

UNIVERSITY OF HOUSTON SYSTEM
Audit and Compliance Committee
Friday, February 10, 2009
10:45 a.m. – 12:00 Noon

AGENDA

UNIVERSITY OF HOUSTON SYSTEM AUDIT AND COMPLIANCE COMMITTEE MEETING

DATE: Tuesday, February 10, 2009

TIME: 10:45 a.m.

PLACE: University of Houston
3100 Cullen Boulevard
Athletics/Alumni Building
Melcher Board Room 100B
Houston, Texas 77204

Chair: Dennis D. Golden

Vice Chair: Nelda L. Blair

Members: Jacob M. Monty
Welcome W. Wilson, Sr., Ex Officio

AUDIT AND COMPLIANCE COMMITTEE

A. Call to Order

B. Board of Regents' Internal Audit and Institutional Compliance Policies – UH System AUDIT - 1

Action: Approval

C. Institutional Compliance Status Report for the Three Months Ended December 31, 2008 – UH System AUDIT - 2

Action: Information

D. External Audit Reports – UH System AUDIT - 3

- UH Athletics Department Independent Accountants' Report on the Application of Agreed-Upon Procedures for Year ended August 31, 2008 (excerpts)

Action: Information

E. Internal Audit Report – Briefing Booklet – UH System AUDIT - 4

Action: Information

F. Certification of Annual Financial Statements – UH System AUDIT - 5

Action: Information

G. Adjourn

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Audit and Compliance

ITEM: Board of Regents' Internal Audit and Institutional Compliance Policies

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Audit Committee Planner, item number 3.03, requires an annual review of the Board of Regents' policies on Internal Audit and Institutional Compliance.

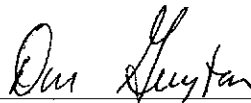
FISCAL NOTE:

SUPPORTING DOCUMENTATION: Board of Regents' Internal Audit and Institutional Compliance Policies

ACTION REQUESTED: Approval

COMPONENT: University of Houston System

DIRECTOR, INTERNAL AUDITING


Don F. Guyton

1/23/09
DATE

CHANCELLOR PRESIDENT


Renu Khator

1/29/09
DATE

Board of Regents
Internal Audit and Institutional Compliance Policies
(2/10/09)

41 AUDIT

41.01 Internal Auditing

To develop a framework for the implementation of the internal audit function within the system, and to define the scope of the internal audit function as an effective management tool for use by the chancellor and the board in evaluating the system's fiscal integrity and compliance with the Texas Internal Auditing Act, Texas Government Code, Section 2102, applicable state and federal laws and with approved board policies, the board adopts the following policy:

41.01.1 Philosophy

- A. A primary responsibility of the board is to ensure the legal and fiscal integrity of the system. To that end, the board directs the Department of Internal Auditing to perform those audit activities necessary to assure that the system's resources are being properly managed and accounted for and that the institution is complying with approved policies and statutory requirements.
- B. Internal audits are resource tools for management and enable the system to monitor the effectiveness with which policies are followed, objectives met, and control systems function.
- C. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the system's operations. It helps the system accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- D. The Department of Internal Auditing will be free of all operational and management responsibilities that would impair the ability to make independent reviews of all aspects of the system.
- E. In carrying out their duties and responsibilities, members of the Department of Internal Auditing will have full, free, and unrestricted access to all system activities, records, property, and personnel. The Internal Auditing Department may also request access to the financial records of private support organizations and foundations chartered for the benefit of the University of Houston System or any part thereof.

41.01.2 Organizational Responsibility

- A. The director of internal auditing will report directly to the chair of the Audit and Compliance Committee of the board, and have access to the chancellor.
- B. The board is responsible for the employment and dismissal of the internal auditor; however, the chancellor has the authority to make

recommendations to the board on the employment and dismissal of the internal auditor.

- C. The Department of Internal Auditing will perform its duties in accordance with the Standards for the Professional Practice of Internal Auditing and the Code of Professional Ethics, as established by the Institute of Internal Auditors.

41.01.3 The Internal Auditing Process

- A. In August of each year, the Department of Internal Auditing will present to the Audit and Compliance Committee a long-range audit plan and an annual audit plan for the Board's review and approval.
- B. The director of internal auditing will meet with the chancellor on a regular basis to review audits performed, audits in progress, and future audits.
- C. The director of internal auditing will meet with the chair of the Audit and Compliance Committee on a regular basis to review audits performed, audits in progress, and future audits.
- D. Internal Audit reports will be distributed to the Chancellor, members of the Board of Regents, the State Auditor, the Governor's Office of Planning and Budgeting, the Legislative Budget Board and the Sunset Advisory Commission, as required by the Texas Government Code, Section 2102.

41.01.4 Objectives

The internal audit activity evaluates and contributes to the improvement of the system's risk management, control and governance systems by addressing the following objectives:

- A. **Risk Management:** Internal audit activity will assist the system by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems.
- B. **Control:** Internal audit activity will assist the system in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.
- C. **Governance:** Internal audit activity will contribute to the system's governance process by evaluating and improving the process through which (1) values and goals are established and communicated, (2) the accomplishment of goals is monitored, (3) accountability is ensured, and (4) values are preserved.
- D. The internal audit activity will evaluate risk exposures and adequacy and effectiveness of controls relating to the system's governance, operations and information systems regarding the
 - o Reliability and integrity of financial and operational information
 - o Effectiveness and efficiency of operations
 - o Safeguarding of assets
 - o Compliance with laws, regulations, and contracts.
- E. The Internal Audit Department will coordinate audit efforts with those of external CPA firms and the state auditor's office. (2/10/09)

42 COMPLIANCE

42.01 Institutional Compliance

The Chancellor, as chief executive officer of the System, is responsible for ensuring the implementation of an institutional compliance program for the System. Accordingly, the System-wide Compliance Officer prepares an executive summary of all institutional compliance activity of the component institutions.

42.01.1 System-Wide Compliance Officer

The System-wide Compliance Officer is responsible, and will be held accountable for, apprising the Chancellor and the Audit and Compliance Committee of the institutional compliance functions and activities at each of the component institutions as set out in Subparagraph B, below. The System-wide Compliance Officer provides institutional compliance assistance to the Chancellor and the Vice Chancellors in the exercise of their responsibilities.

- A. **Appointment:** The System-wide Compliance Officer shall be appointed by the Chancellor. The System-wide Compliance Officer is the senior compliance official of The University of Houston System, provides assistance and advice covering all component compliance programs, and shall hold office without fixed term, subject to the pleasure of the Chancellor.
- B. **Duties and Responsibilities:** The primary responsibilities of the System-wide Compliance Officer include developing an infrastructure for the effective operation of The University of Houston System Institutional Compliance Program; chairing the System-wide Compliance Officers Council; and prescribing the format for the annual risk-based compliance plan and the quarterly compliance status reports to be submitted by each component institution. (2/10/09)

UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: Institutional Compliance Status Report for the Three Months Ended
December 31, 2008

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Institutional Compliance Status Report summarizes the information provided by each institution for their respective compliance functions.

FISCAL NOTE:

SUPPORTING DOCUMENTATION: Institutional Compliance Status Report

ACTION REQUESTED: Information

COMPONENT: University of Houston System

DIRECTOR, INTERNAL AUDITING


Don F. Guyton

1/23/09
DATE

CHANCELLOR


Renu Khator

1/29/09
DATE

**UNIVERSITY OF HOUSTON SYSTEM
INSTITUTIONAL COMPLIANCE STATUS REPORT
For the 3 months ended December 31, 2008**

Institutional compliance activities at each university during the three months ended December 31, 2008 are as follows:

<u>Activity</u>	<u>UH/UHS</u>	<u>UHCL</u>	<u>UHD</u>	<u>UHV</u>
Risk Assessments Completed	1	0	4	1
Risk Assessments Updated	1	0	4	0
Compliance Audits Conducted	154	0	1	3
Compliance Committee Meetings Held	1	2	1	1
Risk Mitigation Implemented:				
Specific Control Activities (pol. & proc.)	32	0	0	19
New Training Program / Activities	18	0	2	11

Hot-line Reports:

Number Received during quarter	12	0	0	0
Reports Resolved during quarter	11	0	0	0
Unresolved Reports as of Dec. 31, 2008	3	0	0	0

UHS:

A system-wide meeting of the institutional compliance officers was held on October 15, 2008 to discuss institutional compliance activities. Included on the meeting agenda were the following:

- Review of report to be presented to the audit and compliance committee on December 9, 2008
- Cooperative Problem Solving – Sharing of Ideas (discussion by all compliance officers of major concerns / accomplishments)
- Presentation by Mike Glisson – Managing the Business Risk of Fraud
- Update on current research compliance issues by Rosemary Grimmet
- Presentation by Sara Carter – Training monitoring update

Following are the training statistics for FY 2008 and for FY 2009 as of January 13, 2009.

Mandatory Training Completion Stats (All Campuses)		
	FY 08	FY 09
UH Clear Lake Total	83.24%	90.54%
UH Downtown Total	88.45%	83.75%
UH Main and System Total	79.45%	87.80%
UH Victoria Total	84.94%	99.06%
Total (All Campuses)	80.68%	88.04%

** UHV, UHD, and UH Main extended the deadline to 1/31/09*

UH:

Research

The Division of Research held a workshop for faculty on October 10, 2008. Presentations included discussion of UH compliance policies.

Public Safety

The University of Houston Department of Public Safety conducted its required Training Provider Advisory Board Meeting on December 11, 2008 in compliance with Texas Commission on Law Enforcement requirements to maintain our agency training provider status with the Commission.

The University of Houston Department of Public Safety (UHDPS) began the re-certification process for the Texas Law Enforcement Electronic Telecommunications System (TLETS) and for the National Crime Information Center (NCIC) and the Texas Crime Information Center (TCIC). Ninety percent of the peace officers and dispatchers have completed the recertification testing. The remaining ten percent will complete the training in January. All UHDPS peace officers and dispatchers must complete the recertification by March 31, 2009.

Finance

The Red Flag Rules Committee has completed or is working on the following tasks to ensure compliance with the Fair and Accurate Credit Transactions Act of 2003 (FACT Act) and related rules issued by the Federal Trade Commission:

- Drafting a SAM policy
- Drafting campus-specific policies
- Conducted campus-specific risk assessments to determine which units are affected by the Red Flag Rules
- Posted a Request for Information (RFI) for Red Flag Rules Solutions on the Texas Electronic State Business Daily to gather information about vendor-provided solutions
- Viewed demos of identify theft prevention and detection products offered by LexisNexis and plan to use some of these products on a trial basis in January and February
- Requested the timeframe and cost for modifying the PeopleSoft Student System to issue an automated confirmation email to students when they request an address change
- Modifying Secure Our Systems Training, which all UHS employees are required to take annually, to include information about the Red Flag Rules
- Confirmed with HigherOne, which issues student refunds, that they are compliant with the FACT Act

The Payment Card Industry (PCI) Committee has completed or is working on the following tasks to ensure compliance with PCI Standards:

- Renewing the contract with Verizon Business Systems to document PCI compliance through their online product
- Posted a Request for Information (RFI) for PCI compliance services on the Texas Electronic State Business Daily to see which other companies might provide this service in the future

- Working with Bank of America to move an additional 13 UHS merchants to the BOA Payment Collection Gateway, which is PCI compliant (about 30 UHS merchants are already using the Gateway)
- Working with other UHS vendors that have unique operations to make sure they are PCI compliant

Human Resources:

ANNUAL MANDATORY TRAINING

Annual Mandatory Training Window opens for all employees 10/1/08-12/31/08.

As of 12/31/08 the Main Campus was at 82% compliance. The deadline has since been extended for Main Campus employees to January 31, 2009.

Electronic I-9 Form (e I-9)

HR and HRMS have completed development of a new electronic version of the I-9 (Employment Eligibility Verification Form).

This new paperless process will centralize the process for all employment new hires to come through HR. (Staff, Faculty and Students)

This was to be introduced to the main campus and system wide but due to a formal change in the form as of 2/2/09, we will introduce the process at that time.

AIG Third Party Administrator (TPA) for TDA and ORP Plan Providers

HR and Payroll have successfully transitioned the contributions for all plan providers through one TPA as of 12/31/08. Per new federal regulations on 403(b) plans we were required to administer the plan with greater oversight and coordination. The University system and all campuses are now sending employee and employer contributions to AIG for dissemination to the appropriate plan provider. We are still completing agreements with some providers and there was an extension to compliance to 12/31/09.

Family and Medical Leave Act Amendments

HR has updated and revised forms and communication to incorporate the amendments to FMLA which are effective 1/16/09. We have posted these to the HR website and we have shared them with CDA's at their most recent January meeting. Two full-time HR staff members were sent to FMLA/ADA training in October of 2008 and received certification to administer and manage these leave processes and other work related accommodations under these two Federal acts.

Environmental Health and Risk Management Training

General Laboratory Safety (Presented 1 Time)

Biological Safety (Presented 2 Times)

Biohazardous Materials Shipping (Presented 2 Times)

Bloodborne Pathogens (Presented 2 Times)

Principal Investigator Recombinant DNA (Presented 2 Times)

Environmental Compliance

Radioactive Material Safety
X-ray Safety Training
Laser Safety Training
Online Annual Radioactive Material Safety Refresher
Online Annual Laser Safety Refresher
Online Hazardous Waste Procedures
Online Environmental Compliance
Online Bloodborne Pathogens Refresher

Regulatory Safety Committees

Radiation Safety Committee (2 Meetings)
Institutional Biosafety Committee

New Regulated Safety Programs/Activities

Research Laboratories Safety Showers and Eyewashes Equipment Upgrade Compliance Project
Ongoing
Updated CHEMTREC contact information and now have one standard 24/7 phone number for University
Approval from City of Houston to reduce frequency of required pump outs for 8 campus traps (grease. lint)
Initiated regular meetings with other UH System representatives to discuss common EH&S concerns

Compliance Audits

Comprehensive Laboratory Safety Audits

General and Chemical Safety	100
Biosafety	37
Controlled Substances	2
Radioactive Material Safety	5
X-ray Safety	1
Laser Safety	9

Regulatory Safety Reports/Actions

Conducted annual SPCC Plan briefing per regulatory requirements
Chemical Waste Shipment (3 Times)
Biological Waste Shipment (3 Times)
Amended Laser Registration
Medical Physicist's review of Medical & Veterinarian X-ray Machines

Regulatory Safety Inspections

State Inspection of X-ray Registration – No Violations

UHCL:

A UHCL compliance committee was held on November 13, 2008 with presenters Mr. Don Guyton and Mary Cook. Included on the meeting agenda were the following:

- a. A quorum was called and the meeting called to order.
- b. The minutes of the May 29, 2008, meeting were approved with no corrections
- c. Don Guyton presented the UHS – BOR Policy 42.01 Institutional Compliance
- d. Mary Cook UHD presented:
 1. Components of an Effective Compliance Program
 2. Risk Assessment Strategies, and
 3. Key Elements of the “Quick Reference” Document

A UHCL compliance committee was held on December 11, 2008. Included on the meeting agenda were the following:

- a. A quorum existed and the meeting called to order.
- b. The minutes of the November 13, 2008 minutes were approved with no corrections.
- c. Revised Compliance Committee members list was approved with corrections.
- d. Expansion of Assessments to Component level was approved for implementation.
- e. System Computing setup was discussed including Optimization.
- f. The UHD Optimization form was approved as the foundation for the project.
- g. Forms Access capability will be determined for project feasibility.
- h. Compliance section worksheets with Component list corrections will continue until completed by all components.

UHD:

During the quarterly meeting:

- Reviewed progress-to-date versus FY09 goals.
- Risk Assessment Update provided, discussed actions to be taken and current status. Discussed changes to the list of institutional impact risks.
- Subject matter experts gave reports on the identified institutional risk areas. The reports highlighted failures detected by the monitored controls, actions taken to mitigate future failures, training, new policies, procedures, or regulations and new areas of compliance concerns.
- A Compliance and MySafeCampus training PowerPoint was presented to the committee members for comments and fine tuning. The vision is to provide a tool for the committee members to use to heighten the awareness of MySafeCampus.

The final UHD Employee Standard of Conducts Guide has been completed and forwarded to OGC for review.

Over 90% of UHD employees have signed the ESO Staff Handbook “Statement of Acceptance.” The handbook provides information about UHD policies, procedures, benefits and working conditions.

IT Risk Management Plan activities include the following:

- The annual update of the IT Risk Assessment for Major IT systems began in November, 2008. Both the Risk Assessment and the resulting Risk Management Plan

update for Major IT systems should be completed before the next Institutional Compliance report.

The UHD Compliance Officer attended the Compliance and Ethics Academy, met the requirements and passed the exam to become a Certified Compliance and Ethics Professional.

UHV:

The quarterly compliance meeting was held October 23rd, 2008 (minutes posted online at <http://www.uhv.edu/compliance/meetings.asp>). Notable quarterly compliance activities included:

- Conducted annual departmental fraud/risk survey for FY08 operations. All unit heads completed.
- Formally closed out the two State Office of Risk Management recommendations received during their 2008 Risk Management Program Review.
- No known hotline or other reports of fraud were received during the quarter.
- Athletic Department completed initial Risk Assessment associated with NAIA compliance and the Student Athlete Handbook was also published online.
- Purchasing, Related Party, Cash Funds and Cash Handling, and Reimbursement for Travel and other Expenses campus policies were updated. New policy, Student Athlete Per Diem approved.
- Updated campus Compliance website “Reporting Fraud, Waste and Abuse” for easier reporting (www.uhv.edu/compliance/fraud_reporting.asp)
- Finance Functional Analyst reviewed PeopleSoft security access of certain positions in Student Financials and Financial Aid, adjusting access to actual position requirements (to prevent unauthorized/unintentional access or manipulation of data outside of employees’ actual job role)
- International Programs finalized and posted International Agreement Routing Form. Tool for timely notifications, reviews and proper authorizations for proposed new study abroad programs.
- Safety and Risk conducted a quarterly Safety and Risk Advisory Committee meeting on July 29th;
- Biennial review of campus Indoor Air Quality procedures and protocols was conducted with Facilities staff;

The information in this summary is taken from a more detailed campus departmental report of activities. The complete quarterly report is available online at www.uhv.edu/compliance/reports.asp .

Don F. Guyton
System-wide Compliance Officer
January 16, 2009

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Audit & Compliance

ITEM: External Audit Report

- UH Athletics Department Independent Accountants' Report on the Application of Agreed-Upon Procedures for Year ended August 31, 2008 (excerpts)

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Audit & Compliance Committee Charter and Checklist, item number 13, requires the Committee to review any significant findings and recommendations of the State Auditor and any employed public accounting firm.

FISCAL NOTE:

SUPPORTING DOCUMENTATION: External Audit Reports

ACTION REQUESTED: Information


COMPONENT: University of Houston System

DIRECTOR, INTERNAL AUDITING


Don F. Guyton

1/23/09
DATE

CHANCELLOR


Renu Khator

1/29/09
DATE

University of Houston

Application of Agreed-Upon Procedures on
Athletic Revenues and Expenses
Year Ended August 31, 2008

(Excerpts)

The attached excerpts of the Independent Accountant's report on the Application of Agreed-Upon Procedures on Athletic Revenues and Expenses for the year ended August 31, 2008, includes the Table of Contents, Independent Accountant's Report and Appendix B: Statement of Revenues and Expenses. Appendix A: Agreed-Upon Procedures and Findings (24 pages) includes findings in the following areas: classification of revenues and expenses for reporting and budget purposes, classification of expenditures in the financial system, and endowment income expenditures. The entire report, including Appendix A can be viewed on the web site of the UHS Internal Auditing Department at ***http://www.uh.edu/audit/Documents/External_Reports/UH_Athletics_Final_FY08_AU_Report.pdf***

UNIVERSITY OF HOUSTON
(Houston, Texas)

**INDEPENDENT ACCOUNTANTS' REPORT ON THE
APPLICATION OF AGREED-UPON PROCEDURES ON
THE STATEMENT OF REVENUES AND EXPENSES OF
THE ATHLETICS DEPARTMENT**

YEAR ENDED AUGUST 31, 2008

UNIVERSITY OF HOUSTON

(Houston, Texas)

APPLICATION OF AGREED-UPON PROCEDURES ON THE STATEMENT OF REVENUES AND EXPENSES OF THE ATHLETICS DEPARTMENT

YEAR ENDED AUGUST 31, 2008

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Appendix A: Agreed-Upon Procedures and Findings	2
Appendix B: Statement of Revenues and Expenses	30



McCONNELL & JONES_{LLP}
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES

The President
The University of Houston System
Houston, Texas

We have performed the procedures enumerated in Appendix A, which were agreed to by you as required under the National Collegiate Athletic Association's ("NCAA") Bylaw 6.2.3, solely to assist you in evaluating whether the statement of revenues and expenses ("Statement") of the intercollegiate athletic program of the University of Houston (the "University") presented in Appendix B is in compliance with NCAA financial reporting guidelines and the disclosure requirements of the U.S. Equity in Athletics Disclosure Act as they apply to the fiscal year ended August 31, 2008. The University's management is responsible for the Statement and the Statement's compliance with those requirements.

This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Appendix A either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Statement. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the parties specified above, and is not intended to be and should not be used by anyone other than these specified parties.

McConnell and Jones, LLP
December 19, 2008

APPENDIX B:
STATEMENT OF ATHLETIC REVENUES AND EXPENSES

THE UNIVERSITY OF HOUSTON
(Houston, Texas)

STATEMENT OF ATHLETIC REVENUES AND EXPENSES

YEAR ENDED AUGUST 31, 2008

Line Description	Football	Men's Basketball	Women's Basketball	Other Sports	Non- Program Specific	Total
REVENUES						
Ticket Sales	\$ 1,488,358	\$ 347,590	\$ 11,528	\$ 279,658	\$ 81,067	\$ 2,208,200
Student Service Fees	-	-	-	-	4,399,705	4,399,705
Guarantees Received	800,000	12,000	5,200	20,317	-	837,517
Contributions	115,023	5,690	-	298,414	2,314,173	2,733,299
Direct Institutional Support	2,865,419	1,615,251	2,127,033	6,556,127	393,314	13,557,144
NCAA/Conf Distribution	1,404,953	927,733	1,233	39,988	809,695	3,183,601
Program Sales, Concessions, Novelties, Parking	293,933	85,340	5,281	103,278	1,235,411	1,723,242
Royalty, Ads & Sponsors	-	187,500	-	15,000	576,419	778,919
Endowment & Investment	6,365	2,269	-	246,572	26,354	281,560
Other Revenues	300	-	272	44,130	1,649,664	1,694,366
Total Revenue	\$ 6,974,350	\$ 3,183,373	\$ 2,150,546	\$ 7,603,484	\$ 11,485,801	\$ 31,397,553

Continued

THE UNIVERSITY OF HOUSTON
(Houston, Texas)

STATEMENT OF ATHLETIC REVENUES AND EXPENSES (CONT'D)

YEAR ENDED AUGUST 31, 2008

Line Description	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
EXPENSES						
Athletics Student Aid	\$ 1,909,095	\$ 324,325	\$ 338,409	\$ 1,776,230	\$ -	\$ 4,348,059
Guarantees Paid	147,460	406,043	2,500	8,000	-	564,003
Salaries & Fringes	2,367,555	1,033,399	474,469	1,741,177	4,714,790	10,331,391
Recruiting	87,967	51,036	56,801	118,871	6,014	320,689
Team Travel	666,492	308,770	211,196	1,133,279	8,882	2,328,618
Equip/Uniforms & Supplies	271,578	53,815	24,878	376,145	125,563	851,980
Game Expenses	538,719	293,423	95,646	359,707	520	1,288,015
Fundraising Mktg & Promo	119,740	7,457	2,109	119,872	640,370	889,548
Direct Facilities, Maintenance & Rental	-	-	-	82,500	5,878,755	5,961,255
Medical Expenses & Insurance	1,249	-	-	13,358	605,124	619,731
Membership Dues	1,360	725	800	3,648	315,654	322,187
Other Operating Expenses	845,385	188,620	112,037	514,761	1,502,172	3,162,975
Total Expenses	6,956,600	2,667,614	1,318,845	6,247,548	13,797,844	30,988,451
Net Surplus (Deficit)	\$ 17,750	\$ 515,759	\$ 831,701	\$ 1,355,936	\$ (2,312,043)	\$ 409,102

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Audit & Compliance

ITEM: Internal Audit Report – Briefing Booklet

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Internal Audit Briefing Booklet contains an Internal Audit Activity Outline, Internal Audit Reports issued since the December 9, 2008, Audit & Compliance Committee Meeting of the Board of Regents.

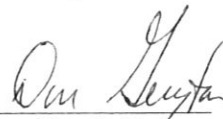
FISCAL NOTE:

SUPPORTING DOCUMENTATION: Internal Audit Briefing Booklet (under separate cover)

ACTION REQUESTED: Information

COMPONENT: University of Houston System

DIRECTOR, INTERNAL AUDITING


Don F. Guyton

DATE

1/23/09

CHANCELLOR


Renu Khator

DATE

1/29/09

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

BOARD OF REGENTS
AUDIT & COMPLIANCE COMMITTEE
MEETING

INTERNAL AUDIT BRIEFING
MATERIALS

February 10, 2009

**University of Houston System
Internal Auditing Department**

**Board of Regents
Audit & Compliance Committee Meeting**

Internal Audit Briefing Materials

February 10, 2009

INDEX

1. Internal Audit Activity Outline
2. Internal Audit Report Executive Summaries
3. Summary of Recommendations by Area
4. Management Action Plans
5. Internal Audit Reports
6. Peer Review Report of the Internal Auditing Department

**University of Houston System
Internal Auditing Department**

**Board of Regents
Audit & Compliance Committee Meeting**

**ACTIVITY OUTLINE
February 10, 2009**

1. Audit Reports Issued since December 9, 2008, Board of Regents Meeting
(See Tab 5 for Audit Reports)
 - AR2009-11 Follow-up Status Report
 - AR2009-12 UH College of NSM, Departmental Reviews
 - AR2009-13 UH Athletics, Football Attendance Audit 2008
 - AR2009-14 Review of Expenditures of Endowment Income, FY 2008
2. Reports in Progress (*scheduled distribution date to Board of Regents*)
 - UHCL Information Technology, TAC 202 Review (*April 14, 2009*)
 - UHD Information Technology, TAC 202 Review (*April 14, 2009*)
 - UHV Information Technology, TAC 202 Review (*April 14, 2009*)
 - UH Information Technology, TAC 202 Review (*April 14, 2009*)
3. Fieldwork in Progress (*scheduled distribution date to Board of Regents*)
 - UH Research Administration (*April 14, 2009*)
 - UHD College of Sciences and Technology, Departmental Reviews (*April 14, 2009*)
 - UH/UHCL Technology Workforce Development Grants (*April 14, 2009*)
 - UH Administration and Finance, Departmental Reviews (*April 14, 2009*)
 - UH College of Liberal Arts & Social Sciences (*August 11, 2009*)
 - Chancellor / President's Travel and Entertainment Expenditures, FY 2009
 - Board of Regents Travel and Entertainment Expenditures, FY 2009
4. Planning in Progress
 - Departmental Reviews (UH College of Pharmacy, UHCL School of Science and Computer Engineering, UHCL School of Business)
 - UH/UHCL ARP Grants, 2006 Awards
 - UH Financial Aid, Scholarships
 - Payroll – Leave Accountability
 - Financial Reporting
 - Cash Handling
 - THECB Facilities Audit
5. Special Projects in Progress: Assistance to External Auditors & Management

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

INTERNAL AUDIT REPORTS

EXECUTIVE SUMMARIES

REPORT NOS. AR2009-11 through AR2009-14

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

INTERNAL AUDIT REPORTS - EXECUTIVE SUMMARIES

Internal Audit Report – Follow-up Status Report

The Standards for the Professional Practice of Internal Auditing require internal auditors to perform follow-up procedures to ascertain that appropriate action is taken on reported audit findings. We performed such procedures for all items included in management action plans which were scheduled to be implemented October 1, 2008, to December 31, 2008, in all audit reports with open recommendations. This status report addresses 25 management actions in 15 individual reports. In ascertaining whether appropriate action was taken, we interviewed personnel, reviewed documentation and performed other audit procedures as necessary. We determined that 11 of these management actions have been completed, and 14 partially implemented.

Internal Audit Report – UH College of NSM, Departmental Reviews

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed seven departmental reviews in the College of Natural Sciences & Mathematics. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted two matters that we considered to be significant audit findings: lack of financial and administrative oversight and the College's shadow information system. We determined that the Dean's Office did not have procedures to help ensure that all business functions are adequately performed throughout the College. College management plans to review its business processes and College and departmental responsibilities to help ensure that appropriate oversight and monitoring is in place and functioning. In addition, College personnel created a shadow information system to provide them with information that is not contained in the University's financial system, however certain data resides in both systems. College management plans to identify redundancies and inefficiencies that exist between the systems and to recommend enhancements to the University's administrative systems. We also noted that some of the departments reviewed were not in compliance with certain policies. Management developed action plans to help ensure compliance with university policies in these areas. The action items are included in the internal audit follow-up database.

Internal Audit Report – UH Athletics, Football Attendance Audit 2008

The Internal Auditing Department conducted a review to certify attendance for each home football game as required by 2008-09 NCAA Bylaws. In our opinion, the average paid attendance for the 2008 Houston Cougar football home game season calculated using the terms and conditions stipulated by the NCAA exceeds the minimum attendance requirements (15,000 per game average).

Internal Audit Report – Review of Expenditures of Endowment Income, FY 2008

In conjunction with an external audit of the University of Houston System endowment fund for fiscal year 2008, the Internal Auditing Department performed audit work related to the expenditures of endowment income. The objective of our work was to determine whether the income earned from endowment funds was expended in accordance with the requirements established by the terms of the endowment. We reviewed thirty-six of the endowments which earned approximately 26% of the total endowment income. We reviewed fund transfers and income and expenditure activity for these endowments for compliance with the terms of the specific endowment. Although we noted no matters we considered to be significant audit findings, we noted certain instances where endowment agreements were not being finalized in a timely manner and endowment registries were not updated to indicate that an institutional advancement assessment fee should be charged.

University of Houston System

Internal Auditing Department

Internal Audit Report Recommendations - Summarized by Area

February 10, 2009

[illegible]

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

INTERNAL AUDIT REPORTS

ACTION PLANS

(Who is responsible for performing certain action by a specific date.)

REPORT NOS. AR2009-11 through AR2009-14
(If Applicable)

Note: The Internal Auditing Department will perform follow-up procedures to determine whether management's actions addressing the recommendations have been implemented by the dates indicated in the management action plan. Follow-up status reports are included in the Internal Auditing Briefing Booklets for regularly scheduled Board of Regents Audit & Compliance Committee meetings.

**University of Houston System
Internal Auditing Department**

**UH, College of Natural Sciences Mathematics - Departmental Reviews - AR2009-12
Action Plan**

Est. Compl. Date	Responsibility for Action Name/Title	<u>Action To Be Taken</u>
Risk Level: High Medium Low		
February 28, 2009	Fred McGhee Director, NSM Business Operations	Review the college's business processes and the responsibilities of college personnel at the Dean's and department levels to ensure that appropriate oversight and monitoring is in place and functioning.
July 31, 2009	Fred McGhee Director, NSM Business Operations	Review information contained in its FileMaker Pro system to identify redundanceis and inefficieincies that exist with the University's administrative systems and to recommend enhancements to the University's administrative systems.
March 1, 2009	Fred McGhee Director, NSM Business Operations	Modify departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.
March 1, 2009	Fred McGhee Director, NSM Business Operations	Modify departmental procedures to help ensure that appropriate employees complete disclosure forms annually, in accordance with university policies.
Action Complete	Fred McGhee Director, NSM Business Operations	Develop and implement departmental procedures to help ensure that all cost centers are reviewed and approved by the cost center manager, in accordance with university policies.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**UH, College of Natural Sciences Mathematics - Departmental Reviews - AR2009-12
Action Plan**

Est. Compl. Date	Responsibility for Action <u>Name/Title</u>	<u>Action To Be Taken</u>
March 1, 2009	Fred McGhee Director, NSM Business Operations	Modify departmental procedures to help ensure that all employees and supervisors sign and date time and effort reports; and that signed time and effort reports are resubmitted to Payroll for employees who are unavailable to sign, in accordance with university policy.
Action Complete	Fred McGhee Director, NSM Business Operations	Develop departmental procedures to help ensure that leave records are reconciled to the payroll system on a monthly basis, in accordance with university policies.
March 1, 2009	Fred McGhee Director, NSM Business Operations	Modify departmental procedures to help ensure that all PARs and offer letters are submitted to Human Resources (Office of the Provost for faculty) 5 days prior to the employee's start date.
March 1, 2009	Fred McGhee Director, NSM Business Operations	Modify departmental procedures to help ensure Procurement and Travel-Card expense reports are reviewed, approved, and uploaded by the 20th of the month, cost center liability is cleared; and security sensitive information are deleted or masked on uploaded documents, in accordance with university policies.
Action Complete	Fred McGhee Director, NSM Business Operations	Work with Accounts Payable to help ensure that the employee overpayment is recovered, in accordance with university policies.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**UH, College of Natural Sciences Mathematics - Departmental Reviews - AR2009-12
Action Plan**

Est. Compl. Date	Responsibility for Action <u>Name/Title</u>	<u>Action To Be Taken</u>
Action Complete	Fred McGhee Director, NSM Business Operations	Update College's password control policy in order to comply with the Information Security Manual.
March 1, 2009	Fred McGhee Director, NSM Business Operations	Modify departmental procedures to help ensure that scholarship funds are awarded and balances do not accumulate, in accordance with university policies.
Action Complete	LaSaundra Cotright Department Business Administrator Chemistry Department	Restore deficit balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.
March 1, 2009	LaSaundra Cotright Department Business Administrator Chemistry Department	Modify departmental procedures to help ensure that time and effort reports are signed and dated by employees and supervisors and are submitted to the Payroll Department in a timely manner, in accordance with university policies.
Action Complete	LaSaundra Cotright Department Business Administrator Chemistry Department	Modify departmental procedures to help ensure that all required approvals are obtained on Contract Coversheets, all contracts are fully executed prior to the start date of the agreement and signed by the university official with delegated contractual signatory authority, in accordance with university policies.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**UH, College of Natural Sciences Mathematics - Departmental Reviews - AR2009-12
Action Plan**

Est. Compl. Date	Responsibility for Action <u>Name/Title</u>	<u>Action To Be Taken</u>
March 1, 2009	Pam Muscarello Department Business Administrator Mathematics Department	Modify departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.
March 1, 2009	Pam Muscarello Department Business Administrator Mathematics Department	Modify departmental procedures to help ensure that appropriate employees complete disclosure forms annually, in accordance with university policies.
April 1, 2009	Pam Muscarello Department Business Administrator Mathematics Department	Restore deficit grant cost center budgetary balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.
Action Complete	Pam Muscarello Department Business Administrator Mathematics Department	Modify departmental procedures to help ensure that leave requests are retained by the department, in accordance with university policies.
April 1, 2009	Pam Muscarello Department Business Administrator Mathematics Department	Modify departmental procedures to help ensure that time and effort reports are completed, certified, approved, and submitted to the Payroll Department in a timely manner, in accordance with university policies.
Action Complete	Pam Muscarello Department Business Administrator Mathematics Department	Modify departmental procedures to help ensure the use of a Termination Checklist, in accordance with university policies.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**UH, College of Natural Sciences Mathematics - Departmental Reviews - AR2009-12
Action Plan**

Est. Compl. Date	Responsibility for Action <u>Name/Title</u>	<u>Action To Be Taken</u>
Action Complete	Pam Muscarello Department Business Administrator Mathematics Department	Modify departmental procedures to help ensure that all contracts are signed by all parties prior to commencement of services, in accordance with university policy.
Action Complete	Pam Muscarello Department Business Administrator Mathematics Department	Modify departmental procedures to help ensure that scholarship funds are awarded and balances do not accumulate, in accordance with university policies.
March 1, 2009	Barbara Murray Department Business Administrator Computer Science Department	Modify departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.
March 1, 2009	Barbara Murray Department Business Administrator Computer Science Department	Modify departmental procedures to help ensure that appropriate employees complete disclosure forms annually, in accordance with university policies.
March 1, 2009	Barbara Murray Department Business Administrator Computer Science Department	Restore deficit grant cost center budgetary balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.
March 1, 2009	Barbara Murray Department Business Administrator Computer Science Department	Work with the Office of Contracts and Grants to close expired project cost centers and with the Budget Office to close cost centers with no activity.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**UH, College of Natural Sciences Mathematics - Departmental Reviews - AR2009-12
Action Plan**

Est. Compl. Date	Responsibility for Action <u>Name/Title</u>	<u>Action To Be Taken</u>
March 1, 2009	Barbara Murray Department Business Administrator Computer Science Department	Modify departmental procedures to help ensure that: copies of checks are retained in a secure location for six months; and that cash receipts are deposited in a timely manner, in accordance with university policies..
March 1, 2009	Barbara Murray Department Business Administrator Computer Science Department	Modify departmental procedures to help ensure Procurement and Travel-Card expense reports are reviewed, approved, and uploaded by the 20th of the month, in accordance with university policies.
March 1, 2009	Jennifer Chin-Davis Department Business Administrator Physics Department	Modify departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.
March 1, 2009	Jennifer Chin-Davis Department Business Administrator Physics Department	Restore deficit grant cost center budgetary balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.
March 1, 2009	Jennifer Chin-Davis Department Business Administrator Physics Department	Work with the Office of Contracts and Grants to close expired project cost centers and with the Budget Office to close expired HEAF cost centers.
March 1, 2009	Jennifer Chin-Davis Department Business Administrator Physics Department	Modify departmental procedures to help ensure that time and effort reports are certified, approved, and submitted to the Payroll Department in a timely manner, in accordance with university policies.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**UH, College of Natural Sciences Mathematics - Departmental Reviews - AR2009-12
Action Plan**

Est. Compl. Date	Responsibility for Action <u>Name/Title</u>	<u>Action To Be Taken</u>
March 1, 2009	Jennifer Chin-Davis Department Business Administrator Physics Department	Modify departmental procedures to help ensure that all PARs and offer letters are submitted to Human Resources (Office of the Provost for faculty) 5 days prior to the employee's start date.
March 1, 2009	Jennifer Chin-Davis Department Business Administrator Physics Department	Modify departmental procedures to help ensure the use of a Termination Checklist, in accordance with university policies.
March 1, 2009	Jennifer Chin-Davis Department Business Administrator Physics Department	Modify departmental procedures to help ensure that cash receipts are deposited in a timely manner, in accordance with university policies.
March 1, 2009	Jennifer Chin-Davis Department Business Administrator Physics Department	Modify departmental procedures to help ensure Procurement and Travel-Card expense reports are reviewed, approved, and uploaded by the 20th of the month, in accordance with university policies.
March 1, 2009	Jennifer Chin-Davis Department Business Administrator Physics Department	Modify departmental procedures to help ensure that all contracts are signed by the university official with delegated contractual signatory authority, in accordance with university policies.
March 1, 2009	Jennifer Chin-Davis Department Business Administrator Physics Department	Update the Weglein Various Donors cost center so its name and program code reflect its current purpose of awarding ConocoPhillips Scholarships.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**UH, College of Natural Sciences Mathematics - Departmental Reviews - AR2009-12
Action Plan**

Est. Compl. Date	Responsibility for Action <u>Name/Title</u>	<u>Action To Be Taken</u>
March 1, 2009	Jennifer Chin-Davis Department Business Administrator Physics Department	Modify departmental procedures to help ensure all Incidental and Lab fees are approved and annual fee reports are submitted to the Office Academic Budgets and Administration.
Action Complete	Jennifer Chin-Davis Department Business Administrator Physics Department	Remove expenditures for alcoholic beverages that were charged to a grant cost center and communicate to departmental personnel that alcoholic beverages are not to be charged to a contract or grant under any circumstances, in accordance with university policies.
March 1, 2009	Laura Bell Department Business Administrator Earth and Atmospheric Sciences Department	Modify departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.
March 1, 2009	Laura Bell Department Business Administrator Earth and Atmospheric Sciences Department	Modify departmental procedures to help ensure the review and approval of monthly cost center verifications by the account manager, in accordance with university policies.
March 1, 2009	Laura Bell Department Business Administrator Earth and Atmospheric Sciences Department	Restore deficit balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**UH, College of Natural Sciences Mathematics - Departmental Reviews - AR2009-12
Action Plan**

Est. Compl. Date	Responsibility for Action <u>Name/Title</u>	<u>Action To Be Taken</u>
March 1, 2009	Laura Bell Department Business Administrator Earth and Atmospheric Sciences Department	Modify departmental procedures to help ensure that leave requests are approved by the appropriate level of management, in accordance with university policies.
March 1, 2009	Laura Bell Department Business Administrator Earth and Atmospheric Sciences Department	Modify departmental procedures to help ensure that time and effort reports are completed, dated, and approved, in accordance with university policies.
March 1, 2009	Laura Bell Department Business Administrator Earth and Atmospheric Sciences Department	Modify procedures to require research personnel to report reasonable estimates of the percentages of time and effort devoted to institutional activities, contract and grant activities, cost sharing, and departmental administration, in accordance with university policies.
March 1, 2009	Laura Bell Department Business Administrator Earth and Atmospheric Sciences Department	Modify departmental procedures to help ensure that all employees hiring PARs and offer letters are submitted to the Office of the Provost or the Human Resources 5 days before the employee's start date.
March 1, 2009	Laura Bell Department Business Administrator Earth and Atmospheric Sciences Department	Modify departmental procedures to help ensure that all contracts are fully executed prior to the start date of the agreement and signed by the university official with delegated contractual signatory authority, in accordance with university policies.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**UH, College of Natural Sciences Mathematics - Departmental Reviews - AR2009-12
Action Plan**

Est. Compl. Date	Responsibility for Action <u>Name/Title</u>	<u>Action To Be Taken</u>
March 1, 2009	Laura Bell Department Business Administrator Earth and Atmospheric Sciences Department	Update departmental scholarship website and modify departmental scholarship procedures to include: 1) scholarship committee requirements; 2) detailed procedures for awarding, selecting, and disbursing scholarships; 3) documentation requirements; and 4) that scholarship funds are awarded and balances do not accumulate, in accordance with university policies.
June 1, 2009	Chi Nguyen Department Business Administrator Biology and Biochemistry Department	Modify departmental procedures to help ensure that accounts receivable collection efforts are documented; that collection efforts are made in a timely manner; and that records from uncollected accounts are carried forward at fiscal year end, in accordance with university policies.
June 1, 2009	Chi Nguyen Department Business Administrator Biology and Biochemistry Department	Restore negative fund balance to zero or positive amounts and implement procedures to prevent spending funds that are unavailable, or obtain an exception from the Chief Financial Officer for the planned negative fund balance.
March 1, 2009	Chi Nguyen Department Business Administrator Biology and Biochemistry Department	Modify departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**UH, College of Natural Sciences Mathematics - Departmental Reviews - AR2009-12
Action Plan**

Est. Compl. Date	Responsibility for Action <u>Name/Title</u>	<u>Action To Be Taken</u>
March 1, 2009	Chi Nguyen Department Business Administrator Biology and Biochemistry Department	Modify departmental procedures to help ensure that appropriate employees complete disclosure forms annually, in accordance with university policies.
March 1, 2009	Chi Nguyen Department Business Administrator Biology and Biochemistry Department	Modify departmental procedures to help ensure that time and effort reports are signed and dated by employees and supervisors and are submitted to the Payroll Department in a timely manner, in accordance with university policies.
March 1, 2009	Chi Nguyen Department Business Administrator Biology and Biochemistry Department Ed Glumac Research Store Manager Biology and Biochemistry Department	Confer with the Executive Director of Finance and the Accounts Payable department to prioritize and schedule dates to upload the required documentation for past billing cycles and with the Accounts Payable department to help ensure all Procurement Card expense receipts are uploaded into PeopleSoft, in accordance with university policy.
March 1, 2009	Chi Nguyen Department Business Administrator Biology and Biochemistry Department	Modify departmental procedures to help ensure Procurement Card expense reports are reviewed, approved, and uploaded by the 20th of the month, in accordance with university policies.
March 1, 2009	Chi Nguyen Department Business Administrator Biology and Biochemistry Department	Modify departmental procedures to help ensure that all contracts are fully executed prior to the start date of the agreement, in accordance with university policies.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**UH, College of Natural Sciences Mathematics - Departmental Reviews - AR2009-12
Action Plan**

Est. Compl. <u>Date</u>	Responsibility for Action <u>Name/Title</u>	<u>Action To Be Taken</u>
June 1, 2009	Chi Nguyen Department Business Administrator Biology and Biochemistry Department	Modify departmental procedures to help ensure that scholarship funds are awarded and balances do not accumulate, in accordance with university policies.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**Review of Expenditures of Endowment Income, FY 2008
AR2009-14
Action Plan**

Est. Compl. Date	Responsibility for Action Name/Title	Action To Be Taken
Risk Level: High Medium Low		
April 1, 2009	Eli Cipriano AVC/AVP for University Advancement	Review and update the endowment policy and procedures to include appropriate language that requires a timely completion of endowment agreements, accurate set-up of endowments in the financial system and expenditure of funds in accordance with endowment instructions.
April 1, 2009	Eli Cipriano AVC/AVP for University Advancement	Review of all endowments that currently do not have a signed agreement and develop a plan to obtain signatures on the agreements or create a memorandum of understanding.
August 31, 2009	Raymond Bartlett Treasurer	Review all endowment registries to ensure that the institutional advancement assessment fee flag is consistent with the endowments permitted to be charged the fee and the list of endowments not to be permitted the fee.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

FOLLOW-UP STATUS REPORT

Actions scheduled from October 1, 2008 to
December 31, 2008

REPORT NO. AR2009-11

**UNIVERSITY OF HOUSTON SYSTEM
FOLLOW-UP STATUS REPORT
(Actions Scheduled from October 1, 2008 to December 31, 2008)**

**Board of Regents Audit Committee Meeting
February 10, 2009**

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3. Follow-up Status Matrix

**University of Houston System
Internal Auditing Department**

**Follow-up Status Report
(Actions scheduled from October 1, 2008, to December 31, 2008)**

The Standards for the Professional Practice of Internal Auditing require internal auditors to perform follow-up procedures to ascertain that appropriate action is taken on reported audit findings. We performed such procedures for all items included in management action plans which were scheduled to be implemented October 1, 2008, to December 31, 2008, in all audit reports with open recommendations. This status report addresses 25 management actions in 15 individual reports. In ascertaining whether appropriate action was taken, we interviewed personnel, reviewed documentation and performed other audit procedures as necessary. We determined that 11 of these management actions have been completed, and 14 partially implemented.

The main portion of this report is a follow-up status matrix which lists the report number, report title, action number, total actions in each report, estimated completion date, name/title/entity responsible for action, action to be taken and status. The status of the action items included in the matrix has been categorized as either ***Action Complete or Partially Implemented***. In cases where the action item has been partially implemented, an updated management's response with an estimated completion deadline is included in the status column, where appropriate.

The "Listing of Audit Reports Containing Management Action Plans" indicates all reports where management has addressed all actions in the action plan during the current fiscal year and all reports which are addressed in this status report. All of the management action plans for internal audit reports contain a footnote indicating that documentation of implementation of actions will be furnished to the Internal Auditing Department on the same date as the estimated completion date of the action being implemented.

Don F. Guyton
Director, Internal Auditing
January 16, 2009

Attachment

UNIVERSITY OF HOUSTON SYSTEM
AUDIT REPORTS CONTAINING MANAGEMENT ACTION PLANS
FOLLOW-UP STATUS
FY 2008

<u>Report Number</u>	<u>Report Date</u>	<u>REPORT TITLE</u>	<u>All Actions Complete Final Disposition Rept. No.</u>	<u>Some Actions Addressed in this Report</u>
<u>INTERNAL AUDIT REPORTS WITH OPEN RECOMMENDATIONS:</u>				
AR1999-08	02/18/99	UH, Physical Plant Department, 3rd FU		
AR2005-25	08/03/05	Departmental Reviews		
AR2006-12	02/07/06	UH Research, Time and Effort Reporting		
AR2006-18	05/02/06	UH Graduate and Professional Studies	AR2009-11	X
AR2006-20	05/02/06	Departmental Reviews		X
AR2006-26	08/01/06	Department Reviews		X
AR2007-26	05/01/07	UH, Enrollment Services	AR2009-11	X
AR2008-08	11/15/07	UH Residential Life & Housing, Operational Review		X
AR2008-12	02/05/08	PeopleSoft Student and Academic Admin., Data Conversion	AR2009-01	
AR2008-13	02/05/08	UHCL Financial Aid, Scholarships	AR2009-01	
AR2008-14	02/05/08	UHD Financial Aid, Scholarships	AR2009-01	
AR2008-16	04/28/08	Review of Expenditures of Endow. Income, FY07		X
AR2008-17	04/28/08	College of Engineering, Departmental Reviews		X
AR2008-18	04/28/08	College of Business, Departmental Reviews	AR2009-01	
AR2008-19	04/28/08	Educational Technology and University Outreach		X
AR2008-22	08/12/08	UHD College of HSS, Departmental Reviews	AR2009-11	X
AR2009-02	12/09/08	UH College of Technology - Departmental Reviews		
AR2009-03	12/09/08	UHD College of Business - Departmental Review:		
AR2009-04	12/09/08	UHD JAMP 2007 - 2008		X
AR2009-08	12/09/08	UHS Internal Quality Assurance Review of Internal Auditing		X
<u>EXTERNAL AUDIT REPORTS WITH OPEN RECOMMENDATIONS:</u>				
SAO Report #05-010	11/02/04	UH - The Protection of Confidential Information and Critical Systems		X
SAO Report #06-054	08/10/06	The University of Houston System's Management Practices for Endowment Funds		X
SAO Report #07-555	02/20/07	Federal Portion of the Statewide Single Audit Report For the Fiscal Year Ended August 31, 2006		X
SAO Report #08-336	02/20/08	Statewide Single Audit Report, FY 2007		X
SAO Report #09-002	09/01/09	Student Fees at Selected Higher Education Institutions		X

**University of Houston System
Internal Auditing Department**

**Follow-up Status Report
as of December 31, 2008**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
					Risk Level: High Medium Low			
AR2006-18	UH Graduate and Professional Studies	3c	3	10/1/2008	Marco Mariotto, Dean, Graduate and Professional Studies	UH	Work with colleges/departments to develop written procedures for the awarding of fellowships.	Action Complete
AR2006-20	Departmental Reviews	1d	4	10/1/2008	Nancy Tuley Business Office Administrator Residential Life & Housing (CBO II)	UH	Restore deficit balances to zero or positive amounts and develop departmental procedures to help prevent spending funds that are unavailable.	Partially Implemented - Updated Management's Response: We have made equity transfers and are working with General Accounting to clear all deficit balances. Estimated completion date: April 1, 2009.
AR2006-26	Departmental Reviews	10d	24	11/30/2008	Brenda Cook Department Business Administrator Information Technology	UH	Notify the Division of Research or Budget Office of expired project/grant cost centers that remain in the financial system.	Partially Implemented - Updated Management's Response: SFA is developing the steps for notifying the appropriate departments of expired grants. Action item should be completed by January 31, 2009.
AR2006-26	Departmental Reviews	11d	24	11/30/2008	Brenda Cook Department Business Administrator Information Technology	UH	Modify departmental procedures to help ensure the timely submission of time and effort reports to the Payroll Department, in accordance with university policies.	Partially Implemented - Updated Management's Response: SFA is preparing updated procedures to help ensure the timely submission of time and effort reports to payroll. Action item should be completed by January 31, 2009.
AR2006-26	Departmental Reviews	13b	24	11/30/2008	Brenda Cook Interim Financial Manager Scholarships and Financial Aid	UH	Develop departmental procedures to help ensure that all contracts are fully executed prior to the start date of the agreement, in accordance with university policies.	Partially Implemented - Updated Management's Response: SFA is finalizing departmental procedures to ensure completion of all contracts. The action item should be completed by January 31, 2009.
AR2006-26	Departmental Reviews	14c	24	11/30/2008	Brenda Cook Interim Financial Manager Scholarships and Financial Aid	UH	Restore deficit fund balances to zero or positive amounts and implement procedures to prevent spending funds that are unavailable.	Partially Implemented - Updated Management's Response: SFA continues to research the cost centers with deficits. The evaluation includes assessing if there were award disbursements made above the amount of funds allocated for the grant. Upon completing the deficit assessment then clearing the deficits the cost centers can be closed. The action should be completed by February 28, 2009.
AR2006-26	Departmental Reviews	15c	24	11/30/2008	Brenda Cook Interim Financial Manager Scholarships and Financial Aid	UH	Restore project/grant cost center budgetary balances to zero or positive amounts.	Partially Implemented - Updated Management's Response: SFA continues to research the cost centers with deficits. The evaluation includes assessing if there were award disbursements made above the amount of funds allocated for the grant. Upon completing the deficit assessment then clearing the deficits the cost centers can be closed. The action should be completed by February 28, 2009.

**University of Houston System
Internal Auditing Department**

**Follow-up Status Report
as of December 31, 2008**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
					Risk Level: High Medium Low			
AR2007-26	Enrollment Services	2	8	10/1/2008	Elaine Charlson Executive Associate VC/VP for Academic and Faculty Affairs	UH	Work with departments and colleges to develop a procedure whereby all applications and admission decisions will be reported to Admissions by the start of recruiting activities.	Action Complete
AR2007-26	Enrollment Services	3	8	10/1/2008	Elaine Charlson Executive Associate VC/VP for Academic and Faculty Affairs	UH	Develop a common imaging system for Enrollment Services.	Action Complete
AR2007-26	Enrollment Services	7	8	10/1/2008	Elaine Charlson Executive Associate VC/VP for Academic and Faculty Affairs	UH	Review and/or develop policies to document or clarify the various responsibilities of Enrollment Services.	Action Complete
AR2008-08	UH Residential Life & Housing, Operational Review	3a	29	11/14/2008	Javier Hidalgo Associate Director of Residential Life & Housing - Operations	UH	Repair Moody Towers exterior walls.	Action Complete
AR2008-16	Review of Expenditures of Endowment Income, FY 2007	1a	3	12/31/2008	Eli Cipriano AVC, University Advancement	UH	Evaluate the intended purpose and current use of the Athletics Sports Facility and Distinguished Service Fellowship Quasi-Endowments, including any restrictions on the original source of funds, and update Quasi-Endowments as necessary.	Action Complete
AR2008-17	College of Engineering, Departmental Reviews	11a	25	12/31/2008	Dorothy Barrerra Dir., College of Engineering Business Operations	UH	Restore deficit grant cost center budgetary balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.	Partially Implemented - Updated Management's Response: The department has cleared 2 of 8 project / grant cost centers with deficit balances and expects to have the remaining 6 cleared by May 31, 2009.
AR2008-17	College of Engineering, Departmental Reviews	4a	25	12/31/2008	Betsy Roguer Department Business Administrator Civil and Environmental Engineering	UH	Restore deficit balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.	Partially Implemented - Updated Management's Response: The department has cleared 6 of 26 project / grant cost centers with deficit balances and expects to have the remaining 20 cleared by May 31, 2009.

**University of Houston System
Internal Auditing Department**

**Follow-up Status Report
as of December 31, 2008**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
					Risk Level: High Medium Low			
AR2008-19	Educational Technology and University Outreach	4	5	12/31/2008	Marshall Schott Assistant Vice President Instructional Support and Outreach	UH	Evaluate and select an information system that would help to more efficiently and effectively manage operations. Provide training to personnel to help them more fully utilize the functionality of the information system.	Partially Implemented - Updated Management's Response: We reviewed a vendor product for this software and determined that it was not feasible and are now exploring the possibility of a PeopleSoft add-on for this information system. Estimated completion date: July 1, 2009.
AR2008-22	College of Humanities and Social Sciences Departmental Reviews	1	2	12/1/2008	Rita Thomason Senior Business Manager Dean's Office Susan Baker Department Chair Arts and Humanities	UHD	Work with the Office of Academic Affairs and Provost to develop written scholarship procedures which address at a minimum: application criteria; eligibility guidelines and other criteria; award method(s); documentation requirements; and method of notification to the Office of Scholarships and Financial Aid.	Action Complete
AR2008-22	College of Humanities and Social Sciences Departmental Reviews	2	2	12/1/2008	Rita Thomason Senior Business Manager Dean's Office Susan Baker Department Chair Arts and Humanities	UHD	Review and update the department website to help ensure that all scholarship information is accurate and available.	Action Complete
AR2009-04	UHD JAMP 2007 - 2008	1	2	11/30/2008	Allen Turner Accountant II General Accounting	UHD	Discuss the questioned costs with JAMP personnel and take the correct actions, as directed by JAMP.	Action Complete
AR2009-04	UHD JAMP 2007 - 2008	2	2	12/15/2008	Carolyn Ivey Director, Sponsored Programs Office of Sponsored Programs	UHD	Work with the Department Business Administrator and the PI to ensure proper recording of Time and Effort on timesheets.	Partially implemented – Updated Management’s Response: The Director of Sponsored Programs has met with the Department Business Administrator and the Principal Investigator and provided them with procedures that ensure time and effort on this grant is properly documented and recorded. Additionally, the Director is in the process of developing a UHD Policy Statement that will formalize the procedures for time and effort reporting. The end of fiscal year 2009 is the target date for completion, approval and implementation.
AR2009-08	Internal Quality Assurance Review UHS Internal Auditing Department	2	6	12/15/2008	Don Guyton Director, Internal Auditing Department	UHS	Recruit an experienced IT Auditor for the current vacant position.	Action Complete

**University of Houston System
Internal Auditing Department**

**Follow-up Status Report
as of December 31, 2008**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
					Risk Level: High Medium Low			
SAO Report #05-010	The Protection of Confidential Information and Critical Systems	20g	25	12/15/2008	Malcolm Davis Executive Director for Public Safety - Chief of Police	UH	Review and modify, as necessary, the existing comprehensive emergency plan/business continuity plan to ensure that it adequately addresses the requirements in Texas Administrative Code, Section 202, Business Continuity Plan Elements.	Partially Implemented - Updated Management's Response: University departments have completed a common template for its business continuity plans that have been uploaded to the PIER System. Currently, the University of Houston Department of Public Safety (UHDPS) is drafting a university-wide Business Impact Statement and prioritizing the recovery of business operations based on comments received from all of the Divisions. Once the Business Impact Statement is completed and priorities are established, UHDPS will provide a status report on the implementation of the business continuity plans to the President or her designee for approval. Expected completion date: April 1, 2009.
SAO Report #06-054	The University of Houston System's Management Practices for Endowment Funds	7c	8	10/1/2008	Eli Cipriano, Assoc. VC, University Advancement	UHS	Implement policies and procedures to routinely monitor endowment income beneficiary accounts for uses other than scholarships.	Partially Implemented - Updated Management's Response: A review and update of endowment policy and procedures is currently being undertaken and due to be completed in April 2009.
SAO Report #07-555	Statewide Single Audit Report, FY 2006	4c	5	11/30/2008	Sal Loria Interim Director, Office of Scholarships and Financial Aid	UH	Develop procedures to monitor the timeliness of reporting by the Clearinghouse and consider reporting more frequently to the Clearinghouse.	Partially Implemented - Updated Management's Response: We are in the process of developing written policies and procedures for the frequency of reporting and expect to have them implemented by April 30, 2009.
SAO Report #08-336	Statewide Single Audit Report, FY 2007	3a	7	11/30/2008	Sal Loria Interim Director, Office of Scholarships and Financial Aid	UH	Change reporting and monitoring procedures to help ensure that student status changes are timely reported to NSLDS and schedule additional reporting dates for NSC during the latter part of the fall and spring semesters.	Partially Implemented - Updated Management's Response: We have implemented the new PeopleSoft process for reporting and monitoring to help ensure that student status changes are timely reported to NSLDS; however, we have determined that this process has not reported all necessary changes. We are in the process of determining the source of these errors and plan to have the process remedied by April 30, 2009.
SAO Report #09-002	Student Fees at Selected Higher Education Institutions	1	3	12/31/2008	Craig Ness, Executive Director, Academic Budgets and Admin.	UH	Modify training for fee management and reporting and update reporting processes and training materials to emphasize identification of potentially inappropriate expenditures and correction of those expenditures.	Action Complete

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

COLLEGE OF NATURAL SCIENCES &
MATHEMATICS, DEPARTMENTAL REVIEWS

REPORT NO. AR2009-12

**University of Houston System
Internal Auditing Department**

**University of Houston
College of Natural Sciences & Mathematics
Departmental Reviews**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed seven departmental reviews in the College of Natural Sciences and Mathematics. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted two matters that we considered to be significant audit findings: lack of financial and administrative oversight and the College's shadow information system. We determined that the Dean's Office did not have procedures to help ensure that all business functions are adequately performed throughout the College. College management plans to review its business processes and College and departmental responsibilities to help ensure that appropriate oversight and monitoring is in place and functioning. In addition, College personnel created a shadow information system to provide them with information that is not contained in the University's financial system, however certain data resides in both systems. College management plans to identify redundancies and inefficiencies that exist between the systems and to recommend enhancements to the University's administrative systems. We also noted that some of the departments reviewed were not in compliance with certain policies. Management developed action plans to help ensure compliance with university policies in these areas. The action items are included in the internal audit follow-up database.

The attachments listed below contain additional information related to the departmental review and the College:

- Significant Findings
- Compliance Matrix
- Action Plan
- College Background
- Financial Summary of Transactions

Don F. Guyton
Director, Internal Auditing
January 7, 2009

**University of Houston System
Internal Auditing Department**

**University of Houston
College of Natural Sciences & Mathematics
Significant Findings**

Financial and Administrative Oversight

The College manages and administers its business, financial, and non-academic operations at the departmental level. Department Business Administrators are responsible for financial and administrative tasks within their departments. According to the Director of Business Operations, he is responsible for managing the College's budget, maintaining the College's policies and procedures, approving contracts, approving PARs for benefits-eligible employees, and discussing academic and other issues with the Departmental Business Administrators. He addresses departmental issues when brought to his attention, requested to help by a Department Business Administrator, or when there could be a problem throughout the College.

MAPP 01.02.01, Business Administration, states that college business managers are charged with ensuring the adherence to university policies and procedures within their college. MAPP 1.03.01, Baseline Standards, states that in a decentralized organizational structure the college business manager has primary responsibility for management and oversight of the financial processes, while the department business managers have primary responsibility for the execution of the financial processes. The college business manager is responsible for the following: 1) communicating policy and procedure changes to departments, 2) ensuring that departments have adequate support to fulfill their responsibilities, and 3) ensuring that departments have appropriate procedures in place to comply with minimum processing standards. In addition, the college business administrator is ultimately responsible for the control procedures in place at each department.

During our departmental compliance reviews, we noted that the Dean's Office did not have follow-up procedures to help ensure that all business functions are adequately performed throughout the college. We noted numerous non-compliance issues in the College's departments. Listed below are certain instances of non-compliance with university policies we noted during the departmental reviews.

- Contracts were not fully executed by all parties prior to the start date or executed by parties without delegated authority.
- P-Card expense reports were not reviewed and approved by the cardholder in a timely manner.
- PARs and offer letters were not submitted to Human Resources or the Provost Office in a timely manner.
- Cost center verifications were not reviewed and approved in a timely manner.
- Funds were being spent that were not budgeted.
- Time & Effort Reports were not submitted to the Payroll Department in a timely manner.
- Scholarship cost center balances exceed allowable amounts.

**University of Houston System
Internal Auditing Department**

**University of Houston
College of Natural Sciences & Mathematics
Significant Findings**

- Required training and disclosure forms were not completed by all applicable employees.

Recommendation: The College should clearly define its oversight and monitoring responsibilities for business and administrative tasks. The primary duties of the Director of Business Operations and the Dean should be to help ensure that their oversight responsibilities are being fulfilled by requiring these tasks to be performed. The College should develop policies and procedures and monitoring mechanisms to help ensure all business functions are adequately performed, in accordance with university policies.

Management's Response: The Dean and the Director of Business Operations will review the college's business processes and the responsibilities of college personnel at the Dean's and department levels to ensure that appropriate oversight and monitoring is in place and functioning. This task will be completed by February 28, 2009. To date, the monthly management control sheet has been adopted and will be in place by January 31, 2009.

Shadow System

The College created a shadow system using FileMaker Pro and its shared servers. This system is used as a data repository of administrative and financial information. Some of this information is also contained in PeopleSoft. Certain information pertaining to expenditures, revenues, scholarships, and employees is data entered into FileMaker Pro. Contracts, vouchers, P-Card and T-Card receipts, timesheets, and grant related information are scanned and retained on the College's shared servers, which can then be accessed through FileMaker Pro. According to the Director of Business Operations, a college the size of NSM needs additional information to operate its college that is not contained in PeopleSoft. The FileMaker Pro system provides them with information that is not available in PeopleSoft, such as information on budget transfers, commitments made to new faculty, tracking of expenses for each faculty member, and information regarding fringe benefits. It also provides query capabilities that are not available in PeopleSoft. The DBO acknowledges that there is duplication of effort relating to payroll, but believes it will be eliminated with the implementation of PeopleSoft Time & Labor module.

Recommendation: The College should review its data needs in order to identify redundancies and reduce inefficiencies.

Management's Response: The College will review the information included in the local database (FileMaker Pro system) and identify redundancies and inefficiencies that exist because of the database. An action plan will be developed to recommend inclusion of those elements considered necessary in the business plan for enhancement of the University's administrative systems and to eliminate any data elements that are determined to be less critical. These tasks will be completed by July 31, 2009.

**University of Houston System
Internal Auditing Department**

**University of Houston
College of Natural Sciences & Mathematics
Departmental Reviews**

Compliance Area	NSM DEAN'S OFFICE	CHEMISTRY	MATHEMATICS	COMPUTER SCIENCE
Management Oversight	(1)	N/A	N/A	N/A
Operational Activities	N/A	N/A	N/A	N/A
Policies, Procedures, Required Training, And Reporting	(2)	✓	(2)	(2)
Cost Center Management	(2)	(1)	(1)	(2)
Payroll	(2)	(1)	(2)	✓
Human Resources	(1)	✓	(1)	✓
Change Funds And Cash Receipts	✓	✓	✓	(1)
Procurement And Travel Cards	(1)	✓	✓	(1)
Departmental Expenses	(1)	✓	✓	✓
Contract Administration	✓	(1)	(1)	N/A
Property Management	✓	✓	✓	✓
Departmental Computing	(1)	✓	✓	✓
Scholarships	(1)	✓	(1)	✓
Incidental And Lab Fees	(1)	✓	✓	✓
Research	✓	✓	✓	✓

- ✓ **Fully Complies**
 Ø **Opportunity for Improvement**
 () **Number of action items required to address non-compliance**
 N/A **Not Applicable**

**University of Houston System
Internal Auditing Department**

**University of Houston
College of Natural Sciences & Mathematics
Departmental Reviews**

Compliance Area	PHYSICS	GEO-SCIENCES	BIOLOGY & BIOCHEMISTRY
Management Oversight	N/A	N/A	N/A
Operational Activities	N/A	N/A	✓
Policies, Procedures, Required Training, And Reporting	(1)	(1)	(2)
Cost Center Management	(2)	(2)	(1)
Payroll	(1)	(3)	(1)
Human Resources	(2)	(1)	✓
Change Funds And Cash Receipts	(1)	✓	(1)
Procurement And Travel Cards	(1)	✓	(2)
Departmental Expenses	✓	✓	✓
Contract Administration	(1)	(1)	(1)
Property Management	✓	✓	✓
Departmental Computing	✓	✓	✓
Scholarships	(1)	(1)	(1)
Incidental And Lab Fees	(1)	✓	✓
Research	(1)	✓	✓

- ✓ **Fully Complies**
- Ø **Opportunity for Improvement**
- () **Number of action items required to address non-compliance**
- N/A **Not Applicable**

**University of Houston System
Internal Auditing Department**

**University of Houston
College of Natural Sciences & Mathematics
Background Information**

We performed a review of the Dean of the College of Natural Sciences & Mathematics (NSM) at the University of Houston to assess his effectiveness in performing his financial and administrative responsibilities.

The Dean provided the following background:

The University of Houston's College of Natural Sciences & Mathematics has six departments, which excel in educating students in the physical and biological sciences, computer science, and mathematics. NSM faculty members make course work come alive through cutting edge research and a dedication to teaching.

The College offers degrees in biology and biochemistry, chemistry, computer science, geosciences, mathematics, and physics. Our graduates are hired by local and national businesses and industries, including biotechnology, energy, aerospace, and computing firms. Many College graduates seek careers in the allied health professions, science journalism, environmental consulting, and teaching fields. In addition, our graduates continue their education by pursuing advanced degrees in related disciplines, including medicine, optometry, and dentistry.

Budget/Financial Summary:

During fiscal year 2009, with a faculty of 239 FTE and a staff of 202 FTE, NSM administered over 1,452 cost centers with an overall operating M&O budget of \$17 million.

The following table presents the fund balance reconciliation for Business for FY 2008:

Beginning Fund Balance (9/1/07)	\$ 12,915,903
Revenues	32,159,180
Expenditures	(59,474,856)
Transfers/Other	28,664,155
Ending Balance (8/31/08)	<u>\$ 14,264,382</u>

UNIVERSITY OF HOUSTON
COLLEGE OF NATURAL SCIENCES & MATHEMATICS
SUMMARY OF REVENUES AND EXPENDITURES

<u>Account</u>	<u>Description</u>	<u>FY 2008</u>	<u>FY 2007</u>
<u>Revenue</u>			
40300-40499	Designated Tuition	\$ (451,734)	\$ (438,338)
40700-40999	Other Fees	(9,540,906)	(9,567,463)
55500-55999; 56700-57999	Waivers & Expenses	41,377	50,129
41600-41899	Federal Grants & Contracts	(10,931,216)	(12,088,250)
41900-42099	Federal Pass Through Grants/Contracts	(317,621)	(266,568)
42100-42299	State Grants & Contracts	(199,936)	(277,474)
42300-42499	State Pass Through - Other State Agencies	(1,671,935)	(189,841)
42500-42699	Local Grants & Contracts	0	(2,267)
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	(6,314,755)	(4,622,542)
43500-43599	Endowment Income Distribution	(428,727)	(396,497)
43600-43630; 43634-43999	Sales & Services - E & G	(69,750)	(117,132)
43631-43633; 44000-44399	Sales & Services - Auxiliary	(1,432,740)	(1,541,049)
44429-44439; 44441-45999; 49504	Other Revenue Sources	(244,819)	(550)
50050-50099	Recovered Costs	(596,421)	(579,585)
Total Revenue		<u>\$ (32,159,180)</u>	<u>\$ (30,037,425)</u>
<u>Cost of Goods Sold</u>			
50000-50049	Cost of Goods Sold	<u>\$ 1,234,619</u>	<u>\$ 1,175,766</u>
Total Cost of Goods Sold		<u>\$ 1,234,619</u>	<u>\$ 1,175,766</u>
<u>Payroll</u>			
50100-50999	Salaries & Wages	\$ 40,929,326	\$ 38,702,952
51000-51399	Fringe Benefits	2,388,715	2,174,613
Total Payroll		<u>\$ 43,318,041</u>	<u>\$ 40,877,565</u>
<u>M & O</u>			
52000-52199	Professional Services	\$ 7,216	\$ 37,904
52200-52399	General Services	97,278	186,260
52400-52499	Academic Service	77,036	81,883
52500-52599	Printing, Copying, & Reproduction	140,059	179,749
52600-52799	Utilities & Sanitation	1,848	784
52800-52999	Communication & Transportation	401,848	418,322
53000-53499	Advertising Promotion & Public	62,735	51,063
53500-53599	Rental Lease & Royalties	131,085	141,071
53600-53699	Maintenance	498	0
53700-53799	Routine Repair	172,197	9,744
53800-53849	Pass Through	1,543,903	1,624,557
53850-53899	Contracting Services	571,566	460,590
53900-53999	General Supplies	586,474	586,554
54000-54099	Lab Research Supplies	1,234,399	1,334,145
54100-54199	Health & Clinical Support	100	787
54200-54299	Construction Expenses	4,160	2,183
54300-54349	Facilities & Ground Support	8	33
54350-54449	Parts & Furnishing	1,722,073	1,485,481
54450-54549	Misc Supplies & Material	19,940	10,571
54550-54699	Legal Services	16,784	6,130
54700-54799	Financial Tax & License Cost	13,727	9,426
54800-54899	Other Recurring Expenses	566,209	550,319
54900-54999	Employee Expenses	361,214	323,422
55000-55199	Special Program & Events	207,325	198,771
55200-55299	Interscholastic Events	146	0
55300-55499	Financial Aid	414,363	429,454
56000-56499	Travel	1,512,108	1,420,310
56500-56599	Contracts & Grants	2,902,551	3,192,883
Total M&O		<u>\$ 12,768,850</u>	<u>\$ 12,742,394</u>
<u>Capital Outlay</u>			
58000-58999	Capital Outlay	<u>\$ 2,153,346</u>	<u>\$ 1,405,394</u>
Total Capital Outlay		<u>\$ 2,153,346</u>	<u>\$ 1,405,394</u>
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		<u>\$ 59,474,856</u>	<u>\$ 56,201,119</u>

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

UH ATHLETICS, FOOTBALL ATTENDANCE
AUDIT 2008

REPORT NO. AR2009-13

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON
FOOTBALL ATTENDANCE, 2008 SEASON**

BACKGROUND:

NCAA Bylaw 20.9.7.3 Football–Attendance Requirements [FBS], states that “once every two years on a rolling basis, the institution shall average at least 15,000 in actual or paid attendance for all home football games.”

NCAA Bylaw 20.9.7.3.1.2 Paid Attendance, states that “for purposes of computing paid attendance figures, tickets must be sold for at least one-third of the highest regular established ticket price as established prior to the season, regardless of whether they are used for admission. Tickets sold at less than one-third of the highest regular established price may be counted as paid attendance only if they are used for admission.” The NCAA interpretations of this Bylaw allow students who pay athletic fees to be included in the paid attendance counts if they attend the event.

NCAA Bylaw 20.9.7.3.1.2.1 Student Attendance, states that “student attendance must be verified through one of the following methods:

- (a) Such students are issued tickets that are collected on admission to the game and retained;
- (b) Such students enter through and are counted by a turnstile (which is not used by others in attendance) that is monitored by a representative of the department of athletics who verifies in writing the accuracy of the count on a per-game basis; or
- (c) Such students enter through a gate (which is not used by others in attendance) at which a representative of the department of athletics counts them individually with a manual counter, and the representative provides a written statement verifying the accuracy of the count on a per-game basis.”

NCAA Bylaw 20.9.7.3.1.2.1.1 Noncounted Students, states that “student-athletes and cheerleaders scheduled by the institution to be at the game and students performing services at the stadium (e.g., concessionaries, ticket takers, parking-lot attendants, ushers, groundskeepers) shall not be counted toward meeting the attendance requirements.”

NCAA Bylaw 20.9.7.3.2 Certified Audit, states that “in meeting the football-attendance requirements of the Football Bowl Subdivision, an institution must undertake an annual certified audit verifying its football attendance.”

OBJECTIVE:

The objective of our review was to certify attendance for each home football game as required by NCAA Bylaws.

SCOPE OF WORK:

We reviewed the 2008-09 NCAA Bylaw 20.9.7.3, Football–Attendance Requirements, and interviewed management personnel of the Department of Athletics and worked with the contracted event personnel during the games. We also performed other audit procedures as necessary.

RESULTS:

The table below details paid attendance (as defined by NCAA Bylaws and interpretations) at home games for the 2008 season. The table is a summary of the calculation for paid attendance certified by the Athletics Department and the Internal Auditing Department. Since paid attendance was found to exceed actual attendance at all home football games during the 2007 season, only paid attendance was calculated for the 2008 season.

2008 Houston Cougar Football Home Game Season

<u>Date</u>	<u>Opponent</u>	<u>Paid Attendance</u>
08/30/08	Southern	22,033
09/13/08	Air Force	8,405
10/09/08	UAB	14,812
11/08/08	Tulane	19,806
11/15/08	Tulsa	15,169
11/22/08	UTEP	14,401
Average Home Game Attendance:		<u>15,771</u>

CONCLUSION:

In our opinion, the average paid attendance for the 2008 Houston Cougar football home game season calculated using the terms and conditions stipulated by the NCAA exceeds the minimum attendance requirements (15,000 per game average).

Don F. Guyton
Director, Internal Auditing
December 19, 2008

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

REVIEW OF EXPENDITURES OF
ENDOWMENT INCOME, FY 2008

REPORT NO. AR2009-14

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**REVIEW OF EXPENDITURES OF ENDOWMENT INCOME
FISCAL YEAR 2008**

OBJECTIVE:

The Internal Auditing Department assisted a public accounting firm, McConnell Jones LLP, in the audit of the University of Houston System endowment fund for fiscal year 2008. The objective of our work was to determine whether the income earned from endowment funds was expended in accordance with the requirements established by the terms of the endowment.

SCOPE OF WORK:

As of August 31, 2008, the University of Houston System endowment fund book value was \$584,688,668, consisting of 1,213 separate endowments. Endowment income distributed during fiscal year 2008 was \$25,058,868.

The scope of our work included the income accounts for the thirty-six endowments selected by McConnell Jones LLP. These thirty-six endowments earned \$6,403,663, approximately 26% of the total endowment income.

For each of these endowments, we performed the following procedures:

- Reviewed the specific donor restrictions.
- Reviewed a summary of balance sheet activity (fund additions and deductions) for the income recipient cost centers.
- Reviewed a summary of income statement activity (revenue and expenditures) for the income recipient cost centers.
- Reviewed the PeopleSoft cost center detail for each income recipient cost center to determine whether the intended college/department received the endowment income.
- Reviewed all transfers and fund deductions to determine whether the transactions adhered to the specific endowment restrictions.
- Reviewed the general ledger activity of each income recipient account to determine whether transaction classifications complied with endowment restrictions.

CONCLUSION:

Although we noted no matters we considered to be significant audit findings, we noted certain instances where endowment agreements were not being finalized in a timely manner and endowment registries were not updated to indicate that an institutional advancement assessment fee should be charged.

Appendix A contains areas where there are opportunities for improvement, recommendations that will enhance the control environment, and management's responses.

Don F. Guyton
Director, Internal Auditing
January 8, 2009

APPENDIX A

OPPORTUNITIES FOR IMPROVEMENT

Endowment Agreements

The Office of Development works with university personnel and donors to create endowment agreements in order to formalize the agreements between the donor and the university with respect to the donor's gift. However, there are no procedures that address the timeline for processing endowment agreements. We were informed that development officers are in continuous talks with the donors in order to finalize agreements, and as a result there are often delays in finalizing the agreements. If funds have been received, but the agreement has not been finalized, the endowment is created in the financial system using a draft agreement. However, the terms may differ in the final agreement. As a result, endowments could be created in the financial system incorrectly and funds could be expended for purposes not intended by the donor.

During the audit, we identified one endowment that was created in the financial system using a draft agreement that contained terms that differed from the final agreement. According to the final endowment agreement for the Bill & Sue McMahon Endowment, the endowment was established for scholarships at the University of Houston; however, the draft agreement stated that the endowment was established for scholarships for the Honors College. The Office of the Treasurer made the necessary corrections relating to this endowment during the audit prior to the university incurring any expenditures related to this endowment.

In addition, we were informed that numerous agreements need to be finalized or that a Memorandum of Understanding needs to be created. During the audit, we noted the following endowment agreements have not been finalized or were not on file:

- Baldwin, R.W. – The endowment was created in 1981, but the agreement was not signed.
- Karen Stout Faculty Endowment Foundation – The endowment was created in 2006, but the agreement was not signed.
- Greater Texas Foundation Endowment Scholarship for TeachHouston - The endowment was created in 2008, but the agreement was not signed.
- Faculty Dev Quasi - The endowment was created in 1981 and we were informed that the agreement has been misplaced.

Recommendation (Office of Development): The Office of Development should develop procedures requiring the timely completion of endowment agreements to help ensure that endowments are created correctly in the financial system and the funds are expended in accordance with the donor's intent. In addition, the Office of Development should identify all

the endowments that do not have signed agreements and develop a plan to obtain signatures on the agreements or create a Memorandum of Understanding.

Management's Response (Office of Development): A review and update of endowment policy and procedures is currently being undertaken and due to be completed in April 2009. University Advancement will ensure that this update includes appropriate language that requires timely completion of endowment agreements, accurate set-up of new endowments in the financial system and expenditure of funds in accordance with endowment instructions. Additionally, Advancement will complete a review of all endowments that currently do not have signed agreements and develop a plan to obtain signatures on the agreements or create a memorandum of understanding by April 2009.

Endowment Registry Updates

Endowment registries are used to provide a summary of the endowment agreement, including the name, financial system information, whether an institutional advancement assessment fee can be charged, and terms or compliance requirements. During FY 2006, it was determined that an assessment fee should be charged to several other endowments; however, the endowment registries have not been updated to reflect this change. During the audit, we noted the following endowment registries have not been updated to indicate that an assessment fee should be charged.

- Baldwin, R.W.
- Hirsch, Winifred & Maurice
- Cullen, Roy & Lillie
- UH GAA - Sam Penn Memorial Endowment
- Hughes, Larry & Phyllis
- Dodds Family Endowment
- Shearne, Major Charles Pres (acct 1-0-67297)
- Shearne, Major Charles Pres (acct 1-0-67298)
- Neumann Cultural
- Eve Mieszkuc

Recommendation (Office of the Treasurer): The Office of the Treasurer should work with the Office of Development to update endowment registries to indicate whether an assessment fee should be charged.

Management's Response (Office of the Treasurer): Treasury has updated the registries for the ten specific endowments identified in the report. Treasury will review all other endowment registries by August 31, 2009 to make sure the institutional advancement assessment fee flag is consistent with the endowments permitted to be charged the fee and the list of endowments not permitted to be charged the fee.



The University of Houston System

Quality Assessment Review of the Department of Internal Auditing

January 16, 2009

AREAS OF STANDARDS REVIEW	Generally Conforms with Standards	Partially Conforms with Standards	Does Not Conforms with the Standards	Page
EXECUTIVE SUMMARY				3
1000 – Purpose, Authority, and Responsibility				
1100 – Independence and Objectivity				
1110 – Organizational Independence				
1120 – Individual Objectivity				
1130 – Impairments to Independence				
1200 – Proficiency and Due Professional Care				
1210 – Proficiency				
1220 – Due Professional Care				
1230 – Continuing Professional Development				
1300-Quality Assurance and Improvement Program				
1310 – Quality Program Assessments				
1311 – Internal Assessments				
1312 – External Assessments				
1320 – Reporting on the Quality Program				
1330 – Use of “Conducted in Accordance with				
1340 – Disclosure of Noncompliance				
2000 – Managing the Internal Audit Activity				
2010 – Planning				
2020 – Communication and Approval				
2030 – Resource Management				
2040 – Policies and Procedures				
2050 – Coordination				
2060 – Reporting to the Board and Senior mgt.				
2100 – Nature of Work				
2110 – Risk Management				
2120 – Control				
2130 – Governance				
2200 – Engagement Planning				
2201 – Planning Considerations				
2210 – Engagement Objectives				
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2230 – Engagement Resource Allocation				
2240 – Engagement Work Program				
2300 – Performing the Engagement				
2310 – Identifying Information				
2320 – Analysis and Evaluation				
2330 – Recording Information				
2340 – Engagement Supervision				
2400 – Communicating Results				
2410 – Criteria for Communicating				
2420 – Quality of Communications				
2421 – Errors and Omissions				
2430-Engagement Disclosure of Noncompliance				
2440 – Disseminating Results				
2500 – Monitoring Progress				
2600 – Res. of Management's Acceptance of Risks				

EXECUTIVE SUMMARY

INTRODUCTION

This Quality Assessment Review (QAR) was conducted in accordance with the Institute of Internal Auditors Quality Assessment Manual 5th Edition. The review was conducted December 8-10, 2008 and covered audit activities through August 2008. The QAR consisted of the following team members:



Team Leader: Michael (Mike) W. Hill, CPA, CFE, CCEP
Vice President, Internal Audit, Compliance and Risk Management
Medical College of Georgia



Dick Dawson, CPA, CIA,
Executive Director, Audit, Compliance and Risk Services
University of Texas-San Antonio



Douglas Horr, CBA, CIA
Director, Internal Audit
Stevens Institute

OBJECTIVE/SCOPE OF REVIEW

The Institute of Internal Auditors (IIA) defines Internal Auditing as:

“...an independent, objective, assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

The objective of the review was to assess conformance with the IIA *Standards and Generally Accepted Government Auditing Standards* and to render an opinion of the conformance with those standards based upon the focus of the aforementioned definition, with recommendations for improvement. To do this the team reviewed the effectiveness and efficiency of the Internal Auditing activity against:

1. Charter as provided by the University of Houston System Internal Auditing Director
2. Mission as provided by the University of Houston System Internal Auditing Director
3. University of Houston System audit procedures as provided by the Internal Auditing Director

In addition, we noted commendable leading practices and opportunities for improvement. To ensure appropriate assessment of standards this assessment was based upon the IIA Quality Assessment Manual, 5th Edition. This review generally conforms to that manual's guidance. The base line assessment process was as follows:

1. The QAR team reviewed the Internal Auditing activity for compliance with IIA standards.
 - a. All standards referred to may be referenced in The Professional Practices Framework, March 2007, also referred to as the “Red Book.”

2. The QAR team reviewed the Internal Auditing Activity for appropriateness of risk assessment and engagement planning.
3. The QAR team evaluated staff professional proficiency.
4. Determine if the level of Audit productivity and value-added by the Internal Auditing activity is appropriate.
5. We conducted interviews of key stakeholders such as:
 - Audit and Compliance Committee: Chair, Vice Chair
 - Senior Leaders: Chancellor, Vice Chancellors
 - Internal Audit staff members
6. The team conducted a sampling of work-papers and reports.

SUMMARY OF OBSERVATIONS

The IIA uses three rating levels to articulate conformance to standards. They are as follows:

Generally Conforms (GC) – Top Rating – Indicates that activity's relevant structure, policies, procedures and processes comply with the majority of the elements in the requirements of the Standards and Code of Ethics; however, opportunities for improvement may exist.

Partially Conforms (PC) – Indicates that the activity is making a good faith effort to comply with the Standards and Code of Ethics but has fallen short of achieving some major objectives.

Does Not Conform (DNC) – Indicates that the activity is failing to achieve the objectives in the Standards or Code of Ethics in major categories and is not making good faith efforts to comply.

Throughout the course of this report we comment on the relevant observations the team had as we evaluated the standards. The report text is color coded to the rating level.

Overall Rating:

Generally Conforms – University of Houston Internal Auditing Department is making a good faith effort to comply with the *Standards* and Code of Ethics.

There were no areas where the review team felt the internal audit function did not meet the stated standards. The full standards can be read at the Institute of Internal Auditors website (www.iaa.org). Even though the review team determined that the UHS Internal Auditing Department "Generally Conforms" with the *Standards*, we do want to take this opportunity to present several areas/issues for consideration by the Board of Regents Audit and Compliance Committee, UHS management and UHS Internal Auditing Department.

Standards Compliance Overview



It should be noted that as a part of the quality assessment review, the UHS Internal Auditing Department completed a quality self-assessment review. In the self-assessment report, seven recommendations were made that would improve department operational efficiency and effectiveness. The QAR team agrees with the self-assessment findings, recommendations, and management's responses. Of the seven recommendations, the QAR team believes that the recommendation concerning the need of the UHS Internal Auditing Department to recruit and maintain an experienced IT Auditor is the most material and urgent to accomplish.

Commendations:

The reputation of the UHS Internal Auditing Department and that of the department director (Mr. Don Guyton), with UH senior leadership is the principal strength determined by the QAR team. The department director's 20+ years of experience in the UHS, as well as the ability of the Internal Auditing Department to be a responsive and valuable resource for management should be commended.

Another area that the Internal Auditing Department should be commended for was its ability to provide UHS with broad audit coverage, providing quality reviews and services, while the department experienced significant turnover in several positions over the past couple of years. The UHS Internal Auditing Department should be commended for their efforts. Based on interviews with the current audit staff, they enjoy the working environment at UHS, particularly in the Internal Auditing Department, as well as the potential advancement opportunities with the department.

Areas for Opportunity for Improvement

System Recommendations:

Director Title Revision

The UHS and its Board of Regents (BOR) should consider changing the current title of the Director of the UHS Internal Auditing Department. The Director position is the chief audit executive (CAE) for the UHS and the title should be reflective of that as well. The audit profession within higher education systems has been moving, for several years now, to having its top auditing professional in their respective organizations be referred to as the: Chief Audit Executive or Chief Audit Officer. The QAR team realizes that this is a minor matter, but this change aids in promoting the CAE as a member of senior leadership as well as defining the importance of the Internal Auditing function within the UHS.

Management Response: *We will recommend to the Audit and Compliance Committee and management that the Director title be changed to Chief Audit Executive and that references to the position be changed in the relevant policies and procedures by February 28, 2009.*

Enterprise Risk Management (ERM)

The QAR team recommends that UHS management, the BOR Audit and Compliance Committee, as well as the UHS Internal Auditing Department management, consider integrating more ERM activities with the internal auditing activities. Even though the Director of Internal Auditing is also the UHS Compliance Officer, additional activities involving ERM need to be integrated with the current internal auditing and compliance activities.

According to the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) *Enterprise Risk Management-Integrated Framework*, the starting point for an effective ERM program starts with the institution's internal control environment. This starting point means establishing a shared risk management philosophy for the entire UHS community. As a part of an ERM program, the UHS Internal Auditing Department can assist management in establishing effective governance processes, ensuring the coordination of risk assessment, response, and monitoring, and related control activities. In addition, the audit department when performing audits of business units/processes should include audit steps that inquire of management the quality of the respective business unit's risk assessment processes, what risk monitoring is occurring, and the degree of coordinated risk efforts with other business units and/or management.

Management Response: *We will include the topic of ERM on our engagement entrance conference meeting agenda in order to familiarize management with the concept of ERM. During these meetings, we will inquire about management's greatest perceived risks and the manner in which it is managing them. Estimated completion date is February 28, 2009.*

Department Recommendations:

Electronic Workpaper Efficiency and Effectiveness

Even though the electronic working papers and the procedures being used by the office substantially satisfy the IIA Standards, improvement opportunities are available to allow the electronic working papers to be more efficient and effective. One area for consideration involves the breaking down of audit steps into smaller multiple steps that are more identifiable with individual performance tasks. The reasoning for using the smaller multiple audit step approach allows multiple staff members to work on the audit program and various audit steps while allowing the audit supervisor to review the smaller steps as they are completed. This will also produce a more accurate status of the audit program and breakdown of the audit's progress towards completion.

Another area of potential improvement involves the UHS Internal Auditing Department's practice of completing an annual independence statement. Although this is an acceptable practice, a best practice would be to have each team member confirm their independence on each project at the beginning of planning the audit work. This task could be easily accomplished by including a step within the electronic working papers.

Management Response: *We will revise our standard audit work programs to determine which audit steps can be broken down into smaller steps and will include any additional audit steps for ascertaining staff independence on each layer. Estimated completion date is February 28, 2009.*

We appreciate the cooperation and assistance provided to us throughout the course of this review by the members of the UHS community: the administration, the Board of Regents, and the Internal Auditing Department staff. We are confident that with UHS Internal Auditing management's continued commitment to complying with the *Standards*, the internal auditing department will continue to be a valuable resource to UHS management.

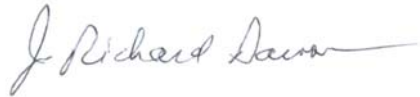
Sincerely,



Michael W. Hill, CPA, CFE, CCEP
Vice President, Internal Audit, Compliance and Risk Management
Medical College of Georgia



Doug Horr, CBA, CIA
Director, Internal Audit
Stevens Institute



Dick Dawson, CPA, CIA
Executive Director, Audit, Compliance and Risk Services
University of Texas-San Antonio

Standard		Description	Conformance GC/PC/DNC
ATTRIBUTE STANDARDS			
1000	Purpose, Authority, and Responsibility (Internal Audit Charter)	The purpose, authority and responsibility of the internal audit activity should be formally defined in a charter, consistent with the <i>Standards</i> , and approved by the board.	GC
1100	Independence and Objectivity	The internal audit activity should be independent, and internal auditors should be objective in performing their work.	GC
1110	Organizational Independence	The chief audit executive should report to a level within the organization that allows the internal audit activity to fulfill its responsibilities.	GC
1120	Individual Objectivity	Internal auditors should have an impartial, unbiased attitude and avoid conflicts of interest	GC
1130	Impairments to Independence or Objectivity	If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.	GC
1200	Proficiency and Due Professional Care	Engagements should be performed with proficiency and due professional care.	GC
1210	Proficiency	Internal auditors should possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively should possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities.	GC
1220	Due Professional Care	Internal auditors should apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.	GC
1230	Continuing Professional Development	Internal auditors should enhance their knowledge, skills, and other competencies through continuing professional development.	GC

1300	Quality Assurance and Improvement Program	The chief audit executive should develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and continually monitors its effectiveness. The program includes periodic internal and external assessments and ongoing internal monitoring. Each part of the program should be designed to help the internal auditing activity add value and improve the organization's operations and to provide assurance that the internal audit activity is in conformity with the <i>Standards</i> and the <i>Code of Ethics</i> .	GC
1310	Quality Program Assessments	The internal audit activity should adopt a process to monitor and assess the overall effectiveness of the quality program. The process should include both internal and external assessments.	GC
1311	Internal Assessments	Internal assessment should include: <ul style="list-style-type: none"> • Ongoing reviews of the performance of the internal audit activity; and • Periodic reviews performed through self-assessment or by other persons within the organization, with knowledge of internal audit practices and the <i>Standards</i>. 	GC
1312	External Assessments	External assessment, such as quality assurance reviews, should be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization.	GC
1320	Reporting on the Quality Program	The chief audit executive should communicate the results of external assessments to the board.	GC
1330	Use of " <i>Conducted in Accordance with the Standards</i> "	Internal auditors are encouraged to report that their activities are "conducted in accordance with the <i>International Standards for the Professional Practice of Internal Auditing</i> ." However, internal auditors may use the statement only if assessments of the quality improvement program demonstrate that the internal audit activity is in compliance with the <i>Standards</i> .	GC

1340	Disclosure of Non-compliance	Although the internal audit activity should achieve full compliance with the <i>Standards</i> and internal auditors with the <i>Code of Ethics</i> , there may be instances in which full compliance is not achieved. When non-compliance impacts the overall scope or operation of the internal audit activity, disclosure should be made to the senior management and the board.	GC
PERFORMANCE STANDARDS			
2000	Managing the Internal Audit Activity	The chief audit executive (CAE) should effectively manage the internal audit activity to ensure it adds value to the organization.	GC
2010	Planning	The CAE should establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals.	GC
2020	Communication and Approval	The CAE should communicate the internal audit activity's plans and resource requirements, including significant interim changes. The chief audit executive should also communicate the impact of resource limitations.	GC
2030	Resource Management	The CAE should ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.	GC
2040	Policies and Procedures	The CAE should establish policies and procedures to guide the internal audit activity.	GC
2050	Co-Ordination	The CAE should share information and coordinate activities with other internal/external providers of relevant assurance and consulting services to ensure proper coverage and minimize duplication of efforts.	GC
2060	Reporting to the Board and Senior Management	The CAE should report periodically to the board and senior management on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting should also include significant risk exposures and control issues, corporate governance issues, and other matters needed/requested by the board and senior management.	GC

2100	Nature of Work	The internal audit activity should evaluate and contribute to the improvement of risk management, control, and governance processes using a systematic and disciplined approach.	GC
2110	Risk Management	The internal audit activity should assist the organization by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems.	GC
2120	Control	The internal audit activity should assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement	GC
2130	Governance	<p>The internal audit activity should assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:</p> <ul style="list-style-type: none"> • Promoting appropriate ethics and values within the organization. • Ensuring effective organizational performance management and accountability. • Effectively communicating risk and control information to appropriate areas of the organization. • Effectively coordinating the activities and communicating information among the board, external and internal auditors and management. 	GC
2200	Engagement Planning	Internal auditors should develop and record a plan for each engagement, including the scope, objectives, timing and resource allocations.	GC
2201	Planning Considerations	<p>In planning the engagement, internal auditors should consider:</p> <ul style="list-style-type: none"> • The objectives of the activity being reviewed and the means by which the activity controls its performance. 	GC

		<ul style="list-style-type: none"> • The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level. • The adequacy and effectiveness of the activity's risk management and control systems compared to a relevant control framework or model. • The opportunities for making significant improvements to the activity's risk management and control systems. 	
2210	Engagement Objectives	Objectives should be established for each engagement.	GC
2220	Engagement Scope	The established scope should be sufficient to satisfy the objectives of the engagement.	GC
2230	Engagement Resource Allocation	Internal auditors should determine appropriate resources to achieve engagement objectives. Staffing should be based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.	GC
2240	Engagement Work Program	Internal auditors should develop work programs that achieve the engagement objectives. These work programs should be recorded.	GC
2300	Performing the Engagement	Internal auditors should identify, analyze, evaluate, and record sufficient information to achieve the engagement's objectives.	GC
2310	Identifying Information	Internal auditors should identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives.	GC
2320	Analysis and Evaluation	Internal auditors should base conclusions and engagement results on appropriate analyses and evaluations.	GC
2330	Recording Information	Internal auditors should record relevant information to support the conclusions and engagement results.	GC
2340	Engagement Supervision	Engagements should be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.	GC

2400	Communicating Results	Internal auditors should communicate the engagement result.	GC
2410	Criteria for Communicating	Communications should include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans.	GC
2420	Quality of Communications	Communications should be accurate, objective, clear, concise, constructive, complete, and timely.	GC
2421	Errors and Omissions	If a final communication contains a significant error or omission, the chief audit executive should communicate corrected information to all parties who received the original communication.	GC
2430	Engagement Disclosure of Non-compliance with Standards	When non-compliance with the <i>Standards</i> impacts a specific engagement, communication of the results should disclose the: <ul style="list-style-type: none"> • <i>Standard</i> with which compliance was not achieved, • Reason(s) for non-compliance, and • Impact of non-compliance on the engagement. 	GC
2440	Disseminating Results	The chief audit executive should communicate results to the appropriate parties.	GC
2500	Monitoring Progress	The chief audit executive should establish and maintain a system to monitor the disposition of results communicated to management.	GC
2600	Management's Acceptance of Risks	When the chief audit executive believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the chief audit executive should discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive and senior management should report the matter to the board for resolution.	GC
	IIA Code of Ethics: Integrity Objectivity Confidentiality Competency	The purpose of the IIA's <i>Code of Ethics</i> is to promote an ethical culture in the profession of internal auditing.	GC

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Audit and Compliance

ITEM: Certification of Annual Financial Statements

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Audit Committee Planner, item number 3.13, requires that the U.H. System Chancellor and U.H. System Chief Financial Officer certify the annual financial statements for the U.H. System as a whole, and that each component President and Chief Financial Officer certify the annual financial statements for their respective component institution.

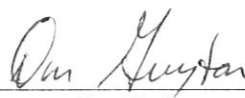
FISCAL NOTE:

SUPPORTING DOCUMENTATION: Financial Statements Certification Letters – FY 2008 (all components)

ACTION REQUESTED: Information

COMPONENT: University of Houston System

DIRECTOR, INTERNAL AUDITING


Don F. Guyton

1/23/09
DATE

CHANCELLOR PRESIDENT


Renu Khator

1/24/09
DATE

Financial Certification Process

- University of Houston – Clear Lake, University of Houston – Downtown, and University of Houston – Victoria Chief Accounting Officers, Chief Financial Officers, and Presidents certify that the financial reports for their campus are true and correct to the best of their knowledge.

- University of Houston and University of Houston – System Administration administrators and unit heads representing 125 departments complete the FY 2008 Department Fraud Risk Survey, which includes questions about verifying cost center transactions, reporting instances of fraud and non-compliance, and other internal controls. According to the results of the survey, internal controls are adequate to ensure that the financial transactions created for FY 2008 by UH/UHSA departments are true and correct.

- Mike Glisson (Executive Director of Finance), David Ellis (Executive Director of Financial Reporting), Tom Ehardt (Interim VC/VP of Finance), Carl Carlucci (Executive VC/VP of Administration and Finance), and Renu Kator (Chancellor/President) sign the Certification Letter for UH, UHSA, and University of Houston System Consolidated based on:
 - o Department surveys, which indicate internal controls are adequate within UH and UHSA departments to ensure correct financial transactions.
 - o Certifications signed by UHCL, UHD, and UHV representatives.
 - o Their knowledge and review of the FY 2008 Annual Financial Report for UH, UHSA, and UH System Consolidated.

- The certification letters are presented at the February Board of Regents meeting.

University of Houston, UH System Administration, and UH System Certification Letter

January 7, 2009

Dr. Dennis D. Golden
Chair, Audit and Compliance Committee
UH System Board of Regents
128 E. Cullen
Houston, TX 77204-6001

Pursuant to the UH System Board of Regents Audit Committee Charter and Checklist, the following representations are presented in connection with the preparation of financial statements and footnote information for the University of Houston, UH System Administration, and UH System as a whole for the period ended August 31, 2008.

Management Representations Related to Financial Statements

I have reviewed the financial statements of the University of Houston, UH System Administration, and UH System as a whole and I confirm, to the best of my knowledge and belief, the following representations made to you relating to the preparation of these financial statements and footnote information.

1. To the best of my knowledge, the financial statements and footnote information are fairly presented in conformity with generally accepted accounting principles except where the State Comptroller's reporting requirements have instructed us to deviate.
2. University management is responsible for compliance with the state and federal laws and regulations, the State Comptroller's reporting requirements, and the University of Houston System reporting guidelines communicated by the Office of the Executive Vice Chancellor for Administration and Finance or designee.
3. University management is responsible for establishing and maintaining internal controls over financial reporting. Internal Control is a process, effected by the Board of Regents, administration and management, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.
4. To the best of my knowledge, all significant deficiencies in the design or operation of internal controls over financial reporting which could adversely affect UH System's ability to record, process, summarize, and report financial data and any material weaknesses in internal controls that have been identified for UH System have been appropriately reported and addressed.

5. To the best of my knowledge, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices other than those reported to the Office of the Executive Vice Chancellor for Administration and Finance in writing (if any).
6. To the best of my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
7. To the best of my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the University of Houston, UH System Administration, and UH System consolidated of, and for, the periods presented in this report (Materiality is defined as a $\pm 5\%$ or greater error on revenues, expenses, assets, liabilities, or net assets.);
8. To the best of my knowledge, there are no unasserted claims or assessments that the Office of General Counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies other than those reported to the Office of the Executive Vice Chancellor for Administration and Finance in writing (if any).
9. To the best of my knowledge, there has been no –
 - a. Fraud, whether or not material, involving management or employees who have significant roles in internal control, that has not been appropriately reported and addressed; or
 - b. Fraud involving others that could have a material effect on the financial statements other than those reported to the Office of the Executive Vice Chancellor for Administration and Finance in writing (if any).
10. To the best of my knowledge, from August 31, 2008 through the date of this letter, there have been no subsequent events that have had or may have a material effect on the financial position or the revenues, expenses, and other changes in net assets as shown in the aforementioned financial statements.



Mr. Mike Glisson

Executive Director of Finance,
University of Houston

1-7-09

Date



Mr. David Ellis

Executive Director of Financial
Reporting, University of Houston

1-7-09

Date



Mr. Tom Ehardt

Interim Associate Vice Chancellor of
Finance, UH System
Interim Associate Vice President of
Finance, University of Houston

1/9/2009

Date

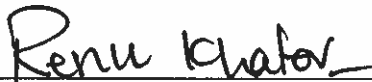


Dr. Carl Carlucci

Executive Vice Chancellor of
Administration & Finance, UH System
Executive Vice President of
Administration & Finance, University
of Houston

1/9/2009

Date



Dr. Renu Khator

Chancellor, UH System
President, University of Houston

1/14/09

Date

UH Clear Lake Certification Letter

December 11, 2008

Dr. Dennis D. Golden
Chair, Audit and Compliance Committee
UH System Board of Regents
128 E. Cullen
Houston, TX 77204-6001

Pursuant to the UH System Board of Regents Audit Committee Charter and Checklist, the following representations are presented in connection with the preparation of the UH Clear Lake's financial statements and footnote information for the period ended August 31, 2008.

Management Representations Related to Financial Statements

I have reviewed the financial statements of UH Clear Lake and I confirm, to the best of my knowledge and belief, the following representations made to you relating to the preparation of the UH Clear Lake's financial statements and footnote information.

1. To the best of my knowledge, the financial statements and footnote information are fairly presented in conformity with generally accepted accounting principles except where the State Comptroller's reporting requirements have instructed us to deviate.
2. University management is responsible for compliance with the state and federal laws and regulations, the State Comptroller's reporting requirements, and the University of Houston System reporting guidelines communicated by the Office of the Vice Chancellor for Administration and Finance or designee.
3. University management is responsible for establishing and maintaining internal controls over financial reporting. Internal Control is a process, effected by the Board of Regents, administration and management, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.
4. To the best of my knowledge, all significant deficiencies in the design or operation of internal controls over financial reporting which could adversely affect UH Clear Lake's ability to record, process, summarize, and report financial data and any material weaknesses in internal controls that have been identified for UH Clear Lake have been appropriately reported and addressed.
5. To the best of my knowledge, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices other than those reported to the Office of the Vice Chancellor for Administration and Finance in writing (if any).

6. To the best of my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
7. To the best of my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of UH Clear Lake as of, and for, the periods presented in this report (Materiality is defined as a $\pm 5\%$ or greater error on revenues, expenses, assets, liabilities, or net assets.);
8. To the best of my knowledge, there are no unasserted claims or assessments that the Office of General Counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies other than those reported to the Office of the Vice Chancellor for Administration and Finance in writing (if any).
9. To the best of my knowledge, there has been no —
 - a. Fraud, whether or not material, involving management or employees who have significant roles in internal control, that has not been appropriately reported and addressed; or
 - b. Fraud involving others that could have a material effect on the financial statements other than those reported to the Office of the Vice Chancellor for Administration and Finance in writing (if any).
10. To the best of my knowledge, from August 31, 2008 through the date of this letter, there have been no subsequent events that have had or may have a material effect on the financial position or the revenues, expenses, and other changes in net assets as shown in the aforementioned financial statements

John Cordary
Mr. John Cordary

Associate Vice President of Finance,
UH Clear Lake

12/11/08

Date

Michelle Dotter

Ms. Michelle Dotter

Vice President of Administration and
Finance, UH Clear Lake

12/15/08

Date

William A. Staples

Dr. William Staples

President, UH Clear Lake

12/15/08

Date

UH Downtown Certification Letter

December 11, 2008

Dr. Dennis D. Golden
Chair, Audit and Compliance Committee
UH System Board of Regents
128 E. Cullen
Houston, TX 77204-6001

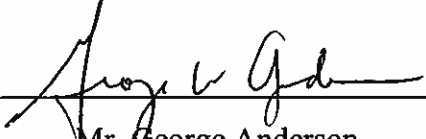
Pursuant to the UH System Board of Regents Audit Committee Charter and Checklist, the following representations are presented in connection with the preparation of UH Downtown's financial statements and footnote information for the period ended August 31, 2008.

Management Representations Related to Financial Statements

I have reviewed the financial statements of UH Downtown and I confirm, to the best of my knowledge and belief, the following representations made to you relating to the preparation of the UH Downtown's financial statements and footnote information.

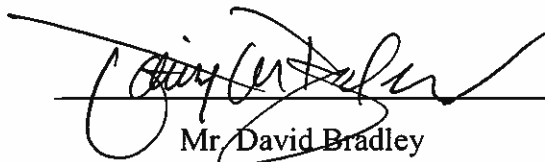
1. To the best of my knowledge, the financial statements and footnote information are fairly presented in conformity with generally accepted accounting principles except where the State Comptroller's reporting requirements have instructed us to deviate.
2. University management is responsible for compliance with the state and federal laws and regulations, the State Comptroller's reporting requirements, and the University of Houston System reporting guidelines communicated by the Office of the Vice Chancellor for Administration and Finance or designee.
3. University management is responsible for establishing and maintaining internal controls over financial reporting. Internal Control is a process, effected by the Board of Regents, administration and management, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.
4. To the best of my knowledge, all significant deficiencies in the design or operation of internal controls over financial reporting which could adversely affect UH Downtown's ability to record, process, summarize, and report financial data and any material weaknesses in internal controls that have been identified for UH Downtown have been appropriately reported and addressed.
5. To the best of my knowledge, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices other than those reported to the Office of the Vice Chancellor for Administration and Finance in writing (if any).

6. To the best of my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
7. To the best of my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of UH Downtown as of, and for, the periods presented in this report (Materiality is defined as a $\pm 5\%$ or greater error on revenues, expenses, assets, liabilities, or net assets.);
8. To the best of my knowledge, there are no unasserted claims or assessments that the Office of General Counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies other than those reported to the Office of the Vice Chancellor for Administration and Finance in writing (if any).
9. To the best of my knowledge, there has been no –
 - a. Fraud, whether or not material, involving management or employees who have significant roles in internal control, that has not been appropriately reported and addressed; or
 - b. Fraud involving others that could have a material effect on the financial statements other than those reported to the Office of the Vice Chancellor for Administration and Finance in writing (if any).
10. To the best of my knowledge, from August 31, 2008 through the date of this letter, there have been no subsequent events that have had or may have a material effect on the financial position or the revenues, expenses, and other changes in net assets as shown in the aforementioned financial statements


Mr. George Anderson

Assistant Vice President of Business
Affairs, UH Downtown

12-11-08
Date


Mr. David Bradley

Vice President of Administration and
Finance, UH Downtown

12-12-08
Date


Dr. Max Castillo

President, UH Downtown

12/17/08
Date

UH Victoria Certification Letter

December 11, 2008

Dr. Dennis D. Golden
Chair, Audit and Compliance Committee
UH System Board of Regents
128 E. Cullen
Houston, TX 77204-6001

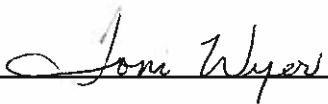
Pursuant to the UH System Board of Regents Audit Committee Charter and Checklist, the following representations are presented in connection with the preparation of the UH Victoria's financial statements and footnote information for the period ended August 31, 2008.

Management Representations Related to Financial Statements

I have reviewed the financial statements of UH Victoria and I confirm, to the best of my knowledge and belief, the following representations made to you relating to the preparation of the UH Victoria's financial statements and footnote information.

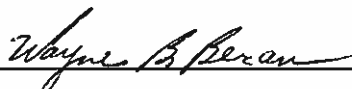
1. To the best of my knowledge, the financial statements and footnote information are fairly presented in conformity with generally accepted accounting principles except where the State Comptroller's reporting requirements have instructed us to deviate.
2. University management is responsible for compliance with the state and federal laws and regulations, the State Comptroller's reporting requirements, and the University of Houston System reporting guidelines communicated by the Office of the Vice Chancellor for Administration and Finance or designee.
3. University management is responsible for establishing and maintaining internal controls over financial reporting. Internal Control is a process, effected by the Board of Regents, administration and management, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.
4. To the best of my knowledge, all significant deficiencies in the design or operation of internal controls over financial reporting which could adversely affect UH Victoria's ability to record, process, summarize, and report financial data and any material weaknesses in internal controls that have been identified for UH Victoria have been appropriately reported and addressed.
5. To the best of my knowledge, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices other than those reported to the Office of the Vice Chancellor for Administration and Finance in writing (if any).

6. To the best of my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
7. To the best of my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of UH Victoria as of, and for, the periods presented in this report (Materiality is defined as a $\pm 5\%$ or greater error on revenues, expenses, assets, liabilities, or net assets.);
8. To the best of my knowledge, there are no unasserted claims or assessments that the Office of General Counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies other than those reported to the Office of the Vice Chancellor for Administration and Finance in writing (if any).
9. To the best of my knowledge, there has been no –
 - a. Fraud, whether or not material, involving management or employees who have significant roles in internal control, that has not been appropriately reported and addressed; or
 - b. Fraud involving others that could have a material effect on the financial statements other than those reported to the Office of the Vice Chancellor for Administration and Finance in writing (if any).
10. To the best of my knowledge, from August 31, 2008 through the date of this letter, there have been no subsequent events that have had or may have a material effect on the financial position or the revenues, expenses, and other changes in net assets as shown in the aforementioned financial statements


Ms. Toni Wyer

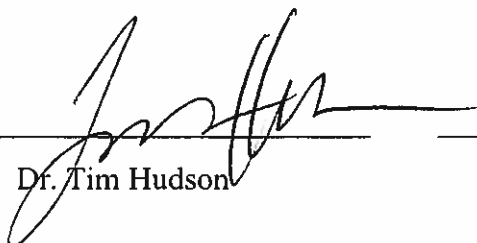
Comptroller, UH Victoria

12/11/08
Date


Mr. Wayne Beran

Vice President of Administration and
Finance, UH Victoria

12/12/08
Date


Dr. Tim Hudson

President, UH Victoria

12/12/08
Date