



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

Committee Meeting: 2/8/2012

Board Meeting: 2/9/2012
San Antonio, Texas

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

	Committee Meeting	Board Meeting	Page
A. CONVENE JOINT MEETING WITH FINANCE AND PLANNING COMMITTEE	<i>3:30 p.m.</i> <i>Chairman Pejovich</i> <i>Chairman Foster</i>		
1. U. T. System: Report on the Fiscal Year 2011 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. M. D. Anderson Cancer Center financial statements and of funds managed by The University of Texas Investment Management Company (UTIMCO)	<i>3:30 p.m.</i> Report/Discussion <i>Mr. Wallace</i> <i>Ms. Vicki Keiser,</i> <i>Deloitte & Touche</i>	Not on Agenda	48
2. U. T. System: Report on UTShare PeopleSoft implementation	<i>3:55 p.m.</i> Report/Discussion <i>Dr. Kelley</i> <i>Ms. Liz Dietz,</i> <i>CedarCrestone Inc.</i> <i>Ms. Buechley</i>	Not on Agenda	49
B. ADJOURN JOINT MEETING AND RECONVENE AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE	<i>4:15 p.m.</i>		
3. U. T. System Board of Regents: Approval to renew the contract with Deloitte & Touche LLP to provide financial auditing services for Fiscal Year 2012	<i>4:15 p.m.</i> Action <i>Chairman Pejovich</i>	Action	50
4. U. T. System: Report on the Systemwide internal audit activities, including the results of the presidential travel, entertainment, and housing expense audits and the implementation status of significant audit recommendations	<i>4:30 p.m.</i> Report/Discussion <i>Mr. Chaffin</i>	Not on Agenda	51

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

Personnel matters relating to appointment, employment,
evaluation, assignment, duties, discipline, or dismissal of officers
or employees - *Texas Government Code* Section 551.074

4:50 p.m.

**U. T. System: Discussion with institutional auditors and
compliance officers concerning evaluation and duties of
individual System Administration and institutional employees
involved in internal audit and compliance functions**

*Mr. Chaffin
Mr. Plutko*

D. ADJOURN

5:00 p.m.

1. **U. T. System: Report on the Fiscal Year 2011 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. M. D. Anderson Cancer Center financial statements and of funds managed by The University of Texas Investment Management Company (UTIMCO)**

REPORT

See Item 6 on Page 210 of the Finance and Planning Committee.

2. **U. T. System: Report on UTShare PeopleSoft implementation**

REPORT

See Item 7 on Page 224 of the Finance and Planning Committee.

3. **U. T. System Board of Regents: Approval to renew the contract with Deloitte & Touche LLP to provide financial auditing services for Fiscal Year 2012**

RECOMMENDATION

The Audit, Compliance, and Management Review (ACMR) Committee will discuss the proposal submitted from Deloitte & Touche LLP to provide independent auditing services for the audit of the U. T. System and U. T. M. D. Anderson Cancer Center financial statements for Fiscal Year 2011, and funds managed by UTIMCO for Fiscal Year 2011 .

The contract with Deloitte & Touche, effective February 15, 2011, to provide audit services for Fiscal Year 2011, has an option to renew for four additional one-year terms. The current contract will terminate on February 28, 2012.

Approval is requested for U. T. System staff to negotiate and enter into an auditing services contract amendment with Deloitte & Touche LLP to renew the contract for one additional year pursuant to delegation of authority from the 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 audit the U. T. System and U. T. M. D. Anderson Cancer Center financial statements for Fiscal Year 2011, and funds managed by UTIMCO 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.

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

4. **U. T. System: Report on the Systemwide internal audit activities, including the results of the presidential travel, entertainment, and housing expense audits and the implementation status of significant audit recommendations**

REPORT

Mr. Charles Chaffin, Chief Audit Executive, will report on the results of the presidential travel, entertainment, and housing expense audits conducted at each of the institutions and at U. T. System Administration.

Mr. Chaffin will also report on the implementation status of significant audit recommendations. The first quarter activity report on the Implementation Status of Outstanding Significant Findings/Recommendations is set forth on Page 52. Satisfactory progress is being made on the implementation of all significant recommendations. In addition, a list of other audit reports issued by the Systemwide audit program is on Page 53. The annual internal audit plan status as of October 31, 2011, follows on Page 54.

BACKGROUND INFORMATION

Beginning in FY 2010, the U. T. System Administration Internal Audit Committee requested that the System Audit Office conduct the presidential travel, entertainment, and housing expense audits at institutions on a rotating basis to gain additional independent assurance. In FY 2012, the System Audit Office performed these audits at U. T. Health Science Center - Houston and U. T. El Paso, in addition to U. T. System Administration and The University of Texas Investment Management Company (UTIMCO). The remaining presidential travel, entertainment, and housing expenses audits were executed by the institutional Internal Audit Programs.

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. In addition, Committee members receive a detailed summary of new significant findings and related recommendations quarterly.

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

U. T. SYSTEM AUDITS

Report Date	Institution	Audit	4th Quarter 2011		1st Quarter 2012		Targeted Implementation Date	Overall Progress Towards Completion (Note)
			Ranking	# of Significant Findings	Ranking	# of Significant Findings		
2011-10	UTD	Texas Administrative Code (TAC) 202				1	5/12/2012	Satisfactory
2011-06	UTPA	Employee Assignments		2		1	3/30/2012	Satisfactory
2011-11	UTPA	Information Technology Change Management				1	1/31/2012	Satisfactory
2010-12	UTPB	Annual Financial Report for the Fiscal Year Ended August 31, 2010		1		1	4/30/2012	Satisfactory
2010-11	UTSA	Information Security Program		3		2	8/31/2012	Satisfactory
2011-07	UTSWMC	Patient Payments at Time of Service		1		1	3/31/2012	Satisfactory
2010-11	UTHSC - Houston	FY 2010 Financial Assurance Work		1		1	2/29/2012	Satisfactory
2010-05	UTHSC - San Antonio	UT Medicine Back End Billing Audit		2		1	11/30/2012	Satisfactory
2007-09	UTMDACC - Houston	Maintenance and Security of Biological Research Materials		1		1	9/3/2012	Satisfactory
2009-03	UTMDACC - Houston	Wireless and Firewall Remote Access Security Assessment		2		2	8/31/2012	Satisfactory
2009-05	UTMDACC - Houston	Business Continuity Plan Review		1		1	11/30/2012	Satisfactory
2010-02	UTMDACC - Houston	Information Security Organization Review		4		0	11/30/2011	Implemented
2010-12	UTMDACC - Houston	Human Resources Contingent Workforce		1		1	2/29/2012	Satisfactory
2011-06	UTMDACC - Houston	Effort Reporting and Certification		1		1	5/31/2012	Satisfactory
2011-04	UT System Admin	UT San Antonio Institutional Compliance Program Audit		1		0	8/31/2011	Implemented

Totals

21

15

STATE AUDITOR'S OFFICE AUDITS

2011-02	UTPB	Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2010		4		4	5/31/2011 *	Satisfactory
2011-02	UTSWMC	Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2010		3		3	8/31/2012	Satisfactory
2011-02	UTMB	Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2010				2	10/31/2011 *	Satisfactory

Totals

7

9

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.

* Institution is taking the necessary steps to implement recommendations and is awaiting validation of this by the State Auditor's Office.

OTHER U. T. SYSTEM AUDIT REPORTS RECEIVED BY SYSTEM AUDIT 9/2011 through 11/2011	
Institution	Audit
UTARL	New Construction and Renovation Projects Review Against Texas Higher Education Coordinating Board Requirements
UTARL	President's Travel, Entertainment, and Housing Expenditures
UTARL	Texas Administrative Code 202
UTARL	UT Arlington Nursing Simulation Award
UTAUS	Cash Management and Cash Handling - Institute for Geophysics
UTAUS	Institutional Compliance Program Effectiveness
UTAUS	National Automated Clearinghouse Association Rules - eChecks
UTD	Biology Department
UTD	Education Research Center
UTD	Physics Department
UTD	Texas Administrative Code 202
UTEP	Cash Count - Fiscal Year End 2010-2011
UTEP	President's Travel, Entertainment, and Housing Expenses
UTPA	Information Technology Systems Not Managed By Information Technology
UTPA	President's Travel, Entertainment, and Housing Expenses
UTSA	Music Department Internal Control Review
UTSA	Norman Hackerman Advanced Research Program
UTSA	President's Travel, Entertainment, and Housing Expenses
UTT	Annual Financial Report
UTT	President's Travel and Entertainment Expenses
UTT	Texas Higher Education Coordinating Board Facilities
UTSMC	Buy Card
UTSMC	Electronic Medical Records
UTMB - Galveston	Business Intelligence Data Integrity
UTMB - Galveston	Correctional Managed Care Infirmiry Bed Utilization
UTMB - Galveston	Inpatient Technical Charge Capture Process
UTMB - Galveston	Payment Card Industry Data Security Standards
UTMB - Galveston	Presidential and Presidential Direct Reports Travel and Entertainment Expenses
UTMB - Galveston	Quality of Care Initiative Review
UTMB - Galveston	UT System Policy 142.1 Compliance
UTMB - Galveston	Willed Body Program
UTHSC- Houston	Dental Service Research and Development Plan
UTHSC- Houston	Follow-up on Open Recommendations
UTHSC- Houston	Institutional Compliance Program
UTHSC- Houston	UTHealth Review and Validation Program
UTHSC- San Antonio	Data Center Physical Security
UTHSC- San Antonio	President's Expenditures
UTHSC- Tyler	Presidential Travel and Entertainment Expenses
UTSYS ADM	Chancellor's Travel, Entertainment, and Housing Expenditures
UTSYS ADM	Financial Controls
UTSYS ADM	Office of Employee Services Performance
UTSYS ADM	Office of Finance Change in Management
UTSYS ADM	UT Austin President's Travel, Entertainment, and Housing Expenses
UTSYS ADM	UT Health Science Center at Houston President's Travel, Entertainment, and Housing Expenses
UTSYS ADM	UT Investment Management Company Chief Executive Officer/Chief Investment Officer Expenses
STATE AUDITOR'S OFFICE AUDIT REPORTS ISSUED 9/2011 through 11/2011	
Institution	Audit
none	none

**U. T. Systemwide Internal Audit Program
FY 2012 Annual Internal Audit Plan Status
(as of October 31, 2011)**

	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	1,523	1,299	212	724	93	587	4,437	17,750	13,314	25%*
Large Institutions:										
U. T. Austin	300	413	497	162	11	325	1,707	12,031	10,324	14%
U. T. Southwestern	429	100	827	209	107	157	1,828	11,000	9,172	17%
U. T. Medical Branch at Galveston	283	513	103	200	100	203	1,402	8,160	6,758	17%
U. T. HSC - Houston	267	107	56	105	75	49	658	7,344	6,687	9%
U. T. HSC - San Antonio	227	297	327	345	14	132	1,340	6,600	5,261	20%
U. T. MDA Cancer Center	850	394	250	-	233	-	1,726	13,212	11,486	13%
Subtotal	2,355	1,822	2,059	1,020	540	865	8,661	58,347	49,687	15%
Mid-size Institutions:										
U. T. Arlington	207	102	335	62	78	152	935	5,320	4,386	18%
U. T. Brownsville	255	115	60	3	12	87	532	4,176	3,644	13%
U. T. Dallas	260	127	110	100	-	43	640	5,890	5,251	11%
U. T. El Paso	379	207	-	200	116	55	957	8,464	7,507	11%
U. T. Pan American	168	-	50	218	149	237	822	4,975	4,153	17%
U. T. San Antonio	417	208	137	268	69	198	1,297	7,280	5,983	18%
Subtotal	1,686	759	692	850	424	772	5,182	36,105	30,923	14%
Small Institutions:										
U. T. Permian Basin	5	-	-	5	6	-	16	1,050	1,034	2%**
U. T. Tyler	65	29	55	39	-	186	374	2,175	1,802	17%
U. T. HSC at Tyler	209	11	93	98	26	25	461	2,761	2,300	17%
Subtotal	279	40	148	142	32	211	851	5,986	5,136	14%
TOTAL	5,843	3,919	3,110	2,736	1,088	2,434	19,130	118,188	99,058	16%
Percentage of Total	31%	20%	16%	14%	6%	13%	100%			

NOTE 1:

"Credit for Priority Hours" reflects the priority budgeted hours apportioned based on completion status of the audits/projects as of 10/31/2011. The time period from 9/1/2011 through 10/31/2011 represents approximately 17% 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.

*The System Audit Office's plan status listed above is as of 11/30/2011, which represents approximately 25% of the annual audit plan year, compared to the other institutions' statuses, which are as of 10/31/2011 (17%). This is due to the timing and availability of information from the institutions.

**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. Once the accounting director position is filled, the audit staff will return to the audit function.