audit Fiscal Year 2007 - 3rd Quarter
UTHSC - San Antonio	Effort Reporting Audit
UTHSC - San Antonio	Medical Billing Compliance Program Audit
UTMDACC - Houston	Capture and Maintenance of Patient Financial and Demographic Information Audit

OTHER U. T. SYSTEM AUDIT REPORTS RECEIVED BY SYSTEM AUDIT 6/2007 through 8/2007	
Institution	**Audit**
UTMDACC - Houston	Patient Safety - Incident Reporting Audit
UTHC - Tyler	UTS163: Effort Reporting Compliance Review
UTSYS ADM	Business Continuity Plan Audit
UTSYS ADM	University Lands - West Texas Operations Oil and Gas Company Audit
UTSYS ADM	The University of Texas at Austin Jackson School of Geosciences: Geology Foundation's Jackson Estate Trust Minerals Audit
UTSYS ADM	The University of Texas Health Center at Tyler: Information Technology Resources Audit
UTSYS ADM	Time and Effort Reporting Policies & Procedures Audit
UTSYS ADM	University Lands Departmental Audit
UTSYS ADM	Self-Insurance Plans and the Office of Risk Management's Protection of Social Security Numbers Audit
UTSYS ADM	The University of Texas Investment Management Company Internal Controls over Financial Reporting: Intermediate Term Fund Audit
UTSYS ADM	Follow-Up Audits for Fiscal Year 2007
UTSYS ADM	Confidential Data Audit

STATE AUDITOR'S OFFICE AUDIT REPORTS RELEASED 6/2007 through 8/2007	
Institution	**Audit**
UTPA	An Audit Report on Proprietary and Emergency Procurements at Selected State Agencies and Higher Education Institutions
UTARL	An Audit Report on Enrollment Reporting by Texas Public Universities
UTAUS	
UTB	
UTD	
UTEP	
UTPA	
UTPB	
UTSA	
UTTY	
UTSMC - Dallas	
UTMB - Galveston	
UTHSC - Houston	
UTHSC - San Antonio	
UTMDACC - Houston	
UTHC - Tyler	