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FOR  
AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW  
COMMITTEE**

**Committee Meeting: 5/9/2007**

**Board Meeting: 5/10/2007**  
Austin, Texas

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

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>A. CONVENE</b>	2:15 p.m. Chairman Estrada		
1. <b>U. T. System Board of Regents: Approve proposed appointment of members to the Audit and Ethics Committee of The University of Texas Investment Management Company (UTIMCO)</b>	2:15 p.m. <b>Action</b>	<b>Action</b> Chairman Estrada	<b>80</b>
2. <b>U. T. System: Report on State Auditor's Office recommendations regarding correctional managed health care funding requirements at U. T. Medical Branch - Galveston</b>	2:17 p.m. <b>Report</b> Dr. Raimer, Vice President and CEO, Community Health Services Ms. Hagara	Not on Agenda	<b>81</b>
3. <b>U. T. System: Report on the Statewide Single Audit Report for the Fiscal Year ended August 31, 2006</b>	2:29 p.m. <b>Report</b> Ms. Barrett	Not on Agenda	<b>81</b>
4. <b>U. T. System: Report on System-wide Information Security</b>	2:37 p.m. <b>Report</b> Mr. Watkins	Not on Agenda	<b>82</b>
5. <b>U. T. System: Report on System-wide Institutional Compliance Activities</b>	2:40 p.m. <b>Report</b> Mr. Chaffin	Not on Agenda	<b>82</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
6. <b>U. T. System: Report on System-wide Internal Audit Activity</b>	<i>2:42 p.m.</i> <b>Report</b> <i>Mr. Chaffin</i>	Not on Agenda	<b>82</b>
<b>B. RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551</b>	<i>2:45 p.m.</i>		
1. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074			
<b>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</b>			
2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - Section 551.071			
<b>C. ADJOURN</b>	<i>3:15 p.m.</i>		

1. **U. T. System Board of Regents: Approve proposed appointment of members to the Audit and Ethics Committee of The University of Texas Investment Management Company (UTIMCO)**

RECOMMENDATION

The University of Texas Investment Management Company (UTIMCO) Board of Directors recommends that the U. T. System Board of Regents approve appointments to the Audit and Ethics Committee of the UTIMCO Board of Directors as follows:

Mr. Erle Nye (Chair)  
Mr. Robert B. Rowling  
Ms. Colleen McHugh  
Mr. Charles W. Tate

It is also reported that the UTIMCO officers are as follows:

Chairman: Mr. H. Scott Caven, Jr.  
Vice-Chairman: Mr. Robert B. Rowling  
Vice-Chairman for Policy: Chancellor Mark G. Yudof

BACKGROUND INFORMATION

Section 66.08 of the *Texas Government Code* requires that the U. T. System Board of Regents approve the appointment of members of the Audit and Ethics Committee of the Board of Directors of UTIMCO. The Board of Directors of UTIMCO recommended these appointments at their meeting held on April 10, 2007, conditioned on the approval of the U. T. System Board of Regents.

Mr. Nye and Mr. Tate were appointed to the UTIMCO Board of Directors by the Board of Regents on March 10, 2005, and September 28, 2004, respectively. Mr. Rowling and Mr. Caven were first appointed to the UTIMCO Board of Directors by the Board of Regents on February 10, 2005, and reappointed on April 16, 2007. Ms. McHugh was first approved to the UTIMCO Board of Directors by the Board of Regents on November 10, 2005, and was reappointed on April 16, 2007.

Mr. Nye and Mr. Rowling were first approved to serve on the Audit and Ethics Committee by the Board of Regents on March 10, 2005, and reapproved on August 10, 2006. Ms. McHugh was approved to serve on the Audit and Ethics Committee by the Board of Regents on August 10, 2006.

2. **U. T. System: Report on State Auditor's Office recommendations regarding correctional managed health care funding requirements at U. T. Medical Branch - Galveston**

REPORT

The State Auditor's Office concluded an audit of correctional managed health care funding requirements at U. T. Medical Branch - Galveston. The audit report was issued in March 2007 and includes recommendations regarding enhancing expenditure documentation, improving cost allocation processes, improving information technology controls, and improving the budgeting processes. The Executive Summary of the State Auditor's report, "An Audit Report on Correctional Managed Health Care Funding Requirements," is set forth on Pages 120 - 123 of the Supplemental Materials (Volume 2) of the Agenda Book.

Dr. Ben Raimer, Vice President and CEO, Community Health Services, and Ms. Kimberly Hagara, Director, Audit Services at U. T. Medical Branch - Galveston, will report on the institution's response to the State Auditor's report and actions being taken to resolve the issues noted.

3. **U. T. System: Report on the Statewide Single Audit Report for the Fiscal Year ended August 31, 2006**

REPORT

Ms. Amy Barrett, Assistant Director of the U. T. System Audit Office, will report on the results of the procedures performed by the State Auditor's Office at several U. T. System institutions to express an opinion on the federal portion of the statewide single audit for the Fiscal Year ended August 31, 2006. The annual audit is a requirement of the U.S. Office of Management and Budget's Circular A-133, and procedures performed are prescribed in the Circular A-133 Compliance Supplement.

Audit procedures were performed at the following institutions:

- U. T. Austin
- U. T. Health Science Center - San Antonio
- U. T. Permian Basin
- U. T. San Antonio
- U. T. Southwestern Medical Center - Dallas
- U. T. Tyler

The PowerPoint presentation is set forth on Pages 124 - 131 of the Supplemental Materials (Volume 2) of the Agenda Book.

**4. U. T. System: Report on System-wide Information Security**

REPORT

Mr. Lewis Watkins, U. T. System Chief Information Security Officer, will report on the activities and progress for the second quarter of Fiscal Year 2007 regarding implementation of the U. T. System Action Plan to Enhance Information Security Compliance. The report will include an overview of the implementation roadmap, observations concerning high risks, strategies under consideration, and activities of the Chief Information Security Officer Council.

**5. U. T. System: Report on System-wide Institutional Compliance Activities**

REPORT

Mr. Charles Chaffin, Director of Audits and System-wide Compliance Officer, will brief the Audit, Compliance, and Management Review Committee on the second quarter report of the System-wide Compliance Program, set forth on Pages 132 - 135 of the Supplemental Materials (Volume 2) of the Agenda Book. Institutional activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on a quarterly basis. The last activity reports were sent on April 20, 2007.

**6. U. T. System: Report on System-wide Internal Audit Activity**

REPORT

Mr. Charles Chaffin, Director of Audits, will report on System-wide audit activity for the second quarter of Fiscal Year 2007, including the status of significant audit recommendations.

The second quarter activity report titled Status of Outstanding Significant Findings is set forth on Pages 84 - 85. 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 86.

## BACKGROUND INFORMATION

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 UNIVERSITY OF TEXAS SYSTEM  
Status of Outstanding Significant Findings

Report Date	Institution	Audit	1st Quarter 2007		2nd Quarter 2007		Overall Progress Towards Completion (Note)	Targeted Implementation Date	Ranking Significance
			Ranking	# of Significant Findings	Ranking	# of Significant Findings			
2006-06	UTARL	Mex Express Cash Handling Audit		1		0	Completed	O	
2004-03	UTAUS	Information Security Management		1		0	Completed	C, O	
2006-02	UTAUS	UT Elementary (by West, Davis & Company)		1		0	Completed	C	
2004-03	UTB	Contracts and Grants		1		1	Satisfactory	C, O	
2004-06	UTB	2003 Financial and Applications Controls Audit of the Financial Aid Office		1		1	Satisfactory	C, O	
2004-10	UTB	Physical Plant		3		2	Satisfactory	C, O	
2003-12	UTD	Lab and Biological Safety		1		1	Satisfactory	C, O	
2007-01	UTD	Annual Financial Report Audit		1		1	Satisfactory	F, C, O	
2005-05	UTEP	Office of the Registrar		1		1	Satisfactory	C, O	
2005-08	UTEP	Texas Success Initiative		1		1	Satisfactory	C, O	
2007-02	UTEP	Campus-wide Information Technology Applications		1		5	Satisfactory	C, O	
2006-04	UTPA	GEAR UP		1		1	Satisfactory	C	
2004-09	UTSA	Research Compliance - Time and Effort Reporting		1		1	Satisfactory	C	
2006-07	UTSA	Information Technology Change Management		1		1	Satisfactory	O	
2006-10	UTSA	Library Audit		1		1	Satisfactory	O	
2006-05	UTSMC - Dallas	Accounts Payable		1		1	Satisfactory	C, O	
2006-09	UTSMC - Dallas	Hospital Compliance Program		1		1	Satisfactory	C, O	
2005-03	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Institutional)		1		1	Satisfactory	C, O	
2005-07	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Correctional Managed Care)		3		2	Satisfactory	C, O	
2005-12	UTMB - Galveston	System-wide Financial Audit		1		0	Completed	F, C, O	
2006-11	UTMB - Galveston	Wireless Access		1		1	Satisfactory	O	
2006-04	UTHSC - Houston	Hematology Inventory Review		1		0	Completed	F, O	
2006-10	UTHSC - Houston	Patient Registration		1		1	Satisfactory	O	
2006-04	UTHSC - San Antonio	Medical Services, Research, and Development Plan Collections		3		1	Satisfactory	O	
2001-08	UTMDACC - Houston	Lotus Notes Environment		1		1	Satisfactory	O	
2004-01	UTMDACC - Houston	PeopleSoft Payroll		1		1	Satisfactory	O	
2006-07	UTMDACC - Houston	Pharmacy Inventory Review		2		1	Satisfactory	O	
2006-07	UTMDACC - Houston	Pharmacy Application Security Review		5		1	Satisfactory	O	
2006-09	UTMDACC - Houston	Centralized Backup, Storage and Recovery		3		3	Satisfactory	C, O	
2005-04	UTHC - Tyler	Texas Administrative Code 202 Compliance		1		1	Satisfactory	C	
2005-06	UTHC - Tyler	Medical Services, Research, and Development Plan Annual Financial Report 8/31/04		1		1	Satisfactory	F, O	
2005-11	UTHC - Tyler	IT Security Audit of Meditech and Lake Superior Software Patient Information Systems		1		1	Satisfactory	C	
2006-06	UTHC - Tyler	Review of the Office of the President's Travel & Entertainment		1		1	Satisfactory	F	
2005-12	UTSYS ADM	System-wide Financial Audit		4		4	Satisfactory	F, O	
2006-05	UTSYS ADM	UTIMCO Institutional Investment and Compliance Audits		8		6	Satisfactory	C	
2006-08	UTSYS ADM	UTIMCO CEO Travel and Entertainment Expenses		1		0	Completed	C, O	
			55		46				
			Totals						

STATE AUDITOR'S OFFICE AUDITS

THE UNIVERSITY OF TEXAS SYSTEM  
Status of Outstanding Significant Findings

Report Date	Institution	Audit	1st Quarter 2007		2nd Quarter 2007		Targeted Implementation Date	Overall Progress Towards Completion (Note)	Ranking Significance
			Ranking	# of Significant Findings	Ranking	# of Significant Findings			
2004-02	UTSA	Financial Review		2		1	12/31/2007	Satisfactory	F
2004-06	UTSMC - Dallas	Protection of Research Data at Higher Education Institutions		1		0	1/31/2007	Completed	O
2006-02	UTMB - Galveston	Federal Portion of the Statewide Single Audit FY 2005		1		0	2/1/2007	Completed	F, C, O
2004-06	UTHSC - San Antonio	Protection of Research Data at Higher Education Institutions		1		1	4/23/2007	Satisfactory	O
2002-11	UTMDACC - Houston	Security Over Electronic Protected Health Information at Selected Texas Academic Medical Institutions		1		0	2/28/2007	Completed	C
2005-02	UTMDACC - Houston	Federal Portion of the Statewide Single Audit FY 2004		2		1	5/31/2007	Satisfactory	C
Totals				8		3			

Color Legend:

- Any audit with institutionally significant findings. Not necessarily a failure - just an area that needs high level attention. Corrective action will be taken subsequent to the quarter in which the finding was reported.
- Significant progress toward resolution was made during the quarter in which the significant finding was first reported.
- A red or orange audit becomes a yellow when significant progress continues beyond the quarter in which the significant finding was first reported.
- All issues have been appropriately resolved, including any issues resolved during the quarter in which they were first reported.

Note:

- Completed** - The Institutional Internal Audit Director deems the significant issues have been appropriately addressed and resolved.
- Satisfactory** - The Institutional Internal Audit Director believes that the significant issues are in the process of being addressed in a timely and appropriate fashion.
- Unsatisfactory** - The Institutional Internal Audit Director does not feel that the significant issues are being addressed in a timely and appropriate fashion.

**OTHER U. T. SYSTEM AUDIT REPORTS RECEIVED BY SYSTEM AUDIT 12/2006 through 2/2007**

<b>Institution</b>	<b>Audit</b>
UTARL	Annual Financial Report Audit Fiscal Year Ended August 31, 2006
UTAUS	Confidentiality and Integrity of Digital Research Data - Department of Psychology
UTAUS	Confidentiality and Integrity of Digital Research Data - Institute for Computational Engineering and Sciences
UTAUS	Confidentiality of Social Security Numbers - Human Resource Services
UTAUS	NCAA Financial Aid (Bylaw, Article 15) - Intercollegiate Athletics
UTB	Annual Financial Report Audit Fiscal Year Ended August 31, 2006
UTB	Joint Admission Medical Program Audit
UTB	President's Travel, Entertainment, and Housing Expenses Audit
UTB	Procurement Card Expenses Audit
UTB	Texas Administrative Code 202 Audit
UTD	Electrical Engineering Departmental Audit
UTD	Follow-Up of Prior Audit Recommendations
UTD	Research Administration Departmental Audit
UTD	The Pub in the Student Union
UTD	University Police – Decals and Ticketing
UTEP	Centennial Museum Change in Management
UTEP	Office of International Programs - Programa de Asistencia Estudiantil (PASE)
UTEP	President's Travel, Entertainment, and Housing Expenses Audit
UTPA	College of Science and Engineering Dean's Office
UTPA	Student Financial Aid - Director's Office
UTPA	Texas Administrative Code 202 Audit
UTPB	Presidential Travel and Expense Audit
UTSA	Advanced Research/Technology Program Report
UTSA	Annual Financial Report Fiscal Year Ended August 31, 2006 Audit
UTSA	Business Procedures Memorandum 75: Protection and Integrity of Sensitive Digital Research Data - Interim Audit (UT System Administration Policy UTS 165, Information Resources Use and Security Policy)
UTSA	Business Procedures Memorandum 76: Guidance on Effort Reporting Policies (UT System Administration Policy UTS 163, Guidance on Effort Reporting Policies)
UTSA	Minority Biomedical Research Support-Research Initiative for Scientific Enhancement Timesheet Internal Control Review
UTTY	Annual Financial Report Audit Fiscal Year Ended August 31, 2006
UTTY	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) Grant Audit
UTSMC - Dallas	Family and Community Medicine
UTSMC - Dallas	Legislative Budget Board Performance Measures Fiscal Year 2006
UTSMC - Dallas	Medical Errors or Close Calls Evaluation and Correction Process
UTSMC - Dallas	National Pediatric Infectious Diseases Foundation Fiscal Year 2006 Financial Review
UTSMC - Dallas	Payment Card Industry (PCI) Data Security Standard (DSS) Compliance
UTSMC - Dallas	Pediatric Management Review Report
UTSMC - Dallas	Texas Higher Education Coordinating Board Medical Education Contracts Audit
UTHSC - Houston	Contracts for Services Report
UTHSC - Houston	Family Practice Residency Program Annual Financial Report for Fiscal Year 2006
UTHSC - Houston	Follow-up on Open Recommendations as of 12/12/2006
UTHSC - Houston	Follow-up on Open Recommendations as of 2/7/2007
UTHSC - Houston	Internal Medicine Residency Program Annual Financial Report for Fiscal Year 2006
UTHSC - Houston	Medical Services, Research, and Development Plan Bylaws and Expenditures Report
UTHSC - Houston	Obstetrics/Gynecology Residency Program - Hermann Hospital Annual Financial Report for Fiscal Year 2006
UTHSC - Houston	Obstetrics/Gynecology Residency Program - LBJ Hospital Annual Financial Report for Fiscal Year 2006
UTHSC - Houston	The University of Texas System Medical Foundation Report
UTHSC - San Antonio	Family Practice Residency Program
UTHSC - San Antonio	Institutional Follow-Up Fiscal Year 2007 First Quarter
UTHSC - San Antonio	Practice Plans Financial Review
UTMDACC - Houston	Construction Processes Emergency Center Relocation Review
UTMDACC - Houston	Radiological Information Systems Application Review
UTHC - Tyler	Annual Financial Report Audit Fiscal Year Ended August 31, 2006
UTHC - Tyler	Family Practice Residency Program Annual Financial Report Audit
UTHC - Tyler	Presidential Travel and Entertainment Audit
UTSYS ADM	Audit of the Memorandum of Understanding between UT System Administration and UT M. D. Anderson Cancer Center
UTSYS ADM	Audit of the Memorandum of Understanding between UT System Administration and UT Southwestern Medical Center
UTSYS ADM	Joint Admission Medical Program Audit
UTSYS ADM	Joint Admission Medical Program Financial Audit
UTSYS ADM	Office of Employee Benefits Compliance with Business Procedures Memorandum 66 (UT System Administration Policy UTS 165, Information Resources Use and Security Policy)
UTSYS ADM	Office of Finance Departmental Audit
UTSYS ADM	UT Arlington NCAA Agreed-Upon Procedures Fiscal Year 2005
UTSYS ADM	UT El Paso NCAA Agreed-Upon Procedures Fiscal Year 2005
UTSYS ADM	UT Pan American NCAA Agreed-Upon Procedures Fiscal Year 2005
UTSYS ADM	UT San Antonio NCAA Agreed-Upon Procedures Fiscal Year 2005

**STATE AUDITOR'S OFFICE AUDIT REPORTS ISSUED 12/2006 through 2/2007**

<b>Institution</b>	<b>Audit</b>
none	none