



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

Committee Meeting: 8/20/2025

Board Meeting: 8/21/2025
Austin, Texas

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

	Committee Meeting	Board Meeting	Page
Convene	2:00 p.m. <i>Chairman Perez</i>		
1. U.T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration	Discussion	Action	97
2. U.T. System: Discussion and appropriate action regarding transfer of \$18,300,000 to rebate to institutions surplus premium contributions paid in Phase V and Phase VI of the Rolling Owner Controlled Insurance Program (ROCIP)	Action <i>Mr. Dendy</i>	Action	98
3. U.T. System: Approval of the U.T. Systemwide Annual Audit Plan for Fiscal Year 2026	Action <i>Mr. Peppers</i>	Action	105
4. U.T. System: Discussion of Systemwide internal audit activities, including updates on the chief administrator travel, entertainment, and university residence maintenance expenses engagement	Report/Discussion <i>Mr. Peppers</i>	Not on Agenda	120
Adjourn	2:30 p.m.		

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

RECOMMENDATION

The Board will be asked to approve the Consent Agenda beginning on [Page 244](#).

2. U.T. System: Discussion and appropriate action regarding transfer of \$18,300,000 to rebate to institutions surplus premium contributions paid in Phase V and Phase VI of the Rolling Owner Controlled Insurance Program (ROCIP)

RECOMMENDATION

The Chancellor *ad interim* concurs in the recommendation of the Chief Compliance and Risk Officer and the Risk Management Executive Committee, chaired by the Executive Vice Chancellor and Chief Operating Officer and comprised of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Academic Affairs, and the Vice Chancellor and General Counsel, to rebate to the U.T. institutions the surplus premium contributions paid in Phase V and Phase VI of the U.T. System Rolling Owner Controlled Insurance Program (ROCIP) as set forth below.

Institution	ROCIP V 60% Premiums/ 40% Loss- Weighted	ROCIP VI 50% Premiums/ 50% Loss- Weighted	Total
U.T. Arlington	\$ 939,576	\$ 71,014	\$ 1,010,590
U.T. Austin	\$ 1,579,450	\$ 2,646,354	\$ 4,225,804
U.T. Dallas	\$ 470,318	\$ 588,093	\$ 1,058,411
U.T. El Paso	\$ 288,619	\$ 203,838	\$ 492,457
U.T. Permian Basin	\$ 256,446	\$ 163,518	\$ 419,964
U.T. Rio Grande Valley	\$ 128,349	\$ 377,923	\$ 506,272
U.T. San Antonio	\$ 310,696	\$ 273,174	\$ 583,870
U.T. Tyler	\$ 40,071	\$ 227,600	\$ 267,671
U.T. Southwestern Medical Center	\$ 1,278,012	\$ 1,139,415	\$ 2,417,427
U.T. Medical Branch - Galveston	\$ 1,235,668	\$ 1,728,478	\$ 2,964,146
U.T. Health Science Center - Houston	\$ 376,272	\$ -	\$ 376,272
U.T. Health Science Center - San Antonio	\$ 348,684	\$ 157,025	\$ 505,709
U.T.M.D. Anderson Cancer Center	\$ 1,969,751	\$ 942,898	\$ 2,912,649
Health Science Center at U.T. Tyler	\$ 78,088	\$ -	\$ 78,088
U.T. System Administration	\$ -	\$ 480,670	\$ 480,670
Total	\$ 9,300,000	\$ 9,000,000	\$ 18,300,000

BACKGROUND INFORMATION

The ROCIP, which is described more fully in the PowerPoint on the following pages, provides workers' compensation, general liability, and excess liability coverage for contractors working on designated U.T. System construction projects. The program ensures consistent, vetted coverage and creates economies of scale by purchasing insurance in bulk rather than being included in the bids of individual contractors.

ROCIP is funded by contributions paid by each project which are reserved to pay commercial insurance premium, program administration costs, and losses in our deductible layer. Since workers' compensation claims are open for many years and construction defect claims can be reported up to 10 years following a project's completion, rebates are typically done in stages. Rebates are actuarially determined to ensure a balance of savings returns and fund adequacy.

This is a highly loss sensitive program meaning savings and the ability to issue rebates is driven by controlling and reducing the frequency and severity of workers' compensation and general liability claims. This is achieved by a robust safety and loss control culture supported by leadership, institution staff, project management teams, third party inspectors, and a variety of construction safety professionals.

The ROCIP program began in 1997 with Phase I, and Phase VIII is currently in effect. In all phases, 443 projects with \$18.84 billion in construction values have been enrolled. If the Board of Regents approves this recommendation, a total of \$82,655,055 will be rebated to the institutions for phases I-VI.

This is the third rebate to be made for ROCIP Phase V. An initial rebate of \$24,000,000 was paid to the participating institutions following approval by the Board on May 1, 2018, and a second rebate of \$6,000,000 was approved on May 5, 2022.

This is the second rebate to be made for ROCIP Phase VI. An initial rebate of \$16,000,000 was paid to the participating institutions following approval by the Board on May 5, 2022.

The allocation to each institution was agreed to by a task force of institutional representatives and considers premiums paid into the fund as well as the individual institution's losses in the phase. For Phase V, 60% of the rebate is based on premiums paid on construction values and 40% is based on the individual institution's losses in the phase. For Phase VI, the task force approved an increase in the loss-weighted allocation to 50% to encourage continued emphasis and engagement regarding project safety and risk mitigation.

Rolling Owner Controlled Insurance Program Benefits and Rebate Recommendations

Phillip Dendy, Chief Compliance and Risk Officer

U.T. System Board of Regents Meeting
Audit, Compliance, and Risk Management Committee
August 2025



Rolling Owner Controlled Insurance Program (ROCIP)

- ROCIP provides Workers' Compensation, General Liability, and Excess Liability insurance for all enrolled contractors on U.T. System Major Capital Improvement Projects (CIP)
- ROCIP Phase I began in 1997
- Currently in Phase VIII
- \$18.84 billion total construction values enrolled – all phases

Benefits

- Significant cost savings to the U.T. institutions
- Uniform and enhanced insurance coverages and limits with known/single insurer
- Standardized and enhanced claim and safety management programs across all projects
- Superior OSHA Recordable Incident Rate (RIR): U.T. System average 0.7 vs. OSHA average 2.3 (rolling 12-month RIR)
- Increased Historically Underutilized Business (HUB) participation
- Eliminates cross claims among contractors (mutual waiver of subrogation)

Rebate Recommendations

- Rebate Phase V - \$9.3 million recommended additional rebate (\$30 million approved and \$24 million distributed May 2018, \$6 million distributed May 2022)
 - Allocation: 60% premium / 40% loss weighted for claims activity
- Rebate Phase VI - \$9 million recommended additional rebate (\$16 million approved and distributed in May 2022)
 - Allocation: 50% premium paid / 50% loss weighted for claims activity

Phase V and Phase VI Rebates

	ROCIP V		ROCIP VI		TOTAL 2025 RECOMMENDED
Institutions	Prior Rebates	FY 2025	Prior Rebates	FY 2025	ROCIP V & VI
UTA	\$1,632,003	\$939,576	\$1,403,220	\$71,014	\$1,010,590
UT AUS	\$6,623,078	\$1,579,450	\$4,201,612	\$2,646,354	\$4,225,804
UTD	\$1,899,587	\$470,318	\$1,325,894	\$588,093	\$1,058,411
UTEP	\$1,007,307	\$288,619	\$327,233	\$203,838	\$492,457
UTPB	\$831,659	\$256,446	\$257,756	\$163,518	\$419,964
UTRGV	\$404,266	\$128,349	\$607,912	\$377,923	\$506,272
UTSA	\$955,861	\$310,696	\$421,690	\$273,174	\$583,870
UTT	\$121,956	\$40,071	\$358,408	\$227,600	\$267,671
UTSWMC	\$3,842,594	\$1,278,012	\$1,724,488	\$1,139,415	\$2,417,427
UTMB	\$5,146,740	\$1,235,668	\$2,615,477	\$1,728,478	\$2,964,146
UTHSCH	\$1,124,946	\$376,272	\$0	\$0	\$376,272
UTHSCSA	\$1,101,429	\$348,684	\$263,472	\$157,025	\$505,709
UTMDACC	\$5,061,119	\$1,969,751	\$1,525,665	\$942,898	\$2,912,649
HSC-UTTYLER	\$247,455	\$78,088	\$0	\$0	\$78,088
UT SYSTEM	\$0	\$0	\$967,173	\$480,670	\$480,670
Systemwide Total	\$30,000,000	\$9,300,000	\$16,000,000	\$9,000,000	\$18,300,000



3. U.T. System: Approval of the U.T. Systemwide Annual Audit Plan for Fiscal Year 2026

Chief Audit Executive Peppers will present the proposed Fiscal Year 2026 U.T. Systemwide Annual Audit Plan (Audit Plan) using the PowerPoint set forth on the following pages and will recommend its approval. Development of the Audit Plan is based on risk assessments performed at each institution. Implementation of the Audit Plan will be coordinated with the institutional auditors. The Audit Plan executive summary and the detailed annual audit plans were provided to the Audit, Compliance, and Risk Management Committee members prior to the meeting.

BACKGROUND INFORMATION

Institutional audit plans, compiled by the internal audit departments after input and guidance from the U.T. System Audit Office, the Offices of Academic or Health Affairs, and the institution's management and institutional internal audit committee, were submitted to the respective institutional internal audit committee and institutional president for review and comments. Also, the U.T. System Chief Audit Executive provided feedback by conducting audit plan presentations with each institution. After the review process, each institutional internal audit committee formally approved its institution's audit plan.

U.T. Systemwide FY 2026 Annual Audit Plan

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

U.T. System Board of Regents Meeting
Audit, Compliance, and Risk Management Committee
August 2025



Domain III: Governing the Internal Audit Function

Domain III standards include “essential conditions” for an effective internal audit function.

6. Authorized by the Board

The board establishes, approves, and supports the mandate of the internal audit function.

6.1 Internal Audit Mandate

6.2 Internal Audit Charter

7. Positioned Independently

The board establishes and protects the internal audit function’s independence and qualifications.

7.1 Organizational Independence

7.2 Chief Audit Executive Qualifications

8. Overseen by the Board

The board oversees the internal audit function to ensure the function’s effectiveness.

8.1 Board Interaction

8.2 Resources

8.3 Quality

8.4 External Quality Assessment

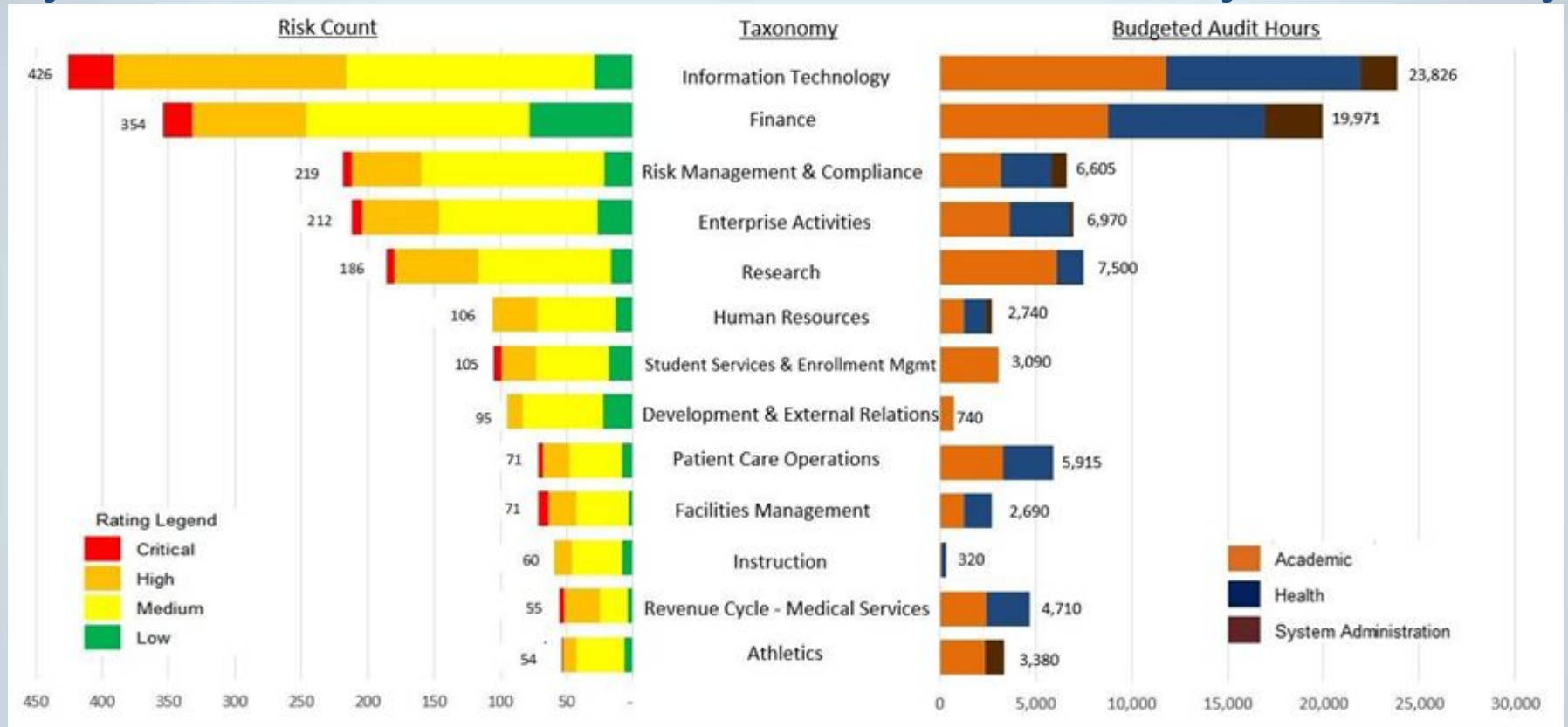
Overall Audit Plan Process



Systemwide Annual Audit Plan

- Includes 180k hours in the following categories:
 - Assurance, Advisory, and Required engagements (59%)
 - Investigations (4%)
 - Follow-up on action plans (3%)
 - Operations and Initiatives & Education (28%)
 - Reserve for unanticipated needs (6%)
- Validate activities that mitigate the highest risks related to successful achievement of key objectives
- Executed by internal audit professionals (~105) and co-source resources

Systemwide Risk Count vs. Audit Hours by Taxonomy



Most Common IT Topics

Information Security

- Cyber vulnerability management and incident response
- Third-party security and risk management
- Identity and access management

Other Common IT Topics

Data
Governance,
Management, &
Protection

Legal &
Regulatory
Compliance

Hardware &
Software
Inventory
Management

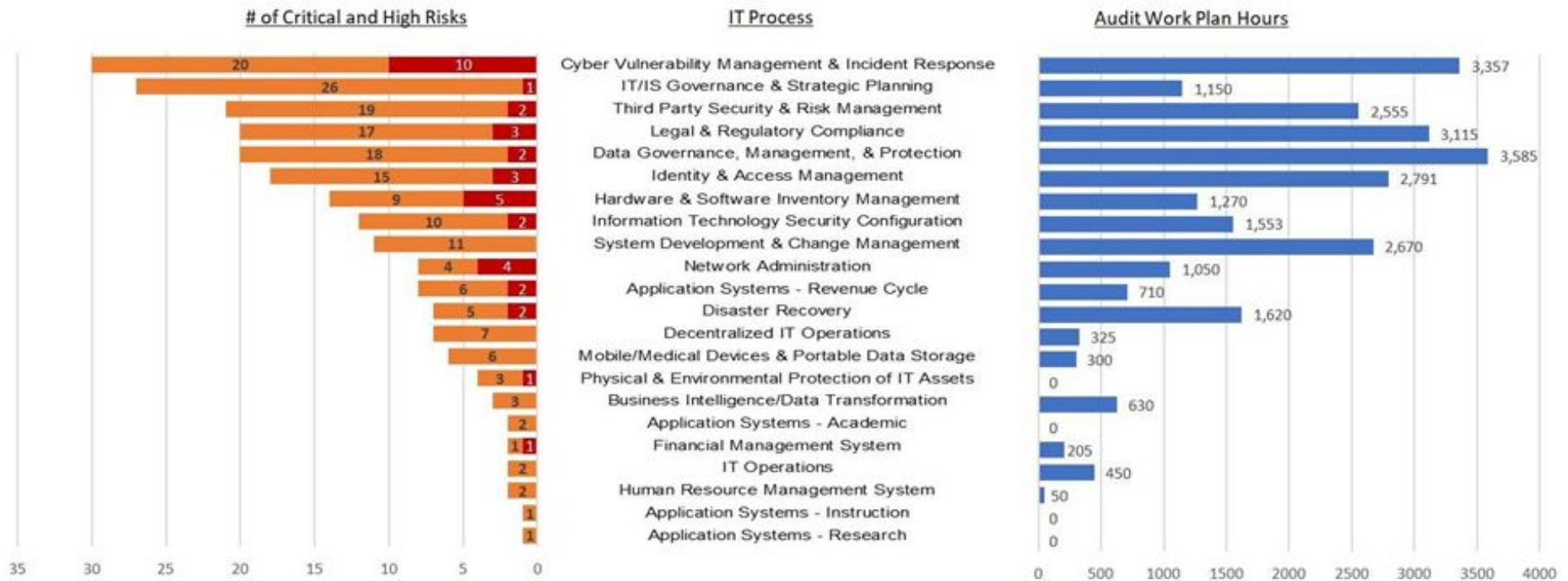
System
Development &
Change
Management

AI Governance,
Data Protection,
& Use



The University of
Texas System

Systemwide IT Critical/High Risk Count vs. Audit Hours by IT Process



Most Common Topics

Purchasing/ Supply Chain

- Review processes, policies, and controls around purchasing:
 - Contract execution and termination
 - Oversight of vendor activities and billing
 - Ensuring supply chain resilience
 - Compliance with statutes/regulations

Most Common Topics (cont.)

Financial Reporting

- Evaluate processes and controls to ensure accurate and timely financial information/reporting

Most Common Topics (cont.)

Research Administration

- Ensure expenditure compliance with grant- or contract-specific requirements, including:
 - Evaluating processes and controls, policies, and procedures

Most Common Topics (cont.)

Patient Care Operations

- Assess policies, processes, risks and controls for:
 - Patient care risk management
 - Quality of care
 - Controlled substances management
 - Compliance with regulations

Most Common Topics (cont.)

Medical Services Revenue Cycle

- Evaluate processes and controls around various aspects of the medical services revenue cycle, including:
 - Billing practices
 - Charge capture for services provided
 - Clinical operations
 - Collections
 - Compliance with regulations

Other Common Topics

Travel &
Entertainment
Expenses

Policy
Management

Financial Aid

Compliance
Program

Joint Ventures

Cash
Management,
Treasury, &
Investments

Research
Compliance

TEC §51.3525



The University of
Texas System

4. **U.T. System: Discussion of Systemwide internal audit activities, including updates on the chief administrator travel, entertainment, and university residence maintenance expenses engagement**

Chief Audit Executive Peppers will report on the chief administrator travel, entertainment, and university residence maintenance expenses engagement conducted by internal audit. A summary of the chief administrator expenses audit, as well as details on the assurance work performed of Cancer Prevention and Research Institute of Texas (CPRIT) grant activity at U.T. institutions conducted by external providers and on the Fiscal Year 2025 Annual Audit Plan status as of May 31, 2025, including Priority Observations, were provided to the Audit, Compliance, and Risk Management Committee members prior to the meeting.

BACKGROUND INFORMATION

Deloitte & Touche LLP was engaged to conduct audits of FY 2024 CPRIT grant activity for seven U.T. institutions. Five other U.T. institutions engaged Weaver & Tidwell to perform agreed upon procedures of FY 2024 CPRIT grant activity.