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FOR
AUDIT, COMPLIANCE, AND RISK MANAGEMENT
COMMITTEE**

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Board Meeting: 2/24/2022
Austin, Texas

Nolan Perez, Chairman
Christina Melton Crain
Jodie Lee Jiles
Janiece Longoria
Kelcy L. Warren
Rad Weaver

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A. CONVENE	<i>2:45 p.m.</i> <i>Chairman Perez</i>		
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2. U. T. System: Authorization to settle property insurance claims for Hurricane Hanna and delegation of authority to Chief Compliance and Risk Officer	Action <i>Mr. Dendy</i>	Action	29
3. U. T. System: Report on the status of the triennial Systemwide Quality Assessment Review of internal audit activities	Report/Discussion <i>Mr. Peppers</i>	Not on Agenda	30
B. CONVENE JOINT MEETING WITH FINANCE AND PLANNING COMMITTEE	<i>3:15 p.m.</i>		
4. U. T. System: Fiscal Year 2021 Consolidated Annual Financial Report, including the Independent Auditors' Report, and audits of the financial statements of U. T. Austin, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Medical Branch - Galveston and for funds managed by The University of Texas/Texas A&M Investment Management Company (UTIMCO)	Report/Discussion <i>Ms. Hinojosa Segura</i> <i>Mr. Peppers</i> <i>Mr. Blake Rodgers</i> <i>Deloitte & Touche</i>	Not on Agenda	41
C. ADJOURN	<i>3:30 p.m.</i>		

1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration**

RECOMMENDATION

No [Consent Agenda](#) items are assigned for review by this Committee.

2. U. T. System: Authorization to settle property insurance claims for Hurricane Hanna and delegation of authority to Chief Compliance and Risk Officer

RECOMMENDATION

The Chancellor concurs in the recommendation of the Chief Compliance and Risk Officer and the Interim Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents:

- a. approve, in accordance with Regents' Rule 80601, final settlement of the property insurance claims for Hurricane Hanna covered under the Comprehensive Property Protection Plan (CPPP) in the amount of \$12,750,309.27, and
- b. delegate authority to Chief Compliance and Risk Officer to execute all related Proofs of Loss and other settlement documents.

BACKGROUND INFORMATION

The Comprehensive Property Protection Plan (CPPP) provides coverage to U. T. institutions for named windstorms, fire, and all other perils through a combination of commercial insurance and interim financing. The CPPP commercial insurance coverage is subject to a large deductible that varies by type of loss and loss location. The deductible is funded with a combination of interim financing provided by the CPPP Fund and underlying National Flood Insurance Program (NFIP) and Texas Windstorm Insurance Association (TWIA) policies purchased by institutions.

Hurricane Hanna made landfall in South Texas on July 25, 2020, with up to 18 inches of rain reported in the Rio Grande Valley area. The storm impacted U. T. Rio Grande Valley at the Edinburg campus with flood and wind damage to multiple buildings.

The applicable CPPP deductible for the Hurricane Hanna claim is \$5 million with an institution deductible of \$250,000. On February 25, 2021, the U. T. System Board of Regents approved Revenue Financing System (RFS) debt totaling \$4.75 million to finance capital costs related to Hurricane Hanna property losses that were within the CPPP deductible. At the time, the estimated loss for Hurricane Hanna was approximately \$10 million. The adjusted loss amount is \$12,750,309.27.

U. T. Rio Grande Valley has already received \$3,883,978.90 in advances from insurance and \$4.75 million from CPPP, leaving \$3,866,330.37 to be paid by commercial insurance.

After applying the \$5 million deductible, the final recovery from commercial insurance is \$7,750,309.27.

3. **U. T. System: Report on the status of the triennial Systemwide Quality Assessment Review of internal audit activities**

Chief Audit Executive Peppers will discuss the actions taken to address recommendations from the quality assessment reviews of the internal audit functions across the U. T. System using the PowerPoint presentation set forth on the following pages.

BACKGROUND INFORMATION

The internal audit profession is guided by standards, which require internal audit functions to have external assessments conducted by a qualified, independent assessor or assessment team from outside the organization. Baker Tilly performed this assessment of U. T. System internal audit and reported the results to the Audit, Compliance, and Risk Management Committee on February 24, 2021.

Status Report on U. T. Systemwide Quality Assessment Review of Internal Audit Activities

Mr. J. Michael Peppers, U. T. System Chief Audit Executive

U. T. System Board of Regents Meeting
Audit, Compliance, and Risk Management Committee
February 2022



THE UNIVERSITY of TEXAS SYSTEM
THIRTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.

Background

- Baker Tilly reported on the Independent Validations of the Internal Audit (IA) Functions' Quality Assessment Reviews (QAR) at the February 2021 meeting
- All of the institutional and System Administration IA functions received the highest rating (Generally Conforms)
- ACRMC requested an update on the progress made to implement recommendations identified



Recommendations for U. T. System IA Functions

- Connecting with stakeholders
- Optimizing IA resources
- Evolving risk assessments and IA plans
- Enhancing project activities
- Reporting



Connecting with stakeholders

- Participating as non-voting members on president's cabinet and institutional standing committees related to research, information technology (IT), information security, compliance, etc
- Meeting with key leaders (e.g., Chief of Staff, Chief Information Officer/Chief Information Security Officer, Medical School Dean) regularly to discuss current risks and developing campus issues
- Increasing consulting activities requested by stakeholders (e.g., data analytics, IT system development, revenue cycle assistance)
- Participating on high-level position search committees and related onboarding



Optimizing IA resources

- Pairing IA leadership members with a specialty area of focus (e.g., research, athletics, data analytics, medical school, provost portfolio) to develop further expertise
- Mentoring and knowledge sharing with new IA staff, emphasized in the remote working environment
- Cross-training IT and financial auditors
- Assessing IA resources and professional development needs to promote quality services to clients, project efficiencies, and staff career growth



Evolving risk assessments and IA plans

- Discussing risk during internal audit committee meetings for a more agile audit approach
- Sharing information on specific risk topics among Chief Audit Executives
- Expanding use of surveys and facilitated sessions with various client areas



Enhancing Project Activities

- Conducting integrated audits that combine IT elements
- Increasing use of data analytics and Robotic Process Automation
- Building IT IA staff and considering co-source needs



Reporting

- Streamlining reports to include most impactful information in executive summary augmented by visuals, as appropriate



Recommendations for Systemwide IA

- Drive Systemwide value by synthesizing IA observations
 - Annual report to ACRMC and details to institutional IA (Nov.)
- Address common risk areas
 - Annual assessment to ACRMC and details to institutional IA (Aug.)
- Expand orientation on IA and other risk-related roles for the ACRMC and institutional audit committees
 - IAC Chair annual meeting and revisions to related Regents' Rules and UTS Policy



Commitment to Continuous Improvement

- Engagement with Board and institutional audit committees
- Responsiveness to System Administration and institutional leadership
- Alignment with professional leading practices



4. **U. T. System: Fiscal Year 2021 Consolidated Annual Financial Report, including the Independent Auditors' Report, and audits of the financial statements of U. T. Austin, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Medical Branch - Galveston and for funds managed by The University of Texas/Texas A&M Investment Management Company (UTIMCO)**

See [Item 1](#) of the Finance and Planning Committee.