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FOR
AUDIT, COMPLIANCE, AND MANAGEMENT
REVIEW COMMITTEE**

Committee Meeting: 8/11/2010

*R. Steven Hicks, Chairman
Paul L. Foster
Janiece Longoria
Robert L. Stillwell*

Board Meeting: 8/12/2010
Austin, Texas

	Committee Meeting	Board Meeting	Page
A. CONVENE	10:30 a.m. <i>Chairman Hicks</i>		
B. CONSIDER AGENDA ITEMS			
1. U. T. System Board of Regents: Approval to hire external auditor to provide financial auditing services for Fiscal Year 2011	10:30 a.m. Action <i>Chairman Hicks Mr. Chaffin</i>	Action	13
2. U. T. System: Report on the internal audit plan for the Fiscal Year 2010 U. T. System Consolidated Annual Financial Report	10:40 a.m. Report <i>Mr. Chaffin</i>	Not on Agenda	14
3. U. T. System: Report on the Systemwide internal audit activities, including the status of the State Auditor's Office issued State Single Audit Reports; and Internal Audit Department report for U. T. Austin	10:45 a.m. Report <i>Mr. Michael Vandervort, U. T. Austin Mr. Chaffin</i>	Not on Agenda	16
4. U. T. System: Report on the Systemwide annual audit plan process	10:55 a.m. Report <i>Mr. Chaffin</i>	Not on Agenda	31
5. U. T. System: Report on the use of technology to enhance medical billing compliance at U. T. health institutions	11:00 a.m. Report <i>Mr. Plutko Dr. Wolf</i>	Not on Agenda	33
6. U. T. System: Report on Inter-University Compliance Consortium	11:10 a.m. Report <i>Mr. Plutko</i>	Not on Agenda	46

- C. RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551 11:20 a.m.

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 Administration and institutional employees involved in internal audit and compliance functions

*Mr. Michael Vandervort,
U. T. Austin
Mr. Chaffin
Mr. Plutko*

- D. RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEM AND ADJOURN 11:30 a.m.

1. **U. T. System Board of Regents: Approval to hire external auditor to provide financial auditing services for Fiscal Year 2011**

RECOMMENDATION

The Audit, Compliance, and Management Review (ACMR) Committee will discuss the proposals submitted from one or more external audit firms to provide independent auditing services for the audit of the U. T. System, U. T. M. D. Anderson Cancer Center, and The University of Texas Investment Management Company (UTIMCO) financial statements for Fiscal Year 2011. At the meeting on August 11, 2010, a recommendation will be made by Committee Chairman Hicks regarding a firm(s) to provide the services.

Approval is requested from the U. T. System Board of Regents (Board) for the audit option determined to be most beneficial to U. T. System as will be recommended by Regent Hicks.

In addition, if a firm(s) is selected, approval is requested from the Board for U. T. System staff to negotiate and enter into an auditing services contract with the selected firm(s). The first year of the contract will terminate on March 31, 2012, and there will be an option to renew for four additional one-year terms.

BACKGROUND INFORMATION

On August 13, 2008, the ACMR Committee agreed that the question of hiring an independent financial auditor should be revisited at each August meeting of the Committee. On August 19, 2009, the ACMR Committee and the Board approved implementing a process to solicit proposals for the performance of an independent external audit of the U. T. System financial statements for Fiscal Year 2011.

As requested by the ACMR Committee, a Request for Qualifications was issued by the U. T. System on April 1, 2010. A pre-proposal conference was held on April 12, 2010, with eight firms attending. Written proposals from interested firms were due to U. T. System on May 17, 2010. Oral presentations and firm interviews were held on June 8-11, 2010, to allow the Committee members an opportunity to further evaluate the following participating firms: Deloitte & Touche; Grant Thornton; PricewaterhouseCoopers; and Weaver.

2. **U. T. System: Report on the internal audit plan for the Fiscal Year 2010**
U. T. System Consolidated Annual Financial Report

REPORT

Mr. Charles Chaffin, Chief Audit Executive, will present the plan for conducting the Fiscal Year 2010 U. T. System Consolidated Annual Financial Report audit including the background, an audit overview, objectives, and approach and methodology for the audit as set forth on Page 15.

BACKGROUND INFORMATION

On November 13, 2003, the U. T. System Board of Regents (Board) 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 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 ended August 31, 2005. The contract was renewed on March 28, 2006, to provide the same audit for the fiscal year ended August 31, 2006. On April 16, 2007, the Board voted not to renew the contract for the fiscal year ended August 31, 2007, but expressed confidence in the financial audit work that could be performed by the institutional and U. T. System Administration auditors. As a result of that decision, the U. T. System Audit Office put together a plan to oversee and coordinate the internal audit of the U. T. System Consolidated Financial Statements for Fiscal Years 2007, 2008, and 2009. The U. T. System Audit Office will conduct this process again for the internal audit of the Fiscal Year 2010 U. T. System Consolidated Financial Statements.

On August 13, 2008, members of the Audit, Compliance, and Management Review (ACMR) Committee agreed that they should revisit the question of hiring an independent financial auditor at each August meeting. At the August 19-20, 2009 meeting, the ACMR Committee and the Board approved implementing a process to solicit proposals for the performance of an independent external audit of the U. T. System financial statements for Fiscal Year 2011.

The University of Texas System
U. T. System FY 2010 Consolidated Annual Financial Report Audit
Internal Audit Plan

Overview

The internal audit of the FY 2010 financial statements will be coordinated by the U. T. System Audit Office. Financial statements of the UTIMCO funds and U. T. M. D. Anderson Cancer Center will be audited by external auditors.

Audit Objectives

The objective of this engagement is to perform risk-based internal audits of the U. T. System Administration and U. T. institutional financial statements and related footnote information to determine whether they are materially accurate. In addition, the U. T. System Audit Office will conduct an internal audit of the process used to prepare the U. T. System Consolidated Annual Financial Report and related footnotes.

The audit results for the individual institutions will be reported to the respective institutional executive management and internal audit committee members. Summarized audit results will be reported to the Audit, Compliance, and Management Review Committee of the U. T. System Board of Regents at their meeting in February 2011.

Audit Approach & Methodology

The U. T. System Audit Office and institutional internal auditors will use the following general audit approach and methodology:

- Test the higher-risk and larger dollar items (with an emphasis on the balance sheet) to identify and report potential material misstatements to the financial statements.
- If changes have been made since prior year, test key controls over the major financial line items to identify and report potential internal control deficiencies.
- Perform analytical procedures at year end to ensure the reasonableness of financial statement line items.
- Obtain an understanding of how information will flow from the institutional accounting systems to the new Financial Consolidating Reporting System (FCRS) and test the accuracy of the automated consolidated financial statements that FCRS generates.
- Review the consolidation of institutional financial information to ensure appropriate reporting to the State.
- Coordinate with internal auditors to understand the impact of any potential adjustments to the U. T. System Consolidated Financial Statements.

Internal Audit Hours

Approximately 19,500 hours or 15% of the U. T. Systemwide annual audit plan resources were spent on the FY 2009 financial audit work. The budget for the FY 2010 financial audit work is estimated to be a reduction of 10% from the previous year's actual hours expended.

3. **U. T. System: Report on the Systemwide internal audit activities, including the status of the State Auditor's Office issued State Single Audit Reports; and Internal Audit Department report for U. T. Austin**

REPORT

Mr. Michael Vandervort, Internal Audit Director, U. T. Austin, will report on the recent external quality assurance review of U. T. Austin's internal audit department, using a PowerPoint presentation set forth on Pages 17 - 26.

Mr. Charles Chaffin, Chief Audit Executive, will report on the implementation status of the recommendations made in the State Auditor's Office State of Texas Federal and Financial Portion of the Statewide Single Audit Reports (State Single Audit Reports) for Fiscal Year 2009.

Mr. Chaffin will also report on the implementation status of significant audit recommendations. The third quarter activity report on the Implementation Status of Outstanding Significant Findings/Recommendations is set forth on Pages 27 - 28. Satisfactory progress is being made on the implementation of all significant recommendations. Additionally, a list of other audit reports issued by the Systemwide audit program is on Page 29. The annual internal audit plan status as of May 31, 2010, follows on Page 30.

BACKGROUND INFORMATION

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



THE UNIVERSITY OF TEXAS AT AUSTIN

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WHAT STARTS HERE CHANGES THE WORLD



**Mr. Mike Vandervort, Director
Office of Internal Audits**

**U. T. System Board of Regents' Meeting
Audit, Compliance, and Management Review Committee
August 2010**



Internal Audit Committee

MEMBERS

- President William Powers – University President, Committee Chair
- Dr. Charles Roeckle – Deputy to the President
- Dr. Steven Leslie – Executive Vice President and Provost
- Dr. Patricia Clubb – Vice President for University Operations
- Dr. Patricia Ohlendorf – Vice President for Legal Affairs
- Dr. Juan González – Vice President for Student Affairs
- Dr. Juan Sanchez – Vice President for Research
- Mr. Kevin Hegarty – Vice President and Chief Financial Officer
- Mr. Rudolph Green – Director of University Compliance Services
- Mr. Glenn Friedrich – Associate Vice President and Controller
- Mr. Frank Maresh – External member

Committee meets quarterly with last meeting held on June 30, 2010



Internal Audit Department Staffing

- Mike Vandervort – Director
- Kelton Green – Associate Director
- Chris Taylor – Audit Supervisor
- Cecilia Tankersley – IT Audit Supervisor
- Kathey Mitchell – Audit Supervisor
- Karl Stephenson – Auditor III
- William Koenig – Auditor III
- Tod Maxwell – IT Auditor
- Brandon Morales – IT Auditor
- Brenda Guerrero – Auditor II
- Alicia de la Garza – Auditor I
- Jaanki Jeevan – Auditor I
- Jessica Pinto – Administrative Associate

Average of 35 reports issued per year



Internal Audit Reporting Structure

- Director reports to the U. T. Austin president and has monthly meetings
- Director has weekly meetings with the deputy to the president
- Director maintains communication with director of university compliance services
- The Internal Audit Committee includes executive management (quarterly meetings)



High Risk Areas Audited in FY 2010

- Research and Development
- Human Resource Management
- Financial Management
- Information Technology
- Auxiliary and Service Departments



External Quality Assurance Review

- Most recent external quality assurance review (QAR) was performed in April 2010
- Review team included the following internal audit directors:
 - Allison Horn, Colorado State University System
 - Tom Luccock, Michigan State University
 - Ken Schroeder, U. T. Arlington



External Quality Assurance Review (cont.)

- QAR encompassed procedures, including:
 - Review of self-assessment materials, audit workpapers and reports, client surveys and previous QAR reports
 - Interviews with members of the audit committee, executive management and U. T. System Audit Office
 - Comparison of audit practices with the auditing standards
- U. T. Austin Office of Internal Audits was found to “generally conform” with the auditing standards, which is the highest rating



External Quality Assurance Review (cont.)

- QAR recommendations:
 - Ensure supervisory review of engagements is documented
 - Develop a succession plan for senior managers in the Office of Internal Audits and communicate this plan to senior management



Career Development

- The Director has a philosophy of providing the internal audit staff with opportunities to move into leadership positions within the university.
- This practice of training internal audit staff with the skills needed to move into mid-level and higher management positions has been well received by executive management.
- Placing competent and experienced staff who understand the importance and implementation of internal controls in the university's operations enhances the overall control environment.

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

U. T. SYSTEM AUDIT

Report Date	Institution	Audit	2nd Quarter 2010		3rd Quarter 2010		Targeted Implementation Date	Overall Progress Towards Completion (Note)
			Ranking	# of Significant Findings	Ranking	# of Significant Findings		
2008-01	UTARL	System Security Audit		1		0	4/30/2010	Implemented
2009-07	UTARL	Digital Research Data Audit		1		0	6/1/2010	Implemented
2010-04	UTARL	Payment Card Industry Data Security Standard Audit				2	12/31/2010	Satisfactory
2007-06	UTAUS	UTS163: Guidance on Effort Reporting Policies		1		0	5/17/2010	Implemented
2008-08	UTB	UTS165: Protecting the Confidentiality and Integrity of Digital Research Data Follow Up		1		0	4/1/2010	Implemented
2009-07	UTD	Unix		1		0	6/1/2010	Implemented
2009-11	UTEP	Fiscal Year 2009 Annual Financial Report Audit		1		0	11/20/2009	Implemented
2009-12	UTEP	Texas Administrative Code Chapter 202 Audit - Phase 2		4		2	8/31/2010	Satisfactory
2010-05	UTPB	Monitoring Plan and Sub-Certification				1	8/31/2010	Satisfactory
2009-03	UTSA	Banner User Access Audit (Security)		1		1	12/31/2010	Satisfactory
2008-09	UTSA	Information Technology Change Management Audit		1		1	8/31/2010	Satisfactory
2010-01	UTSA	Information Technology Asset Management Audit		1		1	11/30/2010	Satisfactory
2008-11	UTT	Fiscal Year 2008 Annual Financial Report Audit		1		1	10/31/2010	Satisfactory
2009-04	UTT	Cash Handling Procedures Audit		2		2	8/31/2010	Satisfactory
2009-03	UTT	Department of Communications		1		1	8/31/2010	Satisfactory
2010-02	UTT	Office of Sponsored Research Time and Effort		2		0	4/30/2010	Implemented
2010-03	UTT	Endowed Scholarships				1	10/31/2010	Satisfactory
2010-05	UTT	Texas Administrative Code Chapter 202 Audit				3	10/31/2010	Satisfactory
2010-05	UTT	Department of Athletics				1	7/31/2010	Satisfactory
2010-02	UTSWMC - Dallas	Physician Billing Compliance		1		1	7/16/2010	Satisfactory
2008-05	UTMB - Galveston	Information Systems Change Management Process		2		2	8/31/2010	Satisfactory
2009-12	UTMB - Galveston	Epic Application		1		1	8/31/2010	Satisfactory
2010-02	UTHSC - Houston	Time and Effort Reporting		4		3	8/31/2010	Satisfactory
2010-05	UTHSC - Houston	Personnel Management & Time Management System Controls				4	5/1/2011	Satisfactory
2009-07	UTHSC - San Antonio	Cash Handling/Participant Reimbursement Accounts Audit		2		0	6/30/2010	Implemented
2010-04	UTHSC - San Antonio	UT Medicine: Information Technology Review of Data Security				8	12/31/2010	Satisfactory
2007-06	UTMDACC - Houston	Conflict of Interest		1		1	2/28/2010*	Satisfactory
2007-09	UTMDACC - Houston	Maintenance and Security of Biological Research Materials		1		1	8/31/2009 *	Satisfactory
2007-10	UTMDACC - Houston	Research Compliance Design Review		1		0	8/31/2010	Implemented
2008-05	UTMDACC - Houston	Clinical Trial Research		1		1	8/31/2010	Satisfactory
2009-03	UTMDACC - Houston	Wireless and Firewall Remote Access Security Assessment		4		3	8/31/2012	Satisfactory
2009-03	UTMDACC - Houston	Review of Patch Management		1		1	11/30/2009 *	Satisfactory
2009-03	UTMDACC - Houston	Review of Performance and Capacity Monitoring		4		4	8/31/2009 *	Satisfactory
2009-03	UTMDACC - Houston	Review of Patient History Oracle Database Security		3		3	5/31/2009*	Satisfactory
2009-05	UTMDACC - Houston	Business Continuity Plan Review		1		1	2/28/2010*	Satisfactory
2010/02	UTMDACC - Houston	Information Security Organization Review		5		5	5/31/2010*	Satisfactory
2010-04	UTMDACC - Houston	Department of Chaplaincy and Pastoral Education				1	8/31/2010	Satisfactory
2005-12	UTSYS ADM	Systemwide Financial Audit Fiscal Year 2005		1		1	9/1/2010	Satisfactory
2006-06	UTSYS ADM	UTIMCO Institutional Investment and Compliance Audits		1		1	8/31/2010	Satisfactory
Totals				<u>53</u>		<u>59</u>		

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

Report Date	Institution	Audit	2nd Quarter 2010		3rd Quarter 2010		Targeted Implementation Date	Overall Progress Towards Completion (Note)
			Ranking	# of Significant Findings	Ranking	# of Significant Findings		

STATE AUDITOR'S OFFICE AUDITS

2010-03	UTPA	Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009		1		1	9/30/2010	Satisfactory
2010-03	UTPA	Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009		4		3	8/31/2010	Satisfactory
2010-02	UTPB	Southern Association of Colleges and Schools Financial Statement Review Fiscal Year 2009		1		1	8/31/2010	Satisfactory
2010-03	UTPB	Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009				4	6/30/2010**	Satisfactory
2010-03	UTSA	Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009				0	12/31/2009	Implemented
2009-08	UTSWMC - Dallas	Campus Security Emergency Management Plans Audit		3		2	8/31/2010	Satisfactory
2010-03	UTSWMC - Dallas	Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009		1		1	6/30/2010***	Satisfactory
2010-03	UTHSC - Houston	Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009		1		0	7/31/2010	Implemented
2010-03	UTHSC - San Antonio	Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009		2		0	11/30/2009	Implemented
2010-03	UTMDACC - Houston	Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009				0	5/31/2010	Implemented
2007-05	UTSYS ADM	Charity Care at Health-Related Institutions		1		1	10/31/2010	Satisfactory

Totals

14

13

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.

- * Recommendation deemed to be implemented per management and awaiting verification and validation by internal audit.
- ** Institution is taking the necessary steps to implement recommendations and is awaiting validation of this by the State Auditor's Office.
- *** Awaiting updated implementation date from the institution.

OTHER U. T. SYSTEM AUDIT REPORTS RECEIVED BY SYSTEM AUDIT 3/2010 through 5/2010

Institution	Audit
UTARL	UTS 166: Cash Management and Cash Handling Policy Audit
UTARL	Payment Card Industry Data Security Standard Audit
UTAUS	Blackboard
UTAUS	Change in Management - Construction Industry Institute
UTAUS	Change in Management - Department of Civil, Architectural, and Environmental Engineering
UTAUS	Change in Management - Department of Information, Risk, and Operations Management
UTAUS	Change in Management - Artificial Intelligence Laboratory
UTAUS	WebSpace
UTD	Computer Account Requests
UTD	Budget Office
UTEP	Teacher Education Department Change in Management
UTEP	University Restricted Research Fund Reporting
UTEP	School of Nursing Change in Management
UTPB	Texas Higher Education Coordinating Board Facilities Audit
UTTY	Business Continuity Plan
UTSMC - Dallas	American Recovery & Reinvestment Act Fund Transactions
UTSMC - Dallas	Governance Policies & Procedures
UTSMC - Dallas	Grants Management
UTSMC - Dallas	UTS 155: Policies & Procedures Regarding Southwestern School of Health Professions Faculty Service, Research, and Development Plan Business Operations
UTSMC - Dallas	Presidents Travel & Entertainment Expenses
UTSMC - Dallas	Ethics Objectives, Programs and Activities
UTMB - Galveston	"Clearing the Fog" Report: Current Compliance Review
UTMB - Galveston	Non-Traditional Information Technology Component Devices
UTMB - Galveston	Correctional Management Care Support of UTMB's Residency Programs
UTMB - Galveston	Share Plan Change in Management
UTMB - Galveston	Office of Catering & Special Events Change in Management
UTMB - Galveston	Office of Continuing Education Change in Management
UTHSC - Houston	Office of Academic Affairs Change in Management
UTHSC - Houston	Utility Billings
UTHSC - Houston	Oracle Databases
UTHSC - Houston	Open Recommendations Follow-up
UTHSC - San Antonio	UT Medicine: Information Technology Review of Data Security
UTHSC - San Antonio	Advanced Research Program Award
UTMDACC - Houston	Physicians Referral Service - Professional Service Agreements
UTMDACC - Houston	Institutional Review Board
UTMDACC - Houston	Department of Social Work
UTHSC - Tyler	Watson W. Wise Medical Research Library Audit
UTSYS ADM	System wide Huron Time & Effort Application
UTSYS ADM	UT Austin Jackson Estate
UTSYS ADM	Highmount Oil & Gas
UTSYS ADM	Office of Employee Benefits Payments to Insurance Vendors
UTSYS ADM	Office of Employee Benefits Dependent Eligibility
UTSYS ADM	Office of Employee Benefits Follow-up
UTSYS ADM	Office of the Director of Police Follow-up
UTSYS ADM	UT San Antonio President's Office
UTSYS ADM	Office of Strategic Management
UTSYS ADM	Texas Administrative Code 202 Follow-up
UTSYS ADM	Oil & Gas Follow-up
UTSYS ADM	Non Major Areas Follow-up

STATE AUDITOR'S OFFICE AUDIT REPORTS RELEASED 3/2010 THROUGH 5/2010

Institution	Audit
Various UT institutions	State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009
Various UT institutions	State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009
UTSA, UTT, UTHSCH	Southern Association of Colleges and Schools Financial Statement Review Fiscal Year 2009

**U. T. Systemwide Internal Audit Program
FY 2010 Annual Internal Audit Plan Status
(as of May 31, 2010)**

	Financial	Operational	Compliance	Information Technology	Follow-up	Projects	Credit for Priority Hours (Note 1)	Total Priority Budget Hours (Note 2)	Variance (Hours)	Percentage Completion
U. T. System Administration	4,336	4,091	836	1,376	812	1,964	13,415	18,005	4,590	75%
Large Institutions:										
U. T. Austin	1,250	1,564	712	2,495	189	3,126	9,336	14,225	4,889	66%
U. T. Southwestern	1,760	2,272	2,195	714	393	3,120	10,454	14,510	4,056	72%
U. T. Medical Branch at Galveston	675	1,040	289	1,096	200	1,137	4,437	6,805	2,368	65%
U. T. HSC - Houston	1,407	1,324	784	739	225	1,006	5,484	8,150	2,666	67%
U. T. HSC - San Antonio	600	1,253	427	886	326	1,804	5,295	7,075	1,780	75%
U. T. MDA Cancer Center	1,110	3,055	1,310	1,680	500	2,245	9,900	13,480	3,581	73%
Subtotal	6,802	10,508	5,717	7,610	1,833	12,437	44,905	64,245	19,340	70%
Mid-size Institutions:										
U. T. Arlington	940	532	984	297	225	724	3,702	5,800	2,098	64%
U. T. Brownsville	590	245	343	204	287	1,200	2,868	3,790	922	76%
U. T. Dallas	625	1,464	218	530	-	470	3,306	5,030	1,724	66%
U. T. El Paso	1,105	2,182	521	1,048	450	954	6,260	8,790	2,530	71%
U. T. Pan American	1,465	570	477	426	88	470	3,496	5,640	2,144	62%
U. T. San Antonio	1,340	612	530	407	225	1,000	4,113	6,780	2,667	61%
Subtotal	6,065	5,605	3,073	2,911	1,275	4,816	23,745	35,830	12,085	66%
Small Institutions:										
U. T. Permian Basin	580	626	9	9	51	202	1,477	2,200	723	67%
U. T. Tyler	490	445	361	155	120	345	1,916	2,542	626	75%
U. T. HSC at Tyler	697	466	340	251	154	321	2,229	3,238	1,009	69%
Subtotal	1,767	1,537	710	415	325	868	5,622	7,980	2,358	70%
TOTAL	18,970	21,741	10,335	12,312	4,245	20,085	87,687	126,060	38,373	70%
Percentage of Total	22%	25%	12%	14%	5%	23%	100%			

NOTE 1:

In order to better align with the internal audit performance metrics, "Total Actual Hours" reported in previous quarters has been replaced with "Credit for Priority Hours", which reflects the priority budgeted hours apportioned based on the completion status of the audits/projects as of May 31, 2010. Fiscal year-to-date from September 1, 2009 through May 31, 2010 represents approximately 75% of the annual audit plan year.

NOTE 2:

Original Total Priority Budget Hours, approved by the ACMRC for priority projects, was 125,801 hours. However, due to changing priorities during the fiscal year, some institutions requested and obtained approval from their respective internal audit committees to change the Total Priority Budget Hours and/or the allocation of hours among the various categories, so that "Total Priority Budget Hours" is now 126,060 as reflected above. These hours are approximately 80-85% of total budget hours.

4. U. T. System: Report on the Systemwide annual audit plan process

REPORT

Mr. Charles Chaffin, Chief Audit Executive, will present the process for developing the Fiscal Year (FY) 2011 U. T. Systemwide Annual Audit Plan (Audit Plan), which is a blueprint of the internal audit activities that will be performed by the internal audit function throughout U. T. System. A timeline chart is set forth on Page 32.

Individual annual audit plans are prepared at U. T. System Administration and each institution in July and August with input and guidance from the U. T. System Audit Office, the Offices of Academic or Health Affairs, and the institution's management and Internal Audit Committee. Development of the annual audit plans is based on risk assessments performed at each institution to ensure areas/activities specific to each institution with the greatest risk are identified to be audited. The Chief Audit Executive provides direction to the internal audit directors prior to the preparation of the annual audit plans and provides formal feedback through "audit hearings" with each institution. After the review process, each institutional Internal Audit Committee formally approves its institution's annual audit plan in August.

Upon recommendation by the Audit, Compliance, and Management Review Committee, the U. T. System Board of Regents will be asked to approve the proposed Audit Plan at the November 2010 meeting. The proposed Audit Plan will be distributed to the Regents in early October for their review. Implementation of the Audit Plan will be coordinated with the institutional auditors.

The FY 2010 approved Audit Plan was broken out by the following categories and budgeted hours:

Financial	24,428	20%
Operational	30,395	24%
Compliance	16,445	13%
Information Technology	21,850	17%
Follow-up	5,240	4%
Projects	27,443	22%
Total	125,801	100%



THE UNIVERSITY of TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.

Annual Audit Plan Approval Process



5. **U. T. System: Report on the use of technology to enhance medical billing compliance at U. T. health institutions**

REPORT

Dr. CJ Wolf, Assistant Systemwide Compliance Officer, will brief the Audit, Compliance, and Management Review Committee on the use of technology to enhance medical billing compliance at the U. T. System health institutions. The presentation is included on Pages 34 - 45.

Using Technology to Enhance Billing Compliance

CJ Wolf, M.D., Assistant Systemwide Compliance Officer

August 2010



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Audit, Compliance, and
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Background

- As of May 31, 2010, \$3.7 billion collected in U. T. System clinical enterprise
 - \$2.5 billion in hospitals
 - \$1.2 billion in practice plans
 - Over 4,000 providers
 - Over 8 million claims from practice plans
- Executive Vice Chancellor for Health Affairs responsible party for billing compliance programs
 - Office of Health Affairs actively engaged with directors of the billing compliance programs for years, building strategic agenda



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Background

May 1, 2004

\$35 Million Settlement Announced in University of Washington Billing Case *- The Seattle Times*

“The settlement is the largest since federal auditors began investigating billing practices throughout the country 10 years ago. The University of Pennsylvania paid the second-largest penalty, \$30 million, in 1995.” – The Seattle Times



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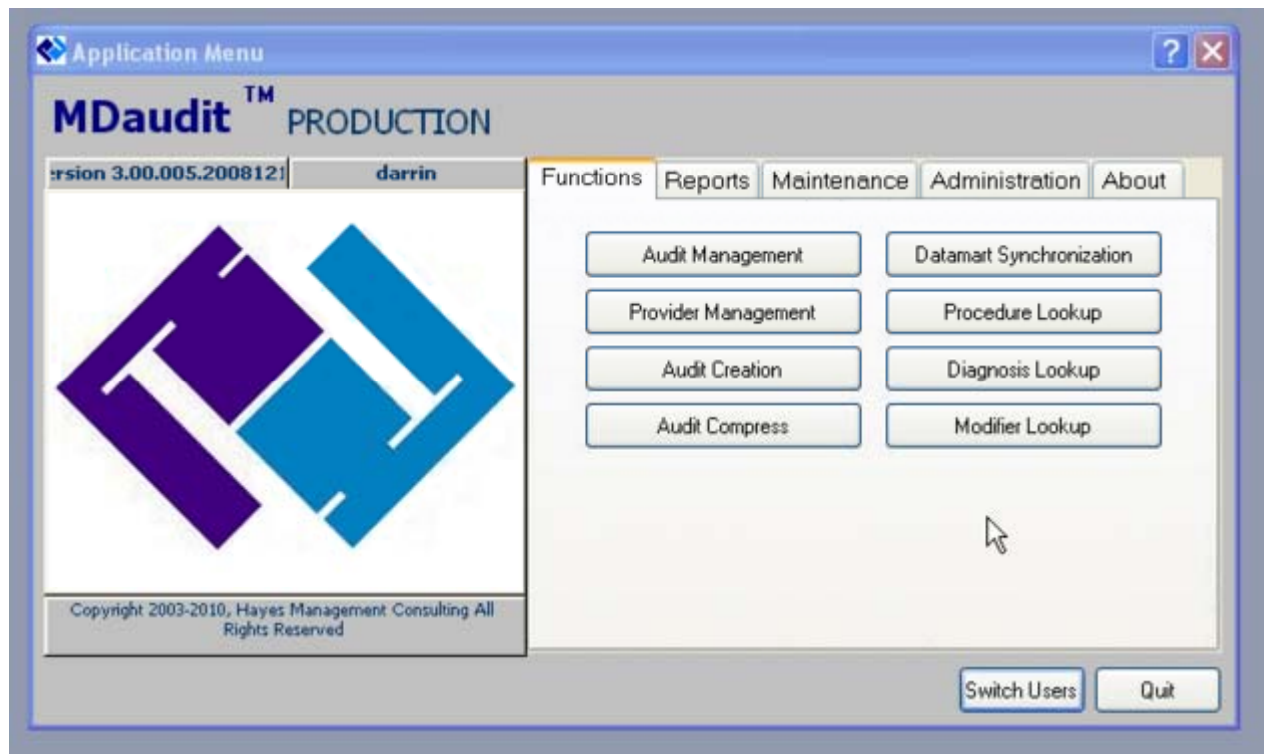
Today

- Leveraged interest in software to facilitate and streamline billing compliance activities for professional services
 - MDaudit™ Professional utilized by all health institutions since 2007
 - Office of Health Affairs contributed one-third of the startup costs
 - Systemwide approach reduced license, implementation and ongoing fees for every participating institution
 - Guiding Principles
 - Optimization Strategies
- Medical Billing Compliance Advisory Committee



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MDaudit™ Professional





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MDaudit™ Professional

- Increased productivity for billing reviews
- Improved education efforts
- Enhanced management of billing review cycle and employees
- Quicker identification, escalation, and tracking of potential issues



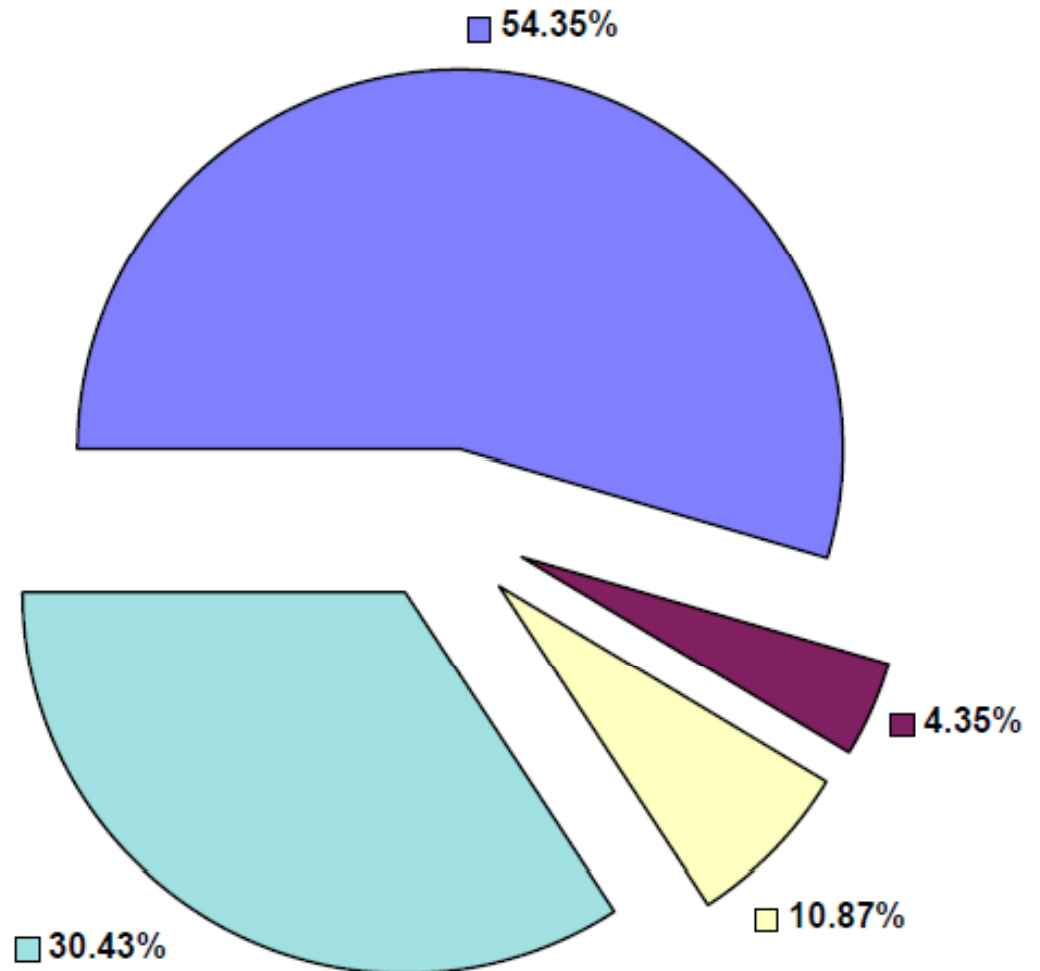
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MDaudit™ Professional

Surgery
General & Laparoendoscopic Surgery
FY 2010 Q2

CPT-4 Coding Summary

- Agreed
- Underpayment
- Overpayment
- Administrative Error





MDaudit™ Professional

CPT-4 Coding Summary Finding Analysis

Administrative Error (2 of 46 - 4.35%)

2 Modifier Added - Informational

0077 , MD
 Billed: 47600 x1; Supported: 47600 x1
GC modifier added, added Dx of 575.8 for gallbladder adhesions

0115 , MD
 Billed: 49560-59-GC x1; Supported: 49560-59-GC x1
added modifier 51

Agreed (25 of 46 - 54.35%)

15 Agree with Selected E/M

0061 , MD
 Billed: 99214-GC x1 (D/D/M); Supported: 99214 x1 (D/D/M)

0063 , MD
 Billed: 99213 x1 (EPF/EPF/L); Supported: 99213 x1 (EPF/EPF/L)

0112 , MD
 Billed: 99214 x1 (D/D/M); Supported: 99214 x1 (D/D/M)
no attestation, coded from dr note EXP/Exp/MDM moderate= 99213, added DX 618.1, 625.6

0118 , MD
 Billed: 99212-N1 x1 (PF/PF/S); Supported: 99212 x1 (PF/PF/S)

1 Agree with Selected Modifier



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MDaudit™ Professional

- Consistency among reports
- Easy identification of “overpayments” and “underpayments”
- Providers’ expectations being met
- Competitive nature enhances the culture of compliance



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Audit Profile Maintenance - Radiology

Audit Case Profile Radiology

Properties Comments

Seq	Profile Type	Profile Target	Duplicates	DOS Goal	Manual	Cases
3.00	Procedure Section	Ultrasound (76506-76999), Medicare/Medicaid	✓	__	__	2
4.00	Procedure Section	Facet Joint (64470-64476), Medicare/Medicaid	✓	__	__	2
5.00	Procedure Section	Radiology (70000-79999), Medicare/Medicaid	✓	__	__	2
7.00	Procedure Section	Surgery (10000-69999), Medicare/Medicaid	✓	__	__	1
9.00	Modifier Group	Mod -24, Medicare/Medicaid	✓	__	__	2
10.00	Modifier Group	Mod - GC, Medicare/Medicaid	✓	__	__	2
30.00	Top Dollar	Top 15%, Medicare/Medicaid	✓	__	__	5
35.00	Top Dollar	Top 15%, Other 'Major' Payors	✓	__	__	5
40.00	Top Volume	Top 15%, Medicare/Medicaid	✓	__	__	5
45.00	Top Volume	Top 15%, Other 'Major' Payors	✓	__	__	5
50.00	Manual Selection		✓	__	__	

New

Total Profile Audit Cases 42

Edit Save Undo Exit



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MDaudit™ Professional

- Audit case profiles based on high risk areas
- Example shared by Doug Arrington, Director of Billing Compliance at U. T. Southwestern Medical Center - Dallas
- Radiology example focused on risks such as ultrasound (Office of Inspector General) and facet joint injections (Local Medicare contractor)



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Looking To The Future

- Continue networking U. T. System “Super Users” to promote best practices and software functional enhancements
- Explore new strategies to leverage technology investment
- Implement MDaudit™ Hospital

6. **U. T. System: Report on Inter-University Compliance Consortium**

REPORT

Mr. Lawrence Plutko, Systemwide Compliance Officer, will brief the Audit, Compliance, and Management Review Committee on the newly established Inter-University Compliance Consortium. The presentation is included on Pages 47 - 53.

Inter-University Compliance Consortium

Lawrence Plutko, Systemwide Compliance Officer

August 2010



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Meeting
Audit, Compliance, and
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Inter-University Compliance Consortium

Background

- Pace and complexity of governmental regulation and compliance
- Response to the growing regulatory environment in a period of reduced budgets and limited staffs
- Need to “think out of the box” with the expanded use of technology and networking to meet compliance obligations



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Inter-University Compliance Consortium

Members

- The University of Texas System
- University of California System
- The California State University System
- Stanford University
- California Institute of Technology
- University of Washington



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Inter-University Compliance Consortium

Goals

- Share state-of-the-art best practices to expand compliance effectiveness across the university enterprise
- Develop, promote, and provide electronic solutions to increase efficiency and broaden oversight
- Leverage the talent pool within the consortium institutions for content expertise and expanded education in compliance high risk areas



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Inter-University Compliance Consortium

Primary Discussion Areas

- Medical Billing Compliance
- Clinical Trials
- Sponsored Research
- Clinical and Translational Research
- Privacy and Security
- Athletics Compliance
- Compliance Metrics/Dashboards/Reporting



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Inter-University Compliance Consortium

Meetings

- U. T. System, Austin
 - June 23 and 24, 2010
- UC System, Oakland
 - August 26 and 27, 2010
- Teleconference on HITECH HIPAA Provisions
 - July 27, 2010
- U. T. Southwestern Medical Center - Dallas Clinical Trials Demo
 - TBA



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Inter-University Compliance Consortium

Systemwide Compliance Academy

- Expand curriculum to include compliance faculty presenters from the consortium institutions
- Arrange for cross-registration so that consortium members can access webinars at each system
- Provide professionally approved continuing education hours for registered participants