

**UNIVERSITY OF HOUSTON SYSTEM  
Audit & Compliance Committee Meeting  
Thursday, November 5, 2009  
10:45 a.m. – 12:00 Noon**

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## AGENDA

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### UNIVERSITY OF HOUSTON SYSTEM AUDIT AND COMPLIANCE COMMITTEE MEETING

**DATE:** Thursday, November 5, 2009

**TIME:** 10:45 a.m.

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

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**Chair:** Jacob M. Monty  
**Vice Chair:** Nandita V. Berry  
**Members:** Mica Mosbacher  
Welcome W. Wilson, Sr., Ex Officio

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#### AUDIT AND COMPLIANCE COMMITTEE

- A. Call to Order
- B. Internal Audit Report – Briefing Booklet – UH System AUDIT – 1  
**Action:** Information
- C. Institutional Compliance Status Report for the Three Months Ended September 30, 2009 – UH System AUDIT – 2  
**Action:** Information
- D. External Audit Reports – UH System AUDIT – 3
  - SAO Enrollment Audit Report
  - Construction Audit – Final Report, Calhoun Lofts Residential Halls**Action:** Information



**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 and Internal Audit Reports issued since the August 11, 2009, 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

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**CHIEF AUDIT EXECUTIVE**

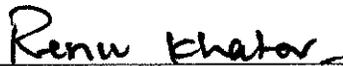


Don F. Guyton

\_\_\_\_\_  
**DATE**

10/16/09

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**CHANCELLOR**



Renu Khator

\_\_\_\_\_  
**DATE**

10-21-09

UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT

BOARD OF REGENTS  
AUDIT & COMPLIANCE COMMITTEE  
MEETING

INTERNAL AUDIT BRIEFING  
MATERIALS

November 5, 2009

**University of Houston System  
Internal Auditing Department**

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

**Internal Audit Briefing Materials**

**November 5, 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

**University of Houston System  
Internal Auditing Department**

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

**ACTIVITY OUTLINE  
November 5, 2009**

1. Audit Reports Issued since August 11, 2009, Board of Regents Meeting
  - AR2010-01 Follow-up Status Report
  - AR2010-02 UHCL Information Security Standards
  - AR2010-03 UH Information Security Standards
  - AR2020-04 Chancellor/President's Travel, FY 2009
  - AR2010-05 Board of Regents' Travel, FY 2009
  - AR2010-06 Annual Non-Compliance Report, FY 2009
  - AR2010-07 UH College of Liberal Arts & Social Sciences, Departmental Reviews
  
2. Reports in Progress (*scheduled distribution date to Board of Regents*)
  - UH Research Administration (*February 2010*)
  
3. Fieldwork in Progress (*scheduled distribution date to Board of Regents*)
  - Departmental Reviews (UH Honors College, UHCL School of Science and Computer Engineering, UHCL School of Business, UH Law Center, UH College of Architecture, UHD Engineering Technology) (*February 2010*)
  - Departmental Reviews (UHCL School of Human Sciences & Humanities)
  - Football Attendance – 2009 Season (*February 2010*)
  - UH Foundation & UH Alumni Organization
  
4. Planning in Progress
  - Departmental Reviews (UHCL Administration & Finance and School of Human Sciences & Humanities)
  - UH/UHCL ARP Grants, 2006 Awards
  - UH Financial Aid, Scholarships
  - Privacy
  - Pell Grants (UHCL, UHD & UHV)
  - Executive & Foreign Travel and Entertainment
  
5. Special Projects in Progress:
  - Assistance to External Auditors – State Auditor's Office, FY 2009 Statewide Audit
  - Assistance to Management – Various Special Projects
  - Annual Internal Audit Activity Report

UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT

INTERNAL AUDIT REPORTS

**EXECUTIVE SUMMARIES**

REPORT NOS. AR2010-01 through AR2010-07

**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 July 1, 2009, to September 30, 2009, in all audit reports with open recommendations. This status report addresses 59 management actions in 21 individual reports. In ascertaining whether appropriate action was taken, we interviewed personnel, reviewed documentation and performed other audit procedures as necessary. We determined that 28 of these management actions have been completed, 25 partially implemented and 6 not implemented.

**Internal Audit Report – UHCL Information Security Standards**

Texas Administrative Code Title 1, Part 10, Chapter 202 – Information Security Standards (TAC 202), requires all institutions of higher education to comply with the regulations set forth in Subchapter C - Security Standards for Institutions of Higher Education. For this engagement, we evaluated the information security policies, practices and procedures at the University of Houston–Clear Lake for the following areas: security standards policy, responsibilities, managing security risks, managing physical security, business continuity planning, information resource security safeguards, security incidents, user security practices, and removal of data from data processing equipment. In our opinion, the University of Houston–Clear Lake’s information security program in these areas helps ensure compliance with TAC 202, Subchapter C. Although we noted no matters that we considered to be significant audit findings, we did note certain violations of TAC 202 requirements. Management developed action plans to help ensure compliance with TAC 202 in these areas.

**Internal Audit Report – UH Information Security Standards**

Texas Administrative Code Title 1, Part 10, Chapter 202 – Information Security Standards (TAC 202), requires all institutions of higher education to comply with the regulations set forth in Subchapter C - Security Standards for Institutions of Higher Education. For this engagement, we evaluated the information security policies, practices and procedures at the University of Houston for the following areas: security standards policy, responsibilities, managing security risks, managing physical security, business continuity planning, information resource security safeguards, security incidents, user security practices, and removal of data from data processing equipment. In our opinion, the University of Houston’s information security program in these areas helps ensure compliance with TAC 202, Subchapter C. Although we noted no matters that we considered to be significant audit findings, we did note certain violations of TAC 202 requirements. Management developed action plans to help ensure compliance with TAC 202 in these areas.

### **Internal Audit Report – Chancellor/President’s Travel, FY 2009**

As part of our annual audit plan, we reviewed all travel and entertainment expenditures of the Chancellor/President and spouse and the related airline charges billed directly to the university for fiscal year 2009 funded by accounts of the Chancellor/President’s Office. It should be noted that in some cases, travel and entertainment expenditures for the Chancellor/President might be funded by accounts other than the Chancellor/President office accounts and by outside organizations. The objective of our review was to determine whether expenditures for travel and entertainment were appropriately documented and allowable under university policies. In our opinion, the travel and entertainment expenditures of the Chancellor/President and spouse for the year ended August 31, 2009, were appropriately documented and were allowable under university policies.

### **Internal Audit Report – Board of Regents’ Travel, FY 2009**

As part of our annual audit plan, we reviewed the travel and entertainment expenditures of the members of the Board of Regents (BOR) for fiscal year 2009. It should be noted that in some cases, travel and entertainment expenditures for regents might be funded by accounts other than the BOR office account. The scope of this review only includes the expenditures funded by the BOR office account. The objective of our review was to determine whether expenditures for travel and entertainment were appropriately documented and allowable under university policies. In our opinion, the travel and entertainment expenditures for the year ended August 31, 2009, were appropriately documented and were allowable under university policies.

### **Internal Audit Report – Annual Non-Compliance Report, FY 2009**

During FY 2009, the Internal Audit Department issued 6 audit reports that contained the results of 38 departmental reviews. Departmental reviews were performed in 31 UH departments and in 7 UHD departments. The departmental review process resulted in management action items for all noted instances of non-compliance. The purpose of this report is to compile a listing of all instances of non-compliance noted in the departmental reviews during the previous year in order that management can assess its risks associated with repetitive instances and take action, if necessary. The attached matrices list the number of instances of non-compliance in specific areas. We noted that the most frequent instances of non-compliance by audited units occurred in the areas of payroll/human resources, cost center management, and procurement cards. In addition to requiring role-based training and completion of an annual Department Fraud Risk Survey, management has implemented various procedures to remind business staff of deadlines and required tasks, implemented PeopleSoft Time and Labor, and implemented an electronic process for effort reporting on federal grants to help reduce instances of non-compliance and enhance the internal control environment.

### **Internal Audit Report – UH College of Liberal Arts & Social Sciences, 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 29 departmental reviews in the College of Liberal Arts and Social Sciences. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted one matter that we considered to be a significant audit finding: lack of financial and administrative oversight. 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. 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.

**University of Houston System**  
**Internal Auditing Department**  
**Internal Audit Report Recommendations - Summarized by Area**  
**November 5, 2009**

REPORT NAME	Rpt. No.	Modify Policies and Procedures			Noncompliance with Guidelines			Efficiency of Resources	Contracts / Agreements	EDP / System Issues			Basic Internal Controls				Human Resources		
		UHS	Campus	Dept.	Fed./Other	State	UHS			Modif.	Security	Other	Reconcl.	Segreg. of Duties	Cash Handling	Safeguard Assets	Other	Job Descr.	Training
Follow-up Status Report	AR2010-01																		
UHCL Information Security Standards	AR2010-02		X	X		X				X	X	X							
UH Information Security Standards	AR2010-03	X	X	X		X				X	X	X							
Chancellor/President's Travel, FY 2009	AR2010-04																		
Board of Regents' Travel, FY 2009	AR2010-05																		
Annual Non-compliance Report, FY 2009	AR2010-06																		
UH College of Liberal Arts & Social Sciences, Departmental Reviews	AR2010-07			X			X	X	X				X	X	X	X	X	X	X

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. AR2010-01 through AR2010-07  
(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**

**UHCL, Information Security Standards, AR2010-02  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b>Action To Be Taken</b>
<b>Risk Level:    High    Medium    Low</b>		
September 1, 2010	Margaret Lampton Director of Information Security and Administration	Review and update University policies relating to information technology to help maintain an up-to-date information security program.
December 1, 2009	Margaret Lampton Director of Information Security and Administration	Develop and implement procedures to annually review, update, test, and approve the written emergency procedures.
November 1, 2010	John Cordary Associate Vice President for Finance	Work with University Management to update UHCL's Business Continuity Plan to include all business functions of the University, in accordance with TAC 202.
November 1, 2009	Margaret Lampton Director of Information Security and Administration	Update minimum password length requirements based on industry best practices, and update Information Security Policies related to all changes in password requirements.
September 1, 2010	Margaret Lampton Director of Information Security and Administration	Update Information Security Policies and Procedures to prohibit sending of individual's name and restricted personal information via email unless the data is encrypted.

**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**

**UHCL, Information Security Standards, AR2010-02  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b>Action To Be Taken</b>
September 1, 2010	Margaret Lampton Director of Information Security and Administration	Update the Information Security Policies and Procedures to include requirements related to wireless access, in accordance with TAC 202.
September 1, 2010	Margaret Lampton Director of Information Security and Administration	Update the Information Security Policies and Procedures to include the requirements related to the removal of data from data processing equipment prior to the sale or transfer of data processing equipment outside the University, in accordance with TAC 202.
December 18, 2009	Greg Scoggins Asset Management Coordinator	Update the Property Management Policies and Procedures to address the Government Code requirements related to the sale or transfer/donation of data processing equipment to other state agencies, in accordance with TAC 202.
Action Complete	David Webb System Specialist, School of Science and Computer Engineering (SCE)	Update the record documenting the removal of data from data processing equipment to include the process and sanitization tools used to remove the data or method of destruction.

**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**

**UHCL, Information Security Standards, AR2010-02  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b>Action To Be Taken</b>
Action Complete	Jerry Jones Director of UCT Technical Services	Update the record documenting the removal of data from data processing equipment to include the address of the organization the equipment is transferred to.

**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, Information Security Standards, AR2010-03  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
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<b>Risk Level:</b> <b>High</b> <b>Medium</b> <b>Low</b>
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April 31, 2010	Mary Dickerson Interim Executive Director, IT Security	Update SAM 07.B.01, System Development Life Cycle and SAM 07.B.02, Software Documentation to address security requirements in all phases of development and acquisition of information resources, in accordance with TAC 202.
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December 31, 2009	Mary Dickerson Interim Executive Director, IT Security	Document the classification of data using the current guidelines that are based on sensitivity/criticality levels for the University's information systems.
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Action Complete	Mary Dickerson Interim Executive Director, IT Security	Update the Information Security Manual to require multiple owners of an information resource to reach a consensus and advise Information Security as to the designated owner.
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Action Complete	Mary Dickerson Interim Executive Director, IT Security	Determine a designated owner of systems that have multiple owners (PIER System).
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**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, Information Security Standards, AR2010-03  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
Action Complete	Mary Dickerson Interim Executive Director, IT Security	Update the Owner's and Custodian's responsibility sections of the Information Security Manual to include all required responsibilities, in accordance with TAC 202.
July 1, 2010	Mary Dickerson Interim Executive Director, IT Security	Review and update the Information Security Manual, SAMs, and MAPPs, as appropriate, to help ensure that the policies are aligned with current Information Technology Security practices and are in compliance with TAC 202.
December 31, 2009	Mary Dickerson Interim Executive Director, IT Security	Submit an annual report to the President on the status and effectiveness of information resources security controls in a timely manner, in accordance with TAC 202

**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, Information Security Standards, AR2010-03  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
December 31, 2009	<p>Jim Bradley Interim Executive Director, Technology Support Services</p> <p>Mary Dickerson Interim Executive Director, IT Security</p>	<p>Facilitate University-wide coordination and planning related to management of college/division IT resources by developing technical guidelines and reference materials, providing training to college/division based technical support staff, and coordinating meetings of college/division information resource managers to help ensure IT resources are adequately managed at the college/division level, including compliance with TAC 202.</p>
May 31, 2010	<p>Mary Dickerson Interim Executive Director, IT Security</p>	<p>Perform and document a comprehensive security risk analysis of information resources, develop a security risk management plan, and obtain approval of the plan from the President (or her designee).</p>
December 31, 2009	<p>Malcolm Davis Assistant Vice President for Public Safety &amp; Security</p>	<p>Work with University management to update UH's Business Continuity Plan to include all business functions of the University, in accordance with TAC 202 (<b>See SAO report #05-010 action item #20</b>).</p>

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**University of Houston System  
Internal Auditing Department**

**UH, Information Security Standards, AR2010-03  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
March 31, 2010	Arun Jain, AVP Enterprise Systems	Test the Disaster Recovery Plan annually prior to hurricane season.
December 31, 2009	Arun Jain, AVP Enterprise Systems	Update system settings for password complexity and enable auditing for changes to password policy settings in order to meet industry best practices.
Action Complete	Mary Dickerson Interim Executive Director, IT Security	Update the Information Security Manual to include language that prohibits sending an individual's name and restricted personal information via email unless the data is encrypted, in accordance with TAC 202.
Action Complete	Mary Dickerson Interim Executive Director, IT Security	Update the Information Security Manual to include requirements related to wireless access, in accordance with TAC 202.
Action Complete	Mary Dickerson Interim Executive Director, IT Security	Update the logon banner to include language regarding no expectation of privacy, in accordance with TAC 202.

**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, Information Security Standards, AR2010-03  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
April 1, 2010	Karin Livingston Director, General Accounting	Update the Property Management Policies and Procedures to address the Government Code requirements related to the sale or transfer/donation of data processing equipment to other state agencies, in accordance with TAC 202.
April 1, 2010	Karin Livingston Director, General Accounting	Update Property Management procedures/forms to help ensure that data is removed from data processing equipment prior to disposal/transfer/sale and that all required information related to the data removal process is documented, in accordance with TAC 202.

**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 Liberal Arts Social Sciences - Departmental Reviews - AR2010-07  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
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<b>Risk Level:</b> <b>High</b> <b>Medium</b> <b>Low</b>
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October 31, 2009	Pat Sayles Director, Budget and Administration Dean's Office	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.
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October 31, 2009	Craig Ness AVP, Business Operations Academic Affairs	Meet with all CLASS Department Chairs, Directors, and DBAs (business staff) to explain the importance of the new reporting structure and related provisions of MAPP 01.02.01, Business Administration.
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November 30, 2009	Pat Sayles Director, Budget and Administration Dean's Office	Restore deficit fund balances to zero or positive amounts and implement procedures to prevent spending funds that are not available, and work with the appropriate office to close expired project/grant cost centers.
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Action Complete	Pat Sayles Director, Budget and Administration Dean's Office	Develop departmental procedures to help ensure that PARs for non-tenure faculty are submitted to the Provost Office five working days prior to the employee's start date, in accordance with university policies.
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Action Complete	Pat Sayles Director, Budget and Administration Dean's Office	Develop departmental procedures to help ensure that account numbers are removed from documentation uploaded into PeopleSoft; and that expense reports are signed/dated by the 20th of the month, in accordance with university policies.
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**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 Liberal Arts Social Sciences - Departmental Reviews - AR2010-07  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
Action Complete	Pat Sayles Director, Budget and Administration Dean's Office	Develop departmental procedures to help ensure that contract coversheets are completed and contracts are signed by all parties prior to commencement of services, in accordance with university policies.
November 30, 2009	Pat Sayles Director, Budget and Administration Dean's Office	Work with the departments throughout the College to publicize all available scholarships on the College website; reduce excess equity balances in scholarship cost centers; and strengthen the scholarship procedures.
November 30, 2009	Pat Sayles Director, Budget and Administration Dean's Office	Reconcile scholarship awards to the student administration and financial systems, in accordance with university policies.
August 31, 2010	Pat Sayles Director, Budget and Administration Dean's Office	Develop departmental procedures to help ensure that scholarship cost center year-end equity balances do not exceed total award commitments plus a reserve of 25% of the funds received in the previous fiscal year, in accordance with university policies.
November 6, 2009	Pat Sayles Director, Budget and Administration Dean's Office	Modify departmental procedures to help ensure that fee reports are submitted to the Office of Academic Budgets and Administration timely, in accordance with university policies.
February 1, 2010	John Reed Director School of Art	Develop 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 Liberal Arts Social Sciences - Departmental Reviews - AR2010-07  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
Action Complete	Karina Puente Department Business Administrator School of Art	Develop departmental procedures to help ensure the use of a Termination Check List for all terminated employees, in accordance with university policies.
Action Complete	Cecilia Rodriguez Department Business Administrator School of Communication	Develop departmental procedures to help ensure the timely completion of all cost center verifications, in accordance with university policies.
Action Complete	Cecilia Rodriguez Department Business Administrator School of Communication	Develop departmental procedures to help ensure that time and effort reports are properly completed and approved, in accordance with university policies.
Action Complete	Cecilia Rodriguez Department Business Administrator School of Communication	Develop departmental procedures to help ensure that Travel Card account numbers are removed from documentation uploaded into PeopleSoft, in accordance with university policies.
December 31, 2009	Steven Wallace Director Theater Department	Modify departmental procedures to help ensure the timely completion of all required training and disclosures, in accordance with university policies.
December 31, 2009	Angela Parrish Department Business Administrator Theater Department	Modify departmental procedures to ensure the "Annual Certification of Compliance with the Procedure on Conflict of Interest for Academic Researchers" form is sent to Research Administration, 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 Liberal Arts Social Sciences - Departmental Reviews - AR2010-07  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
December 31, 2009	Angela Parrish Department Business Administrator Theater Department	Develop and implement departmental procedures to help ensure that cost center verifications are performed monthly, in accordance with university policies.
December 31, 2009	Steven Wallace Director Theater Department	Restore deficit balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.
December 31, 2009	Steven Wallace Director Theater Department	Restore project/grant cost center budgetary balances to zero or positive amounts and work with the appropriate office to close expired project/grant cost centers.
December 31, 2009	Angela Parrish Department Business Administrator Theater Department	Develop departmental procedures to help ensure that all time and effort reports are signed, dated, and submitted to the Payroll Department in a timely manner, in accordance with university policies.
December 31, 2009	Angela Parrish Department Business Administrator Theater Department	Implement procedures to require someone other than the petty cash fund custodian to approve the voucher to replenish the fund, in accordance with university policies.
December 31, 2009	Angela Parrish Department Business Administrator Theater Department	Develop procedures for billing, accounting, collection, recording, and monitoring of the credit extended to help ensure that the agreed upon payment is received, in accordance with university policies.

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**University of Houston System  
Internal Auditing Department**

**UH, College of Liberal Arts Social Sciences - Departmental Reviews - AR2010-07  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
December 31, 2009	Angela Parrish Department Business Administrator Theater Department	Develop departmental procedures to help ensure that individual Procurement Cards are used only by the authorized cardholder, in accordance with university policies.
December 31, 2009	Angela Parrish Department Business Administrator Theater Department	Modify departmental procedures to help ensure that expense reports are signed/approved by the 20th of the month, in accordance with university policies.
December 31, 2009	Angela Parrish Department Business Administrator Theater Department	Develop and implement departmental procedures to help ensure that travel reimbursements are properly authorized and approved, in accordance with university policies.
December 31, 2009	Angela Parrish Department Business Administrator Theater Department	Develop departmental procedures to help ensure that revenue generating contracts, such as costume rental agreements, are reviewed by the Office of Contract Administration, Office of Tax Compliance, and Administration and Finance, in accordance to university policy.
December 31, 2009	Steven Wallace Director Theater Department	Develop procedures to help ensure property inventory tags are affixed to computer equipment, "Missing, Damaged, or Stolen Property" reports are completed for missing equipment, and Request for Authority to Remove Equipment from Campus forms are completed for all property located off-campus, in accordance with university policies.

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**University of Houston System  
Internal Auditing Department**

**UH, College of Liberal Arts Social Sciences - Departmental Reviews - AR2010-07  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
December 31, 2009	Steven Wallace Director Theater Department	Develop and implement departmental procedures to help ensure that students meet eligibility requirements, in accordance with scholarship criteria.
December 31, 2009	Steven Wallace Director Theater Department	Develop departmental procedures to help ensure that scholarship cost center year-end equity balances do not exceed total award commitments plus a reserve of 25% of the funds received in the previous fiscal year, in accordance with university policies.
Action Complete	Carol Barr Department Business Administrator English Department	Develop departmental procedures to help ensure that all bi-weekly time and effort reports are submitted to Payroll in a timely manner, in accordance with university policies.
Action Complete	Carol Barr Department Business Administrator English Department	Develop departmental procedures to help ensure that all cash receipts are deposited in a timely manner, in accordance with university policies.
Action Complete	Carol Barr Department Business Administrator English Department	Develop departmental procedures to help ensure that all required approvals are obtained on Travel Request Forms prior to the travel date, in accordance with university policies.
Action Complete	Carol Barr Department Business Administrator English Department	Develop departmental procedures to help ensure the annual performance of physical inventory, 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 Liberal Arts Social Sciences - Departmental Reviews - AR2010-07  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
December 20, 2009	Geoffrey Pierce Department Business Administrator Communication Sciences & Disorders	Develop departmental procedures requiring the annual distribution and collection of the "Annual Certification of Compliance with the Procedure on Conflict of Interest for Academic Researchers" form, in accordance with university policies.
December 20, 2009	Geoffrey Pierce Department Business Administrator Communication Sciences & Disorders	Develop departmental procedures to help ensure that cost center verifications are prepared and approved on a monthly basis, in accordance with university policies.
February 28, 2010	Geoffrey Pierce Department Business Administrator Communication Sciences & Disorders	Restore deficit budgetary balances to zero or positive amounts, implement procedures to prevent spending funds that are not available, and work with the appropriate office to close expired project/grant cost centers.
December 20, 2009	Geoffrey Pierce Department Business Administrator Communication Sciences & Disorders	Modify departmental procedures to help ensure that all time and effort reports are signed and dated, and sent to Payroll in a timely manner, in accordance with university policies.
December 20, 2009	Geoffrey Pierce Department Business Administrator Communication Sciences & Disorders	Develop departmental procedures to help ensure that all cash receipts are deposited in a timely manner, in accordance with university policies.
December 20, 2009	Geoffrey Pierce Department Business Administrator Communication Sciences & Disorders	Develop departmental procedures to help ensure that all required approvals are obtained on Travel Request Forms prior to the travel date, in accordance with university policies.

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<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
December 20, 2009	Geoffrey Pierce Department Business Administrator Communication Sciences & Disorders	Implement departmental procedures to help ensure that all long distance charges are certified by the user, in accordance with university policies.
December 20, 2009	Geoffrey Pierce Department Business Administrator Communication Sciences & Disorders	Modify departmental procedures to help ensure contracts are fully executed by all parties prior to the commencement, and all revenue contracts are reviewed by Contract Administration, Office of Tax Compliance, and Administration and Finance, in accordance with university policies.
December 20, 2009	Geoffrey Pierce Department Business Administrator Communication Sciences & Disorders	Modify departmental procedures to help ensure that fee expenditures are used for the intended purpose, in accordance with university policies.
February 28, 2010	Geoffrey Pierce Department Business Administrator Communication Sciences & Disorders	Modify departmental procedures to help ensure that expenses requiring the approval of the Office of Contracts and Grants are submitted to that office for approval, in accordance with the sponsored agreements.
February 1, 2010	Lorena Lopez Department Business Administrator History Department	Develop departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.

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<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
October 31, 2009	Lorena Lopez Department Business Administrator History Department	Develop departmental procedures requiring the annual distribution and collection of the "Annual Certification of Compliance with the Procedure on Conflict of Interest for Academic Researchers" form, in accordance with university policies.
Action Complete	Lorena Lopez Department Business Administrator History Department	Modify departmental procedures to help ensure that all time and effort reports are properly completed, in accordance with university policies.
Action Complete	Lorena Lopez Department Business Administrator History Department	Develop and implement procedures to help ensure that cash receipts are deposited in a timely manner, in accordance with university policies.
Action Complete	Lorena Lopez Department Business Administrator History Department	Modify departmental procedures to help ensure that expense reports are signed/approved by the 20th of the month, in accordance with university policies.
Action Complete	Lorena Lopez Department Business Administrator History Department	Develop departmental procedures to obtain approval for foreign travel requests, in accordance with university policies.
Action Complete	John Hart Department Chair History Department	Develop departmental procedures to help ensure that scholarship cost center year-end equity balances do not exceed total award commitments plus a reserve of 25% of the funds received in the previous fiscal year, in accordance with university policies.

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<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
Action Complete	Lorena Lopez Department Business Administrator History Department	Develop departmental procedures to help ensure that required research expenditure documentation is maintained and contains all required approvals, in accordance with sponsor requirements and university policies.
November 30, 2009	David White Director Moores School of Music	Develop departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.
November 30, 2009	Barry Brown Department Business Administrator Moores School of Music	Develop departmental procedures requiring the annual distribution and collection of the "Annual Certification of Compliance with the Procedure on Conflict of Interest for Academic Researchers" form, in accordance with university policies.
December 31, 2009	Barry Brown Department Business Administrator Moores School of Music	Develop and implement departmental procedures to help ensure that cost center verifications are performed monthly, in accordance with university policies.
August 31, 2010	Barry Brown Department Business Administrator Moores School of Music	Restore deficit balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.
November 30, 2009	Barry Brown Department Business Administrator Moores School of Music	Develop departmental procedures to help ensure that all time and effort reports are collected, properly completed, approved and dated, and are submitted to Payroll in a timely manner, in accordance with university policies.

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<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
November 30, 2009	Barry Brown Department Business Administrator Moores School of Music	Modify departmental procedures to help ensure that time and effort reports for employees who are unavailable to sign their original time and effort report are re-submitted to Payroll, in accordance with university policies.
December 31, 2009	Barry Brown Department Business Administrator Moores School of Music	Develop and implement departmental procedures to help ensure that departmental leave records are reconciled to leave accruals recorded in the payroll system on a monthly basis, in accordance with university policies.
November 30, 2009	Barry Brown Department Business Administrator Moores School of Music	Develop and implement procedures to help ensure that deposits are made in a timely manner and are reconciled by two authorized employees, in accordance with university policies.
November 30, 2009	Barry Brown Department Business Administrator Moores School of Music	Modify departmental procedures to help ensure that expense reports are signed/approved by the 20th of the month, in accordance with university policies.
December 31, 2009	Barry Brown Department Business Administrator Moores School of Music	Determine the amount of personal expenses that were inadvertently reimbursed to the faculty member and require the faculty member to repay the university for the personal expenses inadvertently reimbursed to him.

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<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
November 30, 2009	Barry Brown Department Business Administrator Moores School of Music	Develop and implement departmental procedures to help ensure that travel and entertainment reimbursement vouchers are properly prepared, authorized, documented, and are submitted timely to Accounts Payable, in accordance with university policies.
October 31, 2009	Barry Brown Department Business Administrator Moores School of Music	Modify departmental procedures to help ensure that contract cover sheets are signed by all parties and are retained by the department, in accordance with university policy.
Action Complete	Barry Brown Department Business Administrator Moores School of Music	Develop and implement departmental procedures to help ensure the annual performance of physical inventory of property, in accordance with university policies.
October 31, 2009	Barry Brown Department Business Administrator Moores School of Music	Develop and implement departmental procedures to help ensure that property removal request forms are completed for all property located off campus, in accordance with university policies.
December 31, 2009	Barry Brown Department Business Administrator Moores School of Music	Develop and implement departmental procedures to help ensure that scholarship awards are reconciled to the university's student administration and financial systems, in accordance with university policies.

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<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
December 31, 2009	Barry Brown Department Business Administrator Moores School of Music	Manage scholarship funds using a cash flow model in order to 1) account for funds received and expected to be received, 2) account for scholarships awarded, disbursed, and expected to be disbursed, and 3) identify additional funds which may be available.
August 31, 2010	Barry Brown Department Business Administrator Moores School of Music	Develop departmental procedures to help ensure that scholarship cost center year-end equity balances do not exceed total award commitments plus a reserve of 25% of the funds received in the previous fiscal year, in accordance with university policies
February 1, 2010	Lisa Haywood Department Business Administrator Philosophy Department	Develop departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.
December 31, 2009	Lisa Haywood Department Business Administrator Philosophy Department	Develop departmental procedures to help ensure that monthly cost center verifications are approved by the cost center manager in a timely manner, in accordance with university policies.
Action Complete	Lisa Haywood Department Business Administrator Philosophy Department	Modify departmental procedures to help ensure that all time and effort reports are properly completed, in accordance with university policies.
Action Complete	Lisa Haywood Department Business Administrator Philosophy Department	Develop departmental procedures to help ensure that all hiring PARs are submitted timely, in accordance with university policies.

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<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
Action Complete	Lisa Haywood Department Business Administrator Philosophy Department	Develop departmental procedures to help ensure the use of a Termination Check List for all terminated employees, in accordance with university policies.
Action Complete	Lisa Haywood Department Business Administrator Philosophy Department	Modify departmental procedures to help ensure that expense reports are signed/approved by the 20th of the month, in accordance with university policies.
Action Complete	Lisa Haywood Department Business Administrator Philosophy Department	Develop departmental procedures to help ensure that all required approvals are obtained on Travel Request Forms prior to the travel date, in accordance with university policies.
Action Complete	Lisa Haywood Department Business Administrator Philosophy Department	Develop departmental procedures to help ensure that long distance statements are certified, in accordance with university policies.
Action Complete	Lisa Haywood Department Business Administrator Philosophy Department	Develop departmental procedures to help ensure that contracts are signed by an employee with delegated contractual signature authority, in accordance with university policies.
November 15, 2009	Devianee Vasandee Department Business Administrator Modern Classical Languages Department	Develop departmental procedures requiring the annual distribution and collection of the "Annual Certification of Compliance with the Procedure on Conflict of Interest for Academic Researchers" form, in accordance with university policies.

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November 15, 2009	Devianee Vasanjee Department Business Administrator Modern Classical Languages Department	Develop departmental procedures to help ensure that all time and effort reports are signed and dated, in accordance with university policies.
November 15, 2009	Devianee Vasanjee Department Business Administrator Modern Classical Languages Department	Modify departmental procedures to help ensure that Termination Clearance forms are completed timely, in accordance with university policies.
November 15, 2009	Devianee Vasanjee Department Business Administrator Modern Classical Languages Department	Modify departmental procedures to help ensure that alcoholic expenses are coded to the appropriate account, in accordance with university policies.
November 15, 2009	Devianee Vasanjee Department Business Administrator Modern Classical Languages Department	Develop departmental procedures to help ensure that scholarship cost center year-end equity balances do not exceed total award commitments plus a reserve of 25% of the funds received in the previous fiscal year, in accordance with university policies.
December 31, 2009	Nicolas Kanellos Director Arte Publico Press	Develop procedures to reduce the inventory to a reasonable and adequate level to meet sales demand and continuously monitor inventory levels to reduce the amount of inventory overstocks.

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<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
November 30, 2009	Nellie Gonzalez Department Business Administrator Arte Publico Press	Develop departmental procedures requiring the annual distribution and collection of the "Annual Certification of Compliance with the Procedure on Conflict of Interest for Academic Researchers" form, in accordance with university policies.
November 30, 2009	Nellie Gonzalez Department Business Administrator Arte Publico Press	Modify departmental procedures to help ensure that all time and effort reports are properly completed, in accordance with university policies.
November 30, 2009	Nellie Gonzalez Department Business Administrator Arte Publico Press	Develop and implement procedures to help ensure that cash receipts are deposited in a timely manner, in accordance with university policies.
November 30, 2009	Nellie Gonzalez Department Business Administrator Arte Publico Press	Modify departmental procedures to help ensure that expense reports are timely signed, dated, and approved by the 20th of the month, in accordance with university policies.
October 31, 2009	Nellie Gonzalez Department Business Administrator Arte Publico Press	Develop departmental procedures to help ensure that contracts are signed and dated by an employee with delegated contractual signature authority prior to commencement, in accordance with university policies.
Action Complete	Pat Sayles Director of Budgets and Administration Dean's Office	Develop departmental procedures to help ensure that PAR's for non-tenured faculty are submitted to the Provost Office five working days prior to the employee's start date, in accordance with university policies. (African American Studies)

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<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
Action Complete	Angela Williams Financial Coordinator II African American Studies	Develop departmental procedures to help ensure that all cash receipts are deposited in a timely manner, in accordance with university policies.
Action Complete	Angela Williams Financial Coordinator II African American Studies	Develop departmental procedures to help ensure that expense reports are properly approved by the 20th of the month, in accordance with university policies.
Action Complete	Angela Williams Financial Coordinator II African American Studies	Develop departmental procedures to help ensure the timely preparation and approval of Travel Request Forms, in accordance with university policies.
September 1, 2010	James Conyers Director African American Studies	Develop departmental procedures to help ensure that scholarship cost center year-end equity balances do not exceed total award commitments plus a reserve of 25% of the funds received in the previous fiscal year, in accordance with university policies.
Action Complete	Helen Meza Department Business Administrator CMAS	Develop departmental procedures to help ensure that all cash receipts are deposited in a timely manner, in accordance with university policies.
Action Complete	Claudia Schmuckli Director Blaffer Gallery	Modify departmental procedures to help ensure the timely completion of all required training and disclosures, in accordance with university policies.
November 30, 2009	Karen Zicterman Museum Coordinator Blaffer Gallery	Develop departmental procedures to help ensure the timely completion of all cost center verifications, in accordance with university policies.

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<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
September 1, 2010	Lynn Smith Department Business Administrator Anthropology Department	Restore deficit budgetary balances to zero or positive amounts and implement procedures to prevent spending funds that are not available, in accordance with university policies.
Action Complete	Lynn Smith Department Business Administrator Anthropology Department	Develop departmental procedures to help ensure that hiring PARs for non-tenure faculty members are prepared and forwarded to the Dean's Office in a time frame that allows the PAR to be submitted to the Provost Office five working days prior to the employee's start date, in accordance with university policies.
Action Complete	Lynn Smith Department Business Administrator Anthropology Department	Develop departmental procedures to help ensure the use of a Termination Check List for all terminated employees, in accordance with university policies.
October 31, 2009	Lynn Smith Department Business Administrator Economics	Restore deficit budgetary balances to zero or positive amounts and implement procedures to prevent spending funds that are not available; and work with the appropriate office to close expired project/grant cost centers.
Action Complete	Lynn Smith Department Business Administrator Economics	Develop departmental procedures to help ensure the use of a Termination Check List for all terminated employees, in accordance with university policies.

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<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
Action Complete	Lynn Smith Department Business Administrator Economics	Develop departmental procedures to help ensure that contract coversheets and contracts are signed by all parties prior to commencement of services; and that contracts are signed by an employee with delegated contractual signature authority, in accordance with university policies.
Action Complete	Lynn Smith Department Business Administrator Economics	Develop departmental procedures to help ensure that required research expenditure documentation is obtained and contains all required approvals, in accordance with sponsor requirements and university policies.
December 31, 2009	Susan Mangum Office Coordinator Military Science	Develop departmental procedures to help ensure that the cost center manager reviews and approves cost center verifications on a monthly basis, in accordance with university policies.
Action Complete	Susan Mangum Office Coordinator Military Science	Develop departmental procedures to help ensure that all employees sign and date time and effort reports, in accordance with university policies.
Action Complete	Susan Mangum Office Coordinator Military Science	Develop departmental procedures to help ensure departmental leave records are maintained and reconciled to leave accruals recorded in the payroll system, in accordance with university policies.

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<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
December 31, 2009	Jennifer McCullough Department Business Administrator Political Science Department	Develop departmental procedures requiring the annual distribution and collection of the "Annual Certification of Compliance with the Procedure on Conflict of Interest for Academic Researchers" form, in accordance with university policies.
December 31, 2009	Jennifer McCullough Department Business Administrator Political Science Department	Develop departmental procedures to help ensure that cost center verifications are approved by the cost center manager, in accordance with university policies.
December 31, 2009	Jennifer McCullough Department Business Administrator Political Science Department	Modify departmental procedures to help ensure that Termination Clearance forms are completed timely, in accordance with university policies.
Action Complete	Jennifer McCullough Department Business Administrator Political Science Department	Develop and implement procedures to help ensure that expense reports are approved by a certifying signatory, in accordance with university policies.
December 31, 2009	Jennifer McCullough Department Business Administrator Political Science Department	Work with the CBA to help ensure all contract cover sheets are signed, contracts are fully executed by all parties prior to the commencement, and all non-standard contracts are reviewed by General Counsel, in accordance with university policies.
December 31, 2009	Jennifer McCullough Department Business Administrator Political Science Department	Work with the Psychology Department to obtain credit for the expenditure that was incorrectly charged to the incidental fee cost center.

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August 31, 2010	Jennifer McCullough Department Business Administrator Political Science Department	Develop departmental procedures to help ensure that fees are expended timely in order that cost center balances do not become excessive, in accordance with university policies.
December 1, 2009	David Francis Chair Psychology Department	Develop departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.
December 1, 2009	David Francis Chair Psychology Department	Develop departmental procedures to help ensure that appropriate employees complete disclosure forms annually, in accordance with university policies.
March 1, 2010	Isaac Davis Department Business Administrator Psychology Department	Restore deficit budgetary balances to zero or positive amounts, implement procedures to prevent spending funds that are not available, and work with the appropriate office to close expired project/grant cost centers.
December 1, 2009	Isaac Davis Department Business Administrator Psychology Department	Develop departmental procedures to help ensure that all bi-weekly time and effort reports are properly completed, dated and reviewed for accuracy, in accordance with university policies.
December 1, 2009	Isaac Davis Department Business Administrator Psychology Department	Develop departmental procedures to help ensure that the benefit to the university is documented for business meals and that the business purpose of a spouse attending the business meal is documented and approved by the Dean, in accordance with university policies.

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December 1, 2009	David Francis Chair Psychology Department	Develop departmental procedures to help ensure that scholarship cost center year-end equity balances do not exceed total award commitments plus a reserve of 25% of the funds received in the previous fiscal year, in accordance with university policies.
Action Complete	Mary Duncan Department Business Administrator Sociology Department	Implement departmental procedures to help ensure the timely completion of all cost center verifications, in accordance with university policies.
Action Complete	Mary Duncan Department Business Administrator Sociology Department	Implement departmental procedures to help ensure that time and effort reports are properly completed and approved, in accordance with university policies.
Action Complete	Mary Duncan Department Business Administrator Sociology Department	Implement departmental procedures to help ensure that Termination Check Lists are completed in a timely manner, in accordance with university policies.
Action Complete	Mary Duncan Department Business Administrator Sociology Department	Develop departmental procedures to help ensure that SDOL expense reports are signed by the cardholder and certifying signatory, in accordance with university policies.
November 30, 2009	Kelly Le Department Business Administrator Center for Public Policy	Develop departmental procedures to help ensure the timely completion of all cost center verifications, in accordance with university policies.
September 30, 2010	Kelly Le Department Business Administrator Center for Public Policy	Restore deficit fund balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.

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November 30, 2009	Kelly Le Department Business Administrator Center for Public Policy	Restore deficit budgetary balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.
November 30, 2009	Kelly Le Department Business Administrator Center for Public Policy	Develop departmental procedures to help ensure that all employees sign and date time and effort reports, in accordance with university policies.
November 30, 2009	Kelly Le Department Business Administrator Center for Public Policy	Modify departmental procedures to help ensure that two authorized employees approve deposits to indicate their verification of funds, in accordance with university policies.
November 30, 2009	Kelly Le Department Business Administrator Center for Public Policy	Develop departmental procedures to help ensure that expense reports are properly approved by the 20th of the month, in accordance with university policies.
November 30, 2009	Marla Burum Department Business Administrator Religious Studies Department	Develop departmental procedures to help ensure that monthly cost center verifications are reviewed and approved by the cost center manager, in accordance with university policy.
August 31, 2010	Pat Sayles Director, Budget and Administration Dean's Office	Restore deficit balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted. (Religious Studies)
November 30, 2009	Marla Burum Department Business Administrator Religious Studies Department	Modify departmental procedures to help ensure that all time and effort reports are signed and dated, in accordance with university policies.

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November 30, 2009	Marla Burum Department Business Administrator Religious Studies Department	Modify departmental procedures to help ensure Procurement Card expense reports are reviewed and approved by a certifying signatory, in accordance with university policies.
February 1, 2010	Lisa Meza-Duran Office Coordinator Air Force Studies Department	Develop departmental procedures to help ensure the timely completion of all required training and disclosures, in accordance with university policies.
Action Complete	Lisa Meza-Duran Office Coordinator Air Force Studies Department	Modify departmental procedures to help ensure that all time and effort reports are properly completed and approved, in accordance with university policies.
Action Complete	Lisa Meza-Duran Office Coordinator Air Force Studies Department	Modify departmental procedures to help ensure contracts are fully executed prior to the contract start date, in accordance with university policies.
November 10, 2009	Marla Burum Department Business Administrator Writing Center	Modify departmental procedures to help ensure that time and effort reports are properly completed and approved, in accordance with university policies.
November 30, 2009	Marla Burum Department Business Administrator Writing Center	Develop departmental procedures to help ensure employee awards are appropriately processed and forwarded to Human Resources for approval, in accordance with university policies.
November 30, 2009	Marla Burum Department Business Administrator Writing Center	Work with the Dean's Office to help ensure that all PARs for non-tenure track faculty are submitted to the Office of the Provost 5 days prior to the employee's start date.

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November 30, 2009	Marla Burum Department Business Administrator Writing Center	Modify departmental procedures to help ensure that Termination Clearance forms are completed in a timely manner, in accordance with university policies.
November 30, 2009	Marla Burum Department Business Administrator Writing Center	Develop departmental procedures to help ensure that contracts are created for all revenue generating areas, in accordance with university policies.
November 30, 2009	Elizabeth Gregory Director Women's Studies	Develop departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.
November 30, 2009	Lisa Haywood Department Business Administrator Women's Studies	Develop departmental procedures to help ensure that cost center verifications are approved by the cost center manager in a timely manner, in accordance with university policies.
Action Complete	Lisa Haywood Department Business Administrator Women's Studies	Modify departmental procedures to help ensure that all time and effort reports are properly completed, in accordance with university policies.
Action Complete	Lisa Haywood Department Business Administrator Women's Studies	Develop and implement procedures to help ensure that cash receipts are deposited in a timely manner and checks are made payable to the University of Houston, in accordance with university policies.
Action Complete	Lisa Haywood Department Business Administrator Women's Studies	Modify departmental procedures to help ensure that expense reports are signed/approved by the 20th of the month, in accordance with university policies.

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Action Complete	Lisa Haywood Department Business Administrator Women's Studies	Develop departmental procedures to help ensure that all required approvals are obtained on Travel Request Forms prior to the travel date, in accordance with university policies.
May 15, 2010	Carol Risinger Office Coordinator Band Department	Develop departmental procedures to reconcile Cougar Band Camp revenue to the University's financial system to help ensure all funds received are deposited, in accordance with university policies.
November 15, 2009	Carol Risinger Office Coordinator Band Department	Develop departmental procedures to help ensure that monthly cost center verifications are reviewed and approved by the cost center manager, in accordance with university policies.
November 15, 2009	Carol Risinger Office Coordinator Band Department	Work with the Dean's Office to help ensure all hiring PARs are completed in a timely manner, in accordance with university policies.
November 15, 2009	Carol Risinger Office Coordinator Band Department	Modify departmental procedures to help ensure that Termination Clearance forms are completed timely, in accordance with university policies.
November 15, 2009	Carol Risinger Office Coordinator Band Department	Modify departmental procedures to help ensure that cash receipts are deposited in a timely manner, in accordance with university policies.
November 30, 2009	Carol Risinger Office Coordinator Band Department	Develop departmental procedures to help ensure that Procurement Cards are used by the authorized cardholders, for allowable expenses, and expense reports are approved by the 20th of the month, in accordance with university policies.

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<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
November 15, 2009	Carol Risinger Office Coordinator Band Department	Reconcile scholarship awards to the student administration and financial systems, in accordance with university policies.
Action Complete	Connie Barr Department Business Administrator Cynthia Woods Mitchell Center for the Arts	Modify departmental procedures to help ensure that entertainment reimbursements are allowable, appropriately authorized and documented, and are in compliance with the Endowment agreement, in accordance with university policies.
December 1, 2009	Norma Quinones Department Business Administrator Hispanic Studies Department	Develop departmental procedures to help ensure the timely completion of all required training and disclosures, in accordance with university policies.
December 1, 2009	Norma Quinones Department Business Administrator Hispanic Studies Department	Modify departmental procedures to help ensure that monthly cost center verifications are performed and approved by the cost center manager in a timely manner, in accordance with university policies.
December 1, 2009	Norma Quinones Department Business Administrator Hispanic Studies Department	Modify departmental procedures to help ensure that cash receipts are deposited in a timely manner, and all deposits are approved and reconciled by the appropriate individuals, in accordance with university policies.
December 1, 2009	Norma Quinones Department Business Administrator Hispanic Studies Department	Modify departmental procedures to help ensure that checks are made payable to the University of Houston, 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 Liberal Arts Social Sciences - Departmental Reviews - AR2010-07  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b><u>Action To Be Taken</u></b>
May 1, 2010	Norma Quinones Department Business Administrator Hispanic Studies Department	Modify the fee purpose for the Language Acquisition Center fee to include expenditures that support the maintenance and operations of the Center, such as business meals and conference fees.
November 30, 2009	Martin Melosi Director Center for Public History	Develop departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.
November 30, 2009	Kristin Deville Program Coordinator Center for Public History	Develop departmental procedures to help ensure the timely completion of all cost center verifications, in accordance with university policies.
November 30, 2009	Kristin Deville Program Coordinator Center for Public History	Modify departmental procedures to help ensure that expense reports are signed/approved by the 20th of the month, 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

## INTERNAL AUDIT REPORTS

AR2010-01	Follow-up Status Report
AR2010-02	UHCL Information Security Standards
AR2010-03	UH Information Security Standards
AR2010-04	Chancellor/President's Travel, FY 2009
AR2010-05	Board of Regents' Travel, FY 2009
AR2010-06	Annual Non-Compliance Report, FY 2009
AR2010-07	UH College of Liberal Arts & Social Sciences, Departmental Reviews

Note: These internal audit reports are submitted to the Board of Regents and the Chancellor for their review in order to comply with the Board of Regents policy and the Texas Government Code, Section 2102.008. These internal audit reports are also submitted to the Governor's Office of Budget and Planning, the Legislative Budget Board, the State Auditor, and the Sunset Advisory Committee in order to comply with the Texas Government Code, Section 2102.0091.

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

FOLLOW-UP STATUS REPORT

Actions Scheduled from July 1, 2009 to  
September 30, 2009

REPORT NO. AR2010-01

**UNIVERSITY OF HOUSTON SYSTEM  
FOLLOW-UP STATUS REPORT  
(Actions Scheduled from July 1, 2009, to September 30, 2009)**

**Board of Regents Audit Committee Meeting  
November 5, 2009**

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1. Report
2. Listing of Audit Reports Containing Management Action Plans
3. Follow-up Status Matrix

**University of Houston System  
Internal Auditing Department**

**Follow-up Status Report  
(Actions scheduled from July 1, 2009, to September 30, 2009)**

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 July 1, 2009, to September 30, 2009, in all audit reports with open recommendations. This status report addresses 59 management actions in 21 individual reports. In ascertaining whether appropriate action was taken, we interviewed personnel, reviewed documentation and performed other audit procedures as necessary. We determined that 28 of these management actions have been completed, 25 partially implemented and 6 not 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, Partially Implemented*** or ***Not Implemented***. In cases where the action item has been partially implemented or not 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.

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Don F. Guyton  
Chief Audit Executive  
October 7, 2009

Attachment

**University of Houston System  
Internal Auditing Department**

**(Follow-up Status Report)**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
<b>Risk Level: High Medium Low</b>								
AR1999-08	UH, Physical Plant Department, 3rd FU	1	4	8/31/2009	Carla Ponzio, Interim Executive Director of Payroll / HRMS	UH/UHS	Implement a campus-wide timekeeping system after the PeopleSoft system is implemented.	<i>Partially Implemented – Updated Management’s Response:</i> The PeopleSoft Time & Labor Project started in April 2008 and the project was broken down into two phases. Phase I was implementation of the monthly employees, with Phase II being the implementation of the hourly employees. Implementation for monthly employees began on April 2009 with completion of Phase I slated for October 2009. UH/UHS has fully implemented Phase I of the Time & Labor Project, the HRMS team has also implemented Phase One for UHCL and UHV. UHD will implement Phase One on October, 2009. Phase II preparations are underway, barring any complications, receiving funding approval, and full cooperation from all components, the project should be completed by December of 2010.
AR2006-12	UH Research Time and Effort Reporting	1b	4	8/31/2009	Don Bix, VC/VP for Research	UH	Implement an automated time and effort reporting system.	<i>Action Complete</i>
AR2006-26	Departmental Reviews	14f	24	8/31/2009	Brenda Cook Assoc Director, SFA Business Svcs	UH	Restore deficit fund balances to zero or positive amounts and implement procedures to prevent spending funds that are unavailable.	<i>Action Complete</i>
AR2006-26	Departmental Reviews	15f	24	8/31/2009	Brenda Cook Assoc Director, SFA Business Svcs	UH	Restore project/grant cost center budgetary balances to zero or positive amounts.	<i>Action Complete</i>
AR2008-17	College of Engineering, Departmental Reviews	4c	25	9/30/2009	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.	<i>Partially Implemented – Updated Management’s Response:</i> The department has cleared 6 of 26 project/grant cost centers with deficit balances and expects to have the remaining 20 cleared by December 15, 2009.
AR2008-19	Educational Technology and University Outreach	4a	5	7/1/2009	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.	<i>Action Complete</i>
AR2009-02	UH College of Technology Departmental Reviews	4	6	9/30/2009	Eduardo Cortes Department Business Administrator TMAC	UH	Restore deficit fund balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.	<i>Not Implemented – Updated Management’s Response:</i> The previous TMAC Director resigned on 08/31/09. A new Director was appointed on 09/01/09 and has developed a plan to restore deficit fund balances to zero or positive amounts. Estimated completion date: August 31, 2010.

**University of Houston System  
Internal Auditing Department**

**(Follow-up Status Report)**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
<b>Risk Level: High Medium Low</b>								
AR2009-02	UH College of Technology Departmental Reviews	5	6	9/30/2009	Eduardo Cortes Department Business Administrator TMAC	UH	Work with General Accounting to properly record accounts receivable in the university financial system, in accordance with university policies.	<i>Action Complete</i>
AR2009-04	UHD JAMP 2007 - 2008	2a	2	8/31/2009	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.	<i>Action Complete</i>
AR2009-08	Internal Quality Assurance Review UHS Internal Auditing Department	1a	6	8/31/2009	Don Guyton Director, Internal Auditing Department	UHS	Review and assess the roles, responsibilities, education, and experience of IAD management job descriptions and develop a written job description for the Information Technology Auditor to help ensure that each job description provide suitable criteria of roles, responsibilities, education and experience.	<i>Action Complete</i>
AR2009-08	Internal Quality Assurance Review UHS Internal Auditing Department	4a	6	7/31/2009	Don Guyton Director, Internal Auditing Department	UHS	Assess the cost and benefit of implementing the remaining functionalities in the TeamMate Audit Management System to help eliminate manual administrative tasks and more effectively manage the IAD's operations.	<i>Action Complete</i>
AR2009-08	Internal Quality Assurance Review UHS Internal Auditing Department	5a	6	8/31/2009	Don Guyton Director, Internal Auditing Department	UHS	Complete and update the IAD Policies and Procedures Manual to help ensure employees clearly understand and fulfill their operational roles and responsibilities.	<b>Partially Implemented - Updated Management Response:</b> We plan to complete updating the IAD Policies and Procedures Manual after we fully train our 3 new hires. Estimated completion date: January 31, 2010.

**University of Houston System  
Internal Auditing Department**

**(Follow-up Status Report)**

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: <b>High</b> <b>Medium</b> <b>Low</b>								
AR2009-12	College of Natural Sciences & Mathematics Departmental Reviews	2	48	7/31/2009	Fred McGhee Director, NSM Business Operations	UH	Review information contained in its FileMaker Pro system to identify redundancies and inefficiencies that exist with the University's administrative systems and to recommend enhancements to the University's administrative systems.	<b>Partially Implemented - Updated Management Response:</b> A task force of college administrators was assembled to identify areas of improvement regarding operational efficiencies and make recommendations for improvements. One area of note was the university's use of shadow systems. The task force identified several areas of concern which would be addressed with central administration. A meeting of all college business administrators is scheduled for mid October to discuss the task force's recommendations. NSM will continue to try to identify areas of duplication which could be eliminated by using existing or proposed modules in all university resources. Additionally, NSM will seek to examine our policies and procedures to ensure we are maximizing operational efficiencies. Estimated Completion date: October 31, 2009.
AR2009-14	Review of Expenditures of Endowment Income, FY 2008	3	3	8/31/2009	Raymond Bartlett Treasurer	UHS	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.	<b>Action Complete</b>
AR2009-17	Departmental Reviews UHD College of Sciences and Technology	2	20	8/31/2009	Carolyn Ivey Director Office of Sponsored Programs	UHD	Prepare a detailed report outlining each faculty member's sponsored project overpayment and work with the Office of the Vice Chancellor for Research and Intellectual Property to address the salary overpayments made from federal funds to faculty members with the sponsoring agencies to determine the appropriate actions to take regarding the allowability of these costs.	<b>Partially Implemented - Updated Management's Response:</b> The Provost Office has identified each faculty member's sponsored project overpayment. The Provost Office submitted a letter to the National Science Foundation (NSF) on July 10, 2009 indicating the overpayment amount and requested their assistance on what action should be taken next to resolve the matter. The Provost Office is awaiting a response from the NSF and will respond according to their recommendations. Estimated completion date: January 31, 2010.
AR2009-17	Departmental Reviews UHD College of Sciences and Technology	5	20	7/1/2009	Richard Alo Executive Director CCSDS	UHD	Restore deficit budgetary balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.	<b>Action Complete</b>
AR2009-17	Departmental Reviews UHD College of Sciences and Technology	6	20	8/31/2009	Richard Alo Executive Director CCSDS	UHD	Develop departmental procedures to help ensure that employees who devote effort to sponsored projects record estimates of the percentage of effort on their time and effort report, in accordance with university policies.	<b>Action Complete</b>

**University of Houston System  
Internal Auditing Department**

**(Follow-up Status Report)**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
<b>Risk Level: High Medium Low</b>								
AR2009-17	Departmental Reviews UHD College of Sciences and Technology	7	20	8/31/2009	Molly Woods Vice President, Academic Affairs and Provost	UHD	Change the funding source of the Executive Director's salary from the teaching budget or require the Executive Director to teach an appropriate number of classes to support the salary being paid from the teaching budget.	<i>Not Implemented – Updated Management’s Response</i> UHD is working to make the required change to move the Executive Director’s salary from the teaching budget. The matter is being discussed with UHD Executives. Estimated completion date: October 15, 2009.
AR2009-17	Departmental Reviews UHD College of Sciences and Technology	8	20	7/1/2009	Marvelia Rocha Coordinator CCSDS	UHD	Develop departmental procedures to help ensure that checks are restrictively endorsed immediately upon receipt, in accordance with university policies.	<i>Action Complete</i>
AR2009-17	Departmental Reviews UHD College of Sciences and Technology	9	20	7/1/2009	Marvelia Rocha Coordinator CCSDS	UHD	Develop departmental procedures to help ensure that scholarship awards are reconciled to the university's student and financial systems, in accordance with university policies.	<i>Action Complete</i>
AR2009-17	Departmental Reviews UHD College of Sciences and Technology	10	20	8/31/2009	Dennis Rodriguez Department Chair Computer & Mathematical Sciences	UHD	Implement departmental procedures to help ensure that employees who devote effort to sponsored projects record estimates of the percentage of effort on their time and effort report, in accordance with university policies.	<i>Action Complete</i>
AR2009-17	Departmental Reviews UHD College of Sciences and Technology	15	20	8/31/2009	James Uzman Department Chair Natural Sciences  Vicky Estrera Director Scholars Academy	UHD	Develop departmental procedures to help ensure that employees who devote effort to sponsored projects record estimates of the percentage of effort on their time and effort report, in accordance with university policies.	<i>Action Complete</i>
AR2009-17	Departmental Reviews UHD College of Sciences and Technology	11a	20	8/14/2009	Jon Aoki Program Coordinator UHD Houston START Teacher AP Summer Institute  Rene Garcia Program Manager Scholars Academy	UHD	Communicate University and Board policies regarding the approval of fees with the appropriate personnel to help ensure that a reasonable fee is set in an amount sufficient to recover the costs of providing the course.	<i>Action Complete</i>

**University of Houston System  
Internal Auditing Department**

**(Follow-up Status Report)**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
<b>Risk Level: High Medium Low</b>								
AR2009-17	Departmental Reviews UHD College of Sciences and Technology	12a	20	8/14/2009	Jon Aoki Program Coordinator UHD Houston START Teacher AP Summer Institute  Rene Garcia Program Manager Scholars Academy	UHD	Discuss the appropriateness of charging the registration fee with the Texas Education Agency and determine the appropriate actions to take regarding allowability of the fee, including return of the funds.	<b>Partially Implemented – Updated Management’s Response:</b> The department completed an analysis and identified the amount of overpayments and refund amounts. The department has processed over 90% of the refunds; four refunds remain to be processed. The department expects to process the remaining 4 refunds by December 1, 2009.
AR2009-18	Departmental Reviews UH Division of Administration and Finance	1	21	9/30/2009	Sally Rowland Director Printing and Postal Services	UH	Restore deficit fund balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.	<b>Not Implemented – Updated Management’s Response:</b> The department is working to clear both deficit fund balances. The department expects to have one of two deficit fund balances cleared by January 04, 2010; and the second deficit fund balance cleared by the end of fiscal year 2010. Estimated completion date: August 31, 2010.
AR2009-18	Departmental Reviews UH Division of Administration and Finance	3	21	9/30/2009	Esmeralda Valdez Director Business Services	UH	Restore deficit fund balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.	<b>Partially Implemented – Updated Management’s Response:</b> The department has cleared 1 of 2 deficit fund balances and expects to have the other deficit fund balance cleared by November 30, 2009. Estimated completion date: November 30, 2009.
AR2009-18	Departmental Reviews UH Division of Administration and Finance	14	21	8/31/2009	Ruth Sustala Assistant Director Finance and Operations	UH	Restore deficit fund balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.	<b>Action Complete</b>
AR2009-18	Departmental Reviews UH Division of Administration and Finance	17	21	8/31/2009	Ruth Sustala Assistant Director Finance and Operations	UH	Obtain reimbursement from a terminated employee for pay received after her termination date, in accordance with university policies.	<b>Partially Implemented – Updated Management’s Response:</b> The department placed the terminated employee on a re-payment plan. The employee will make monthly payments of \$241.58 until the amount due is paid in full (\$2,844.44). Thus far the department has received three payments totaling \$724.74. The department expects the full amount to be reimbursed by June 1, 2010.

**University of Houston System  
Internal Auditing Department**

**(Follow-up Status Report)**

<b>Internal Audit Report Number</b>	<b>Report Title</b>	<b>Action No.</b>	<b>Total Actions</b>	<b>Est. Compl. Date</b>	<b>Responsibility For Action</b>		<b>Action To Be Taken</b>	<b>Status</b>
					<b>Name / Title</b>	<b>Entity</b>		
<b>Risk Level: High Medium Low</b>								
AR2009-20	Information Security Standards	1	7	8/31/2009	Erin Mayer Executive Director Information Technology	UHD	Modify Information Technology's policy and procedure manual to require separation of duties that are susceptible to fraudulent or other unauthorized activity.	<i>Partially Implemented – Updated Management Responses:</i> UHD IT policies and procedures have been updated to address separation of duties requirements and have been approved by IT leadership. The approved policies and procedures will be disseminated to all UHD IT staff who will then respond to a quiz/questionnaire to confirm they have reviewed and agreed to comply with the related policies and procedures. Estimated completion date October 31, 2009.
AR2009-22	UHS Facilities Development Project	1	24	8/31/2009	Dave Irvin AVC/AVP Plant Operations	UHS	Modify SAM 01.B.07 to address THECB rules for construction projects and to define the roles and responsibilities for FP&C personnel and other institutional personnel to help ensure compliance with THECB rules.	<i>Not Implemented - Updated Management's Response:</i> We have reorganized FP&C, are developing policies and procedures and will modify SAM 01.B.07, accordingly to define roles and responsibilities for FP&C and other institutional personnel to help ensure compliance with THECB rules. Estimated completion date: August 31, 2010.
AR2009-22	UHS Facilities Development Project	2	24	8/31/2009	Dave Irvin AVC/AVP Plant Operations	UHS	Develop and implement department policies and procedures for all aspects of construction project management to help ensure adequate management oversight and compliance with THECB rules.	<i>Partially Implemented - Updated Management's Response:</i> We have established an Office of Facilities Information to help ensure proper reporting in accordance with THECB rules and we are in the process of developing and implementing policies and procedures for all aspects of construction project management. Estimated completion date: August 31, 2010.
AR2009-22	UHS Facilities Development Project	3	24	8/31/2009	Dave Irvin AVC/AVP Plant Operations	UHS	Submit the projects noted in the report to the Board of Regents and THECB for approval / re-approval.	<i>Action Complete - Management's Additional Comments:</i> We have submitted projects noted in the report for Board of Regents and THECB approval and are in the process of resubmitting certain items to the THECB requiring additional project information.
AR2009-22 (PRT)	UHS Facilities Development Project	4	24	8/31/2009	Mary Washington Scheduling Coordinator	UHCL	Remove the additional zeros from database room numbers to align with the THECB standard.	<i>Action Complete</i>

**University of Houston System  
Internal Auditing Department**

**(Follow-up Status Report)**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
<b>Risk Level: High Medium Low</b>								
AR2009-22 (PRT)	UHS Facilities Development Project	5	24	8/31/2009	Mary Washington, Scheduling Coordinator/Daniel Wilson, Director of Planning, Design, and Contract Administration	UHCL	Work with Academic Affairs to correct any mis-categorized CIP codes for instructional spaces. Review all remodel plans at the time work starts to make the required inventory changes.	<i>Action Complete</i>
AR2009-23	Departmental Reviews UH College of Pharmacy	1	8	9/16/2009	Ray Hammond Associate Dean for Practice Programs Dean's Office	UH	Develop and implement departmental procedures to help ensure that continuing education program fee amounts are approved, in accordance with university policies.	<i>Action Complete</i>
AR2009-23	Departmental Reviews UH College of Pharmacy	2	8	9/30/2009	Shirley Mitchell Department Business Administrator CSA	UH	Restore deficit fund balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.	<i>Not implemented - Updated Management Response:</i> The DBA is identifying possible funding sources to clear the deficit fund balance and restore the deficit fund balance to zero or positive amount. Estimated completion date: October 31, 2009.
AR2009-23	Departmental Reviews UH College of Pharmacy	4	8	7/31/2009	Shirley Mitchell Department Business Administrator CSA	UH	Develop departmental procedures to help ensure the timely completion of all cost center verifications, in accordance with university policies.	<i>Action Complete</i>
AR2009-23	Departmental Reviews UH College of Pharmacy	5	8	9/30/2009	Shirley Mitchell Department Business Administrator CSA	UH	Communicate with the Telecommunications Department in an attempt to obtain long distance statements; and develop departmental procedures to help ensure that all long distance charges are certified by the user, in accordance with university policies.	<i>Not implemented - Updated Management's Response:</i> The DBA is working with the Telecommunications Department to obtain the department's long distance statements. The DBA plans to develop written departmental procedures after obtaining the long distance statements. Estimated completion date: October 31, 2009.
AR2009-23	Departmental Reviews UH College of Pharmacy	6	8	7/20/09	Ericka Adams Department Business Administrator PPS	UH	Develop departmental procedures to help ensure the timely completion of all cost center verifications, in accordance with university policies.	<i>Action Complete</i>
AR2009-25	UH, NCAA Rules-Compliance	1	1	8/24/09	Kevin Fite Associate Athletics Director for Compliance and Eligibility	UH	Develop procedures to track student-athlete employment outside the university.	<i>Action Complete</i>

**University of Houston System  
Internal Auditing Department**

**(Follow-up Status Report)**

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: <b>High</b> <b>Medium</b> <b>Low</b>								
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	1	15	7/1/2009	Spencer Moore, Executive Director, FP&C, Cliff Rapier Director, Finance & Operations, FP&C	UH	Modify/develop departmental policies and procedures for construction management to address process for audits and related protocol.	<b>Partially Implemented – Updated Management’s Response:</b> Policies have been established to track and monitor both the bid process and the construction audit contracting. Additionally, additional purchasing staff has been hired to ensure that proper bid procedures are followed. We are in the process of developing operating procedures for audit protocol. Estimated completion date: December 31, 2009.
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	2	15	7/1/2009	Chris Hobza Executive Director, Contract Administration	UH	Modify future standardized construction contracts to clarify the terms for a refund of the return of bond premiums to the contractor.	<b>Partially Implemented – Updated Management’s Response:</b> We are continuing to work with FP&C and the construction auditors to clarify the terms of the standardized construction contracts. This particular issue is one of many that are being addressed as part of the overall update of our construction-related standard contracts. Estimated completion date: December 31, 2009.
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	3	15	7/1/2009	Spencer Moore, Executive Director, FP&C, Cliff Rapier Director, Finance & Operations, FP&C	UH	Review contracts for the time frame specified by General Counsel and request refunds of bond premium returns.	<b>Partially Implemented – Updated Management’s Response:</b> A listing of the projects for which this would apply has been developed. FP&C needs to review and assign personnel to review or hire outside consultants. Estimated completion date: August 31, 2010.
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	4a	15	8/31/2009	Mei Chang Sr. Project Mgr., FP&C  Cliff Rapier Director, Finance & Operations, FP&C	UH	Ensure that general liability insurance credits for \$100,294 are received for the construction period ending 9/30/08.	<b>Partially Implemented – Updated Management’s Response:</b> The general contractor and the UHS Office of General Counsel have executed the memorandum of understanding and the final audit has been completed. However, there is still no final resolution as to what is owed. Management is in the process of coordinating meetings between UH System and Pepper Lawson for final resolution. Estimated completion date: December 31, 2009.

**University of Houston System  
Internal Auditing Department**

**(Follow-up Status Report)**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
<b>Risk Level: High Medium Low</b>								
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	5a	15	4/1/2009	Mei Chang Sr. Project Mgr., FP&C  Cliff Rapier Director, Finance & Operations, FP&C	UH	Ensure that paid time off credits charged directly to Cost of Work for \$76,231 are received for the construction period ending 9/30/08.	<i>Partially Implemented – Updated Management's Response:</i> The general contractor and the UHS Office of General Counsel have executed the memorandum of understanding and the final audit has been completed. However, there is still no final resolution as to what is owed. Management is in the process of coordinating meetings between UH System and Pepper Lawson for final resolution. Estimated completion date: December 31, 2009.
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	6a	15	8/31/2009	Mei Chang Sr. Project Mgr., FP&C  Cliff Rapier Director, Finance & Operations, FP&C	UH	Ensure that payment for overstatement of subcontractor change order markup for \$44,931 is received for the construction period ending 9/30/08.	<i>Partially Implemented – Updated Management's Response:</i> The general contractor and the UHS Office of General Counsel have executed the memorandum of understanding and the final audit has been completed. However, there is still no final resolution as to what is owed. Management is in the process of coordinating meetings between UH System and Pepper Lawson for final resolution. Estimated completion date: December 31, 2009.
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	7a	15	8/31/2009	Mei Chang Sr. Project Mgr., FP&C  Cliff Rapier Director, Finance & Operations, FP&C	UH	Ensure that payment for incidental markups in KenMor change orders for \$14,794 is received for the construction period ending 9/30/08.	<i>Partially Implemented – Updated Management's Response:</i> The general contractor and the UHS Office of General Counsel have executed the memorandum of understanding and the final audit has been completed. However, there is still no final resolution as to what is owed. Management is in the process of coordinating meetings between UH System and Pepper Lawson for final resolution. Estimated completion date: December 31, 2009.
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	8a	15	8/31/2009	Mei Chang Sr. Project Mgr., FP&C  Cliff Rapier Director, Finance & Operations, FP&C	UH	Ensure that payment for excess equipment rental charges for \$3,998 are received for the construction period ending 9/30/08.	<i>Partially Implemented – Updated Management's Response:</i> The general contractor and the UHS Office of General Counsel have executed the memorandum of understanding and the final audit has been completed. However, there is still no final resolution as to what is owed. Management is in the process of coordinating meetings between UH System and Pepper Lawson for final resolution. Estimated completion date: December 31, 2009.

**University of Houston System  
Internal Auditing Department**

**(Follow-up Status Report)**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
<b>Risk Level: High Medium Low</b>								
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	9a	15	8/31/2009	Mei Chang Sr. Project Mgr., FP&C  Cliff Rapier Director, Finance & Operations, FP&C	UH	Ensure that payment for duplicated overhead in Joslin change orders for \$3,979 is received for the construction period ending 9/30/08.	<i>Partially Implemented – Updated Management's Response:</i> The general contractor and the UHS Office of General Counsel have executed the memorandum of understanding and the final audit has been completed. However, there is still no final resolution as to what is owed. Management is in the process of coordinating meetings between UH System and Pepper Lawson for final resolution. Estimated completion date: December 31, 2009.
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	10a	15	8/31/2009	Mei Chang Sr. Project Mgr., FP&C  Cliff Rapier Director, Finance & Operations, FP&C	UH	Ensure that payment for rental charges in excess of cost for \$2,159 is received for construction period ending 9/30/08.	<i>Partially Implemented – Updated Management's Response:</i> The general contractor and the UHS Office of General Counsel have executed the memorandum of understanding and the final audit has been completed. However, there is still no final resolution as to what is owed. Management is in the process of coordinating meetings between UH System and Pepper Lawson for final resolution. Estimated completion date: December 31, 2009.
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	11a	15	8/31/2009	Mei Chang Sr. Project Mgr., FP&C  Cliff Rapier Director, Finance & Operations, FP&C	UH	Ensure that payment for bond cost on change orders for non-bonded subcontractor for \$1,336 is received for construction period ending 9/30/08.	<i>Partially Implemented – Updated Management's Response:</i> The general contractor and the UHS Office of General Counsel have executed the memorandum of understanding and the final audit has been completed. However, there is still no final resolution as to what is owed. Management is in the process of coordinating meetings between UH System and Pepper Lawson for final resolution. Estimated completion date: December 31, 2009.
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	13a	15	8/31/2009	Mei Chang Sr. Project Mgr., FP&C  Cliff Rapier Director, Finance & Operations, FP&C	UH	Request the contractor to: a) obtain supporting detail from their subcontractors showing the estimated cost and markups included in these change orders and adjust the change order amounts as necessary; and b) require all future subcontractor change orders to include sufficient detail to allow a proper evaluation of compliance with the contract.	<i>Partially Implemented – Updated Management's Response:</i> The general contractor and the UHS Office of General Counsel have executed the memorandum of understanding and the final audit has been completed. However, there is still no final resolution as to what is owed. Management is in the process of coordinating meetings between UH System and Pepper Lawson for final resolution. Estimated completion date: December 31, 2009.

**University of Houston System  
Internal Auditing Department**

**(Follow-up Status Report)**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
<b>Risk Level: High Medium Low</b>								
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	14a	15	8/31/2009	Mei Chang Sr. Project Mgr., FP&C  Cliff Rapier Director, Finance & Operations, FP&C	UH	Prepare a memo of understanding to clarify the terms of the design fee.	<i>Partially Implemented - Updated Management's Response:</i> A memo of Understanding between The general contractor and the UHS Office of General Counsel was signed in August. Most of the items identified to be refundable to us such as cost of liability insurance, which is covered under the umbrella of General Conditions, were clarified through this memorandum of understanding. Additionally, the final constructions audit for the project has been completed and all findings will be combined in one report. Meetings are to be set between UHS and Pepper-Lawson Construction within the next few weeks to finalize. Estimated completion date: December 31, 2009.
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	15	15	7/1/2009	Chris Hobza Executive Director, Contract Administration	UH	Modify standardized construction contract to more clearly define the terms of the design fee.	<i>Partially Implemented – Updated Management's Response:</i> We are continuing to work with FP&C and the construction auditors to clarify the terms of the standardized construction contracts. This particular issue is one of many that are being addressed as part of the overall update of our construction-related standard contracts. Estimated completion date: December 31, 2009.
SAO Report #07-555	Statewide Single Audit Report, FY 2006	4e	5	8/31/2009	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.	<i>Action Complete</i>
SAO Report #08-336	Statewide Single Audit Report, FY 2007	3c	7	8/31/2009	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.	<i>Action Complete</i>
SAO Report #09-002	Student Fees at Selected Higher Education Institutions	2	3	8/31/2009	Craig Ness, Executive Director, Academic Budgets and Admin.	UH	Incorporate review of incidental student fee rates into the college budget building process in order that rates are in accordance with applicable laws and policies.	<i>Action Complete</i>
SAO Report #09-330	Statewide Single Audit Report, FY 2008	10a	13	8/31/2009	Jessica Thomas, Acting Associate Director of Financial Aid	UH	Review records for the 2007-2008 award year to identify all students for whom returns of Title IV funds still need to be made.	<i>Action Complete</i>

**University of Houston System  
Internal Auditing Department**

**(Follow-up Status Report)**

<b>Internal Audit Report Number</b>	<b>Report Title</b>	<b>Action No.</b>	<b>Total Actions</b>	<b>Est. Compl. Date</b>	<b>Responsibility For Action</b>		<b>Action To Be Taken</b>	<b>Status</b>
					<b>Name / Title</b>	<b>Entity</b>		
<b>Risk Level: High Medium Low</b>								
SAO Report #09-330	Statewide Single Audit Report, FY 2008	12a	13	8/31/2009	Sal Loria Interim Director, Office of Scholarships and Financial Aid Debbie Hermann	UH	Determine the nature of the student status change reporting errors and modify business practices, reporting procedures and enrollment services information systems as necessary to help ensure that student status changes are identified and reported as required.	<i>Partially Implemented – Updated Management's Response:</i> We have modified our business practices to help ensure that student status changes are identified and reported as required. We are in the process of implementing controls to help ensure that all reported data is accurate and complete. Estimated completion date: December 31, 2009.

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON–CLEAR LAKE

INFORMATION SECURITY STANDARDS

REPORT NO. AR2010-02

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON-CLEAR LAKE  
INFORMATION SECURITY STANDARDS**

Texas Administrative Code Title 1, Part 10, Chapter 202 – Information Security Standards (TAC 202), requires all institutions of higher education to comply with the regulations set forth in Subchapter C - Security Standards for Institutions of Higher Education.

For this engagement, we evaluated the information security policies, practices and procedures at the University of Houston-Clear Lake for the following areas: security standards policy, responsibilities, managing security risks, managing physical security, business continuity planning, information resource security safeguards, security incidents, user security practices, and removal of data from data processing equipment. These areas were reviewed using the requirements of TAC 202, Subchapter C. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with regulations in each area.

In our opinion, the University of Houston-Clear Lake’s information security program in these areas helps ensure compliance with TAC 202, Subchapter C. Although we noted no matters that we considered to be significant audit findings, we did note certain violations of TAC 202 requirements. Management developed action plans to help ensure compliance with TAC 202 in these areas. The compliance matrix below lists areas tested, whether the campus fully complies with TAC 202 rules, and the number of action items.

<b>COMPLIANCE MATRIX</b>	
<b>Compliance Area</b>	<b>Number of Action Items</b>
Security Standards Policy	<b>Fully Complies</b>
Responsibilities	<b>1</b>
Managing Security Risks	<b>Fully Complies</b>
Managing Physical Security	<b>1</b>
Business Continuity Planning	<b>1</b>
Information Resources Security Safeguards	<b>3</b>
Security Incidents	<b>Fully Complies</b>
User Security Practices	<b>Fully Complies</b>
Removal of Data from Data Processing Equipment	<b>4</b>

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Don F. Guyton  
Chief Audit Executive  
August 7, 2009

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON  
INFORMATION SECURITY STANDARDS

REPORT NO. AR2010-03

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON**

**INFORMATION SECURITY STANDARDS**

Texas Administrative Code Title 1, Part 10, Chapter 202 – Information Security Standards (TAC 202), requires all institutions of higher education to comply with the regulations set forth in Subchapter C - Security Standards for Institutions of Higher Education.

For this engagement, we evaluated the information security policies, practices and procedures at the University of Houston for the following areas: security standards policy, responsibilities, managing security risks, managing physical security, business continuity planning, information resource security safeguards, security incidents, user security practices, and removal of data from data processing equipment. These areas were reviewed using the requirements of TAC 202, Subchapter C. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with regulations in each area.

In our opinion, the University of Houston’s information security program in these areas helps ensure compliance with TAC 202, Subchapter C. Although we noted no matters that we considered to be significant audit findings, we did note certain violations of TAC 202 requirements. Management developed action plans to help ensure compliance with TAC 202 in these areas. The compliance matrix below lists areas tested, whether the campus fully complies with TAC 202 rules, and the number of action items.

<b>COMPLIANCE MATRIX</b>	
<b>Compliance Area</b>	<b>Number of Action Items</b>
Security Standards Policy	<b>1</b>
Responsibilities	<b>7</b>
Managing Security Risks	<b>1</b>
Managing Physical Security	<b>Fully Complies</b>
Business Continuity Planning	<b>2</b>
Information Resources Security Safeguards	<b>4</b>
Security Incidents	<b>Fully Complies</b>
User Security Practices	<b>Fully Complies</b>
Removal of Data from Data Processing Equipment	<b>2</b>

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Don F. Guyton  
Chief Audit Executive  
August 20, 2009

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

CHANCELLOR/PRESIDENT'S TRAVEL  
FY 2009

REPORT NO. AR2010-04

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON SYSTEM  
CHANCELLOR/PRESIDENT'S TRAVEL  
FY 2009**

**BACKGROUND/OBJECTIVE:**

The Internal Auditing Department reviews the travel and entertainment expenditures relating to the Chancellor/President annually. This review is scheduled in the annual audit plan.

The objective of this review was to determine whether expenditures for travel and entertainment were appropriately documented and allowable under university policies.

**SCOPE:**

We reviewed all travel and entertainment expenditures of the Chancellor/President and spouse and the related airline charges billed directly to the university for fiscal year 2009 funded by the Chancellor/President's Office. We reviewed the Chancellor/President's Office cost centers and determined that there were \$16,731 of centrally billed travel charges and no direct reimbursements for travel related incidental expenses.

It should be noted that in some cases, travel and entertainment expenditures for the Chancellor/President might be funded by accounts other than the Chancellor/President office accounts and by outside organizations. The scope of our review only includes the expenditures funded by the Chancellor/President's Office.

**CONCLUSION:**

In our opinion, the travel and entertainment expenditures of the Chancellor/President and spouse for the year ended August 31, 2009, were appropriately documented and were allowable under university policies.

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Don F. Guyton  
Chief Audit Executive  
September 14, 2009

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

BOARD OF REGENTS' TRAVEL  
FY 2009

REPORT NO. AR2010-05

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS' TRAVEL  
FY 2009**

**BACKGROUND/OBJECTIVE:**

The Internal Auditing Department reviews the travel and entertainment expenditures of the members of the Board of Regents (BOR) annually. This review is scheduled in the annual audit plan.

The objective of this review was to determine whether expenditures for travel and entertainment were appropriately documented and allowable under university policies.

**SCOPE:**

We reviewed FY 2009 vendor histories for direct payments to regents and found that four regents received twenty direct reimbursements for travel-related incidental expenses in the amount of \$2,425. We also reviewed the BOR cost center and determined that there were \$32,887 of centrally billed travel charges.

It should be noted that in some cases, travel and entertainment expenditures for regents might be funded by accounts other than the BOR office account. The scope of this review only includes the expenditures funded by the BOR office account. The BOR office maintains policies and procedures and related forms for regental travel and reimbursements to help ensure that all expenditures comply with statutes, regulations and BOR policies.

**CONCLUSION:**

In our opinion, the travel and entertainment expenditures for the year ended August 31, 2009, were appropriately documented and were allowable under university policies.

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Don F. Guyton  
Chief Audit Executive  
September 23, 2009

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

ANNUAL NON-COMPLIANCE REPORT  
FY 2009

REPORT NO. AR2010-06

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**ANNUAL NON-COMPLIANCE REPORT  
FY 2009**

During FY 2009, the Internal Audit Department issued 6 audit reports, that contained the results of 38 departmental reviews. Departmental reviews were performed in 31 UH departments and in 7 UHD departments. The departmental review process resulted in management action items for all noted instances of non-compliance. The purpose of this report is to compile a listing of all instances of non-compliance noted in the departmental reviews during the previous year in order that management can assess its risks associated with repetitive instances and take action, if necessary.

The attached matrices list the number of instances of non-compliance in specific areas. We noted that the most frequent instances of non-compliance by audited units occurred in the areas of payroll/human resources, cost center management, and procurement cards. In addition to requiring role-based training and completion of an annual Department Fraud Risk Survey, management has implemented various procedures to remind business staff of deadlines and required tasks, implemented PeopleSoft Time and Labor, and implemented an electronic process for effort reporting on federal grants to help reduce instances of non-compliance and enhance the internal control environment.

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Don F. Guyton  
Chief Audit Executive  
September 29, 2009

**Areas of Non-Compliance  
University of Houston**

	<b>Total</b>
<b><u>Accounts Receivables</u></b>	
<ul style="list-style-type: none"> <li>Accounts receivable were not recognized in the university's financial records system.</li> </ul>	1
<ul style="list-style-type: none"> <li>Departmental records of the accounts receivable were not maintained and reconciled to the university's financial system monthly.</li> </ul>	1
<ul style="list-style-type: none"> <li>Aging schedule for all accounts receivable were not maintained.</li> </ul>	1
<ul style="list-style-type: none"> <li>Records of collection activities were not maintained, including copies of letters sent to debtors.</li> </ul>	2
<ul style="list-style-type: none"> <li>Account receivable write-offs in the past year that were not approved by the Board of Regents.</li> </ul>	1
<b><u>Cash Handling</u></b>	
<ul style="list-style-type: none"> <li>Checks were not made payable to the University of Houston.</li> </ul>	1
<ul style="list-style-type: none"> <li>Cash receipts greater than \$100 were not deposited within one working day of receipt.</li> </ul>	8
<ul style="list-style-type: none"> <li>Cash receipts less than \$100 were not deposited within five working days of receipt.</li> </ul>	2
<ul style="list-style-type: none"> <li>Bank routing and account numbers and credit card numbers were not removed/obliterated prior to the document's upload to PeopleSoft.</li> </ul>	1
<ul style="list-style-type: none"> <li>Departmental copies of deposit documentation were not destroyed/discarded after six months.</li> </ul>	1
<b><u>Conflict of Interest</u></b>	
<ul style="list-style-type: none"> <li>Related Party Disclosure, Consulting and Professional Services, or Disclosure of Conflict of Interest forms were not completed for all required employees.</li> </ul>	6
<b><u>Contract Administration</u></b>	
<ul style="list-style-type: none"> <li>Contract cover sheets were not signed by the College/Division Business Administrator.</li> </ul>	5
<ul style="list-style-type: none"> <li>Contracts were not reviewed and approved as to form by the Office of General Counsel before execution.</li> </ul>	1
<ul style="list-style-type: none"> <li>Contracts were not fully executed prior to the start date.</li> </ul>	9
<ul style="list-style-type: none"> <li>Contracts were not executed/signed by the university official with delegated contractual signatory authority.</li> </ul>	3
<b><u>Cost Center Management</u></b>	
<ul style="list-style-type: none"> <li>Cost center verifications were not done monthly.</li> </ul>	6

**Areas of Non-Compliance  
University of Houston**

	<b>Total</b>
<ul style="list-style-type: none"> <li>• Cost Center Managers were not reviewing and approving verifications.</li> </ul>	3
<ul style="list-style-type: none"> <li>• Cost centers had deficit equity balances at fiscal year-end.</li> </ul>	8
<ul style="list-style-type: none"> <li>• Project/grant cost centers had deficit budgetary balances.</li> </ul>	10
<ul style="list-style-type: none"> <li>• Inactive cost centers were not deactivated.</li> </ul>	7
<b><u>Departmental Computing</u></b>	
<ul style="list-style-type: none"> <li>• Password policy was not updated.</li> </ul>	1
<b><u>Fees</u></b>	
<ul style="list-style-type: none"> <li>• Annual fee reports were not submitted timely to the Office of Academic Budgets and Administration.</li> </ul>	1
<b><u>Fixed Assets</u></b>	
<ul style="list-style-type: none"> <li>• Annual inventory was not performed.</li> </ul>	1
<ul style="list-style-type: none"> <li>• Request for Authority to Remove Equipment from Campus forms were not completed prior to removal and/or updated when equipment is located off-campus past the end of the fiscal year.</li> </ul>	2
<b><u>Long Distance/Cell Phones</u></b>	
<ul style="list-style-type: none"> <li>• Users were not required to review and certify long distance expenses.</li> </ul>	2
<b><u>Management Oversight</u></b>	
<ul style="list-style-type: none"> <li>• Management did not have adequate oversight over financial and administrative activities.</li> </ul>	1
<b><u>Operating Activities</u></b>	
<ul style="list-style-type: none"> <li>• Continuing education fees were not approved.</li> </ul>	1
<b><u>Payroll/HR</u></b>	
<ul style="list-style-type: none"> <li>• Leave use was not reconciled to leave accruals recorded in the payroll system on a monthly basis.</li> </ul>	2
<ul style="list-style-type: none"> <li>• Time and effort reports were not reconciled to Payroll registers.</li> </ul>	2
<ul style="list-style-type: none"> <li>• Time and effort reports were not submitted to Payroll in a timely manner.</li> </ul>	16
<ul style="list-style-type: none"> <li>• Principal investigator did not reporting reasonable estimates of the percentage of time spent on sponsored activities.</li> </ul>	1
<ul style="list-style-type: none"> <li>• Leave requests were not approved by the appropriate level of management.</li> </ul>	4
<ul style="list-style-type: none"> <li>• All employees were not preparing and certifying time and effort reports, including recording time for vacation, sick time, or other leave.</li> </ul>	17

**Areas of Non-Compliance  
University of Houston**

	<b>Total</b>
<ul style="list-style-type: none"> <li>• All employees were not documenting and requesting leave taken.</li> </ul>	2
<ul style="list-style-type: none"> <li>• Time and effort reports were not approved by the employee's supervisor (or designee).</li> </ul>	6
<ul style="list-style-type: none"> <li>• Payroll suspense reports were not run.</li> </ul>	1
<ul style="list-style-type: none"> <li>• PARs were not submitted timely.</li> </ul>	9
<ul style="list-style-type: none"> <li>• Termination clearance forms were not prepared timely.</li> </ul>	2
<b><u>Policies, Procedures, Training</u></b>	
<ul style="list-style-type: none"> <li>• Personnel did not complete the required annual training.</li> </ul>	14
<b><u>Procurement Cards</u></b>	
<ul style="list-style-type: none"> <li>• Cardholder Application/Approval forms were not completed or not approved by the College Administrator.</li> </ul>	1
<ul style="list-style-type: none"> <li>• Account numbers were not obliterated from receipts.</li> </ul>	8
<ul style="list-style-type: none"> <li>• Cards were not used for allowed purposes.</li> </ul>	1
<ul style="list-style-type: none"> <li>• Cardholder did not provide business office with receipts.</li> </ul>	1
<ul style="list-style-type: none"> <li>• Travel requests were not used for travel card expenses.</li> </ul>	1
<ul style="list-style-type: none"> <li>• Cardholders were not approving expense reports.</li> </ul>	5
<ul style="list-style-type: none"> <li>• Department were not reviewing expense reports by the 20th of the month.</li> </ul>	7
<ul style="list-style-type: none"> <li>• P-card liability accounts were not being reviewed.</li> </ul>	3
<ul style="list-style-type: none"> <li>• Canceled cards were not sent to Accounts Payable.</li> </ul>	1
<b><u>Scholarships</u></b>	
<ul style="list-style-type: none"> <li>• The College did not have written scholarship guidelines.</li> </ul>	2
<ul style="list-style-type: none"> <li>• Scholarship awards were not reconciled to the university's student administration and financial system.</li> </ul>	1
<ul style="list-style-type: none"> <li>• Year-end equity balances in scholarship cost centers were not reviewed to help ensure they do not exceed total award commitments plus a reserve of 25% of the funds received in the previous fiscal year.</li> </ul>	4
<b><u>Travel Reimbursements</u></b>	
<ul style="list-style-type: none"> <li>• Travel expenses were not allowable, appropriately authorized, or documented.</li> </ul>	2

## **UH Management's Response:**

Finance implemented the following mandatory role-based training to remind employees of their responsibilities and proper procedures:

- Cash Deposit and Security Procedures
- Cash Security Procedures
- Credit Card Accounting
- Credit Card Data Security
- Credit Card Processing
- P-Card Cardholder
- P-Card Business Office
- Petty Cash and Change Fund
- Property Management Guidelines
- Travel Card Cardholder
- Travel Card Business Office
- Red Flag Rules

The above training is completed annually by those employees whose job function relates to these activities. Employees must pass a quiz for each course to demonstrate that they understand the key concepts. Training is an important factor in improving compliance.

In addition, all departments complete a Department Fraud Risk Survey annually, which is designed to reduce the risk of fraud and non-compliance. The survey itself reminds administrators and unit heads of their responsibilities in several areas, such as cash handling, procurement, travel, payroll, fixed assets, and cost center management.

Though department administrators are primarily responsible for reviewing the P-Card transactions within their department, Accounts Payable also reviews selected P-Card transactions to verify they are appropriate and documented. Two students from the UH Bauer College of Business were hired to review P-Card transactions and report instances of non-compliance, such as inadequate documentation or other violations of university policy. After three instances of non-compliance, the card is cancelled. Any non-compliance that appears to involve fraudulent activity is reported to Internal Audit for investigation.

In February 2009, the Academic Affairs Division implemented a Monthly Department Checklist to help the colleges and departments within Academic Affairs stay on top of key tasks and deadlines related to Finance, Payroll/Human Resources, Property Management, and Information Technology. The Provost Office collects and reviews these checklists to verify compliance.

In April 2009, the Payroll Department implemented Time and Labor for monthly employees, which allows exempt employees to enter leave (vacation, sick leave, jury duty, etc.) electronically, rather than on a paper timesheet. Time and Labor greatly reduced the time and effort involved with recording and approving leave for monthly employees and provided a tool for recording and approving leave more timely.

Payroll plans to implement Time and Labor for bi-weekly employees by December 2010, which will allow bi-weekly employees to record their hours worked electronically. Payroll also plans to implement an electronic Leave Request for both monthly and bi-weekly employees that can be used for requesting, entering, and approving leave, so that employees and supervisors can make one online request/approval instead of signing a paper Leave Request form and later entering/approving leave online. This will also increase efficiency and improve the timeliness of recording and approving leave.

In April 2009, the Research Division implemented an electronic process for effort reporting on federal grants, which was previously recorded only on paper timesheets. Principal investigators are still required to sign a report indicating the allocation of their effort among research projects (though once a quarter instead of once a month), but now designated department staff enter that effort into the Research Division database (RD2K), which allows the Research Division to keep track of which PI's have/have not reported effort.

In an effort to improve compliance and help departments keep track of deadlines, the Administration and Finance Division sends all business staff a weekly email reminder of deadlines and scheduled tasks for the coming week called "Finance – Week Ahead." In addition, the Finance Department publishes a "Key Dates Calendar" for departments that covers year-end deadlines and tasks from June through November to help departments plan for and keep track of the many deadlines surrounding the end of a fiscal year.

<b>Areas of Non-Compliance by Campus – Summary</b>		
<b>Non-Compliance Area</b>	<b>UH (31 Departments)</b>	<b>UHD (7 Departments)</b>
Accounts Receivables	6	-
Cash Handling	13	6
Conflict of Interests	6	2
Contract Administration	18	-
Cost Center Management	34	4
Departmental Computing	1	-
Entertainment Reimbursements	-	1
Fees	1	-
Fixed Assets	3	-
Long Distance/Cell Phones	2	1
Management Oversight	1	1
Operating Activities	1	4
Payroll/HR	62	9
Policies, Procedures, Training	14	4
Procurement Cards	28	2
Research	-	3
Scholarships	7	2
Travel Reimbursements	2	-

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

COLLEGE OF LIBERAL ARTS & SOCIAL  
SCIENCES  
DEPARTMENTAL REVIEWS

REPORT NO. AR2010-07

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON  
COLLEGE OF LIBERAL ARTS AND SOCIAL SCIENCES  
DEPARTMENTAL REVIEW**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed 29 departmental reviews in the College of Liberal Arts and Social Sciences. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted one matter that we considered to be a significant audit finding: lack of financial and administrative oversight. 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. 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 Finding
- Compliance Matrix
- Action Plan
- College Background
- Financial Summary of Transactions

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Don F. Guyton  
Chief Audit Executive  
September 30, 2009

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON  
COLLEGE OF LIBERAL ARTS AND SOCIAL SCIENCES  
SIGNIFICANT FINDING**

**Financial and Administrative Oversight**

The College manages its business, financial, and non-academic operations at the departmental level. The Departmental Business Administrators are responsible for financial and administrative tasks within their departments.

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 procedures 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 the university policies we noted during the departmental reviews.

- Cost center verifications are not being completed, reviewed, and approved in a timely manner.
- Time and effort reports are not being properly completed and submitted to Payroll in a timely manner.
- Procurement card expense reports are not being approved in a timely manner.
- All required training and disclosures are not completed in a timely manner.
- Scholarship cost centers have excess balances.
- Cash receipts are not being deposited in a timely manner.
- Contracts are not being signed by all parties prior to commencement of services.

**Recommendation:** The College should clearly define its oversight and monitoring responsibilities for business and administrative tasks. The primary duties of the Director of Budget and Administration and the Dean should be to help ensure that their oversight responsibilities are being fulfilled for 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 procedures.

**Management's Response:** The Dean and the Director of Budget and Administration 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 by October 31, 2009. The Dean has formally communicated to all Department Chairs and Directors that effective October 1, 2009, the DBAs (business staff) will report directly to the College Business Administrator. We intend to fully comply with MAPP 01.02.01, which requires all College Business Administrators to "be involved in the hiring, terminating, evaluating and compensating of all Business Administrators within their respective college." The AVP, Business Operations plans to meet with all CLASS Department Chairs and DBAs (business staff) during October, to explain the importance of implementing these changes.

**University of Houston System  
Internal Auditing Department**

**University of Houston  
College of Liberal Arts and Social Sciences  
Departmental Reviews**

<b>Compliance Area</b>	<b>CLASS DEAN'S OFFICE</b>	<b>ART</b>	<b>COMMUNICATION</b>	<b>THEATRE</b>	<b>ENGLISH</b>	<b>COMD</b>
Management Oversight	(2)	N/A	N/A	N/A	N/A	N/A
Operational Activities	N/A	N/A	N/A	N/A	✓	✓
Policies, Procedures, Required Training, And Reporting	✓	(1)	✓	(2)	✓	(1)
Cost Center Management	(1)	✓	(1)	(3)	✓	(2)
Payroll	✓	✓	(1)	(1)	(1)	(1)
Human Resources	(1)	(1)	✓	✓	✓	✓
Change Funds And Cash Receipts	N/A	✓	✓	(2)	(1)	(1)
Procurement And Travel Cards	(1)	✓	(1)	(2)	(1)	✓
Departmental Expenses	✓	✓	✓	(1)	✓	(2)
Contract Administration	(1)	✓	✓	(1)	✓	(1)
Property Management	✓	✓	✓	(1)	(1)	✓
Departmental Computing	✓	✓	✓	✓	✓	✓
Scholarships	(3)	✓	✓	(2)	✓	✓
Incidental And Lab Fees	(1)	✓	✓	✓	✓	(1)
Research	N/A	✓	N/A	N/A	✓	(1)

- ✓ **Fully Complies**
- ⊖ **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 Liberal Arts and Social Sciences  
Departmental Reviews**

<b>Compliance Area</b>	<b>HISTORY</b>	<b>MUSIC</b>	<b>PHILOSOPHY</b>	<b>MCL</b>	<b>ARTE PUBLICO</b>	<b>AFRICAN AMERICAN STUDIES</b>
Management Oversight	N/A	N/A	N/A	N/A	N/A	N/A
Operational Activities	✓	✓	N/A	N/A	(1)	✓
Policies, Procedures, Required Training, And Reporting	(2)	(2)	(1)	(1)	(1)	✓
Cost Center Management	✓	(2)	(1)	✓	✓	✓
Payroll	(1)	(3)	(1)	(1)	(1)	✓
Human Resources	✓	✓	(2)	(1)	✓	(1)
Change Funds And Cash Receipts	(1)	(1)	✓	✓	(1)	(1)
Procurement And Travel Cards	(1)	(1)	(1)	✓	(1)	(2)
Departmental Expenses	(1)	(2)	(2)	(1)	✓	✓
Contract Administration	N/A	(1)	(1)	✓	(1)	N/A
Property Management	✓	(2)	✓	✓	✓	✓
Departmental Computing	✓	✓	✓	✓	✓	✓
Scholarships	(1)	(3)	N/A	(1)	N/A	(1)
Incidental And Lab Fees	✓	✓	✓	✓	N/A	N/A
Research	(1)	✓	✓	✓	✓	N/A

- ✓ Fully Complies
- ⊖ 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 Liberal Arts and Social Sciences  
Departmental Reviews**

<b>Compliance Area</b>	<b>CMAS</b>	<b>BLAFFER GALLERY</b>	<b>ANTHROPOLOGY</b>	<b>ECONOMICS</b>	<b>MILITARY SCIENCE</b>	<b>POLITICAL SCIENCE</b>
Management Oversight	N/A	N/A	N/A	N/A	N/A	N/A
Operational Activities	N/A	✓	N/A	✓	N/A	N/A
Policies, Procedures, Required Training, And Reporting	✓	(1)	✓	✓	✓	(1)
Cost Center Management	✓	(1)	(1)	(1)	(1)	(1)
Payroll	✓	✓	✓	✓	(2)	✓
Human Resources	✓	✓	(2)	(1)	✓	(1)
Change Funds And Cash Receipts	(1)	✓	N/A	✓	N/A	N/A
Procurement And Travel Cards	✓	✓	N/A	✓	✓	(1)
Departmental Expenses	✓	✓	✓	✓	✓	✓
Contract Administration	✓	✓	N/A	(1)	N/A	(1)
Property Management	✓	✓	✓	✓	✓	✓
Departmental Computing	✓	✓	✓	✓	✓	✓
Scholarships	✓	✓	N/A	✓	✓	✓
Incidental And Lab Fees	N/A	N/A	✓	✓	✓	(2)
Research	N/A	N/A	✓	(1)	N/A	✓

- ✓ Fully Complies
- ⊖ 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 Liberal Arts and Social Sciences  
Departmental Reviews**

<b>Compliance Area</b>	<b>PSYCHOLOGY</b>	<b>SOCIOLOGY</b>	<b>CPP</b>	<b>RELIGIOUS STUDIES</b>	<b>AIR FORCE STUDIES</b>	<b>WRITING CENTER</b>
Management Oversight	N/A	N/A	N/A	N/A	N/A	N/A
Operational Activities	✓	N/A	✓	N/A	N/A	N/A
Policies, Procedures, Required Training, And Reporting	(2)	✓	✓	✓	(1)	✓
Cost Center Management	(1)	(1)	(3)	(2)	✓	✓
Payroll	(1)	(1)	(1)	(1)	(1)	(2)
Human Resources	✓	(1)	✓	✓	✓	(2)
Change Funds And Cash Receipts	✓	✓	(1)	N/A	N/A	N/A
Procurement And Travel Cards	✓	(1)	(1)	(1)	✓	✓
Departmental Expenses	(1)	✓	✓	✓	✓	✓
Contract Administration	✓	N/A	✓	N/A	(1)	(1)
Property Management	✓	✓	✓	✓	✓	✓
Departmental Computing	✓	✓	✓	✓	✓	✓
Scholarships	(1)	✓	✓	N/A	✓	N/A
Incidental And Lab Fees	✓	✓	N/A	N/A	N/A	N/A
Research	✓	✓	✓	N/A	N/A	N/A

- ✓ **Fully Complies**
- ⊖ **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 Liberal Arts and Social Sciences  
Departmental Reviews**

<b>Compliance Area</b>	<b>WOMEN'S STUDIES</b>	<b>BAND</b>	<b>CWMCA</b>	<b>HISPANIC STUDIES</b>	<b>CPH</b>
Management Oversight	N/A	N/A	N/A	N/A	N/A
Operational Activities	N/A	(1)	✓	N/A	✓
Policies, Procedures, Required Training, And Reporting	(1)	✓	✓	(1)	(1)
Cost Center Management	(1)	(1)	✓	(1)	(1)
Payroll	(1)	✓	✓	✓	✓
Human Resources	✓	(2)	✓	✓	✓
Change Funds And Cash Receipts	(1)	(1)	✓	(2)	✓
Procurement And Travel Cards	(1)	(1)	✓	✓	(1)
Departmental Expenses	(1)	✓	(1)	✓	✓
Contract Administration	✓	✓	✓	✓	✓
Property Management	✓	N/A	✓	✓	✓
Departmental Computing	✓	✓	✓	✓	✓
Scholarships	✓	(1)	N/A	✓	N/A
Incidental And Lab Fees	N/A	N/A	✓	(1)	N/A
Research	N/A	N/A	N/A	N/A	N/A

- ✓ Fully Complies
- ⊖ 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 Liberal Arts & Social Sciences  
Background Information**

We performed a review of the Dean of the College of Liberal Arts & Social Sciences (CLASS) at the University of Houston to assess his effectiveness in performing his financial and administrative responsibilities.

**The Dean provided the following background:**

CLASS was formed on January 1, 2001 when the Colleges of Humanities, Fine Arts and Communication and Social Sciences were merged. CLASS provides a link between the studies of human behavior and the appreciation of human experience. CLASS offers courses that explore the human condition through scientific knowledge, social structures, literature, language, philosophy, history and the arts. CLASS is the largest of thirteen colleges, serving over 7,000 undergraduate majors and more than 1,000 graduate students. CLASS offers Bachelor of Arts, Bachelor of Science, Bachelor of Fine Arts, Bachelor of Music, Master of Arts, Master of Fine Arts and Master of Music degrees and Doctor of Music and Doctor of Philosophy degrees. CLASS generates about 300,000 semester credit hours, nearly 40% of the University total. With 28 schools, departments, programs, centers, and institutes, CLASS promotes interdisciplinary initiatives while advancing disciplinary research and teaching.

All university students take core subject courses in CLASS, but also, the study of the arts, humanities and social sciences broadens students' understanding of life and prepares them for citizenship in a multi-cultural society. CLASS curricula are flexible and encourage students to pursue a variety of intellectual interests while also studying a specific area in depth. Courses are designed to foster communication and reasoning skills. Students are encouraged to think for themselves. Emphasis is placed upon the acquisition of a wide range of knowledge and the development of discipline and self-reliance. Each year the College prepares students for further training in graduate and professional schools such as education, communication, law, business, and government.

**Budget/Financial Summary:**

During fiscal year 2009, with a faculty of 733 FTE and a staff of 375 FTE, CLASS administered over 2,132 cost centers with an overall operating M&O budget of \$22.7 million.

The following table presents the fund balance reconciliation for CLASS for FY 2009:

Beginning Fund Balance (9/1/08)	\$ 11,771,277
Revenues	23,591,750
Expenditures	(69,737,016)
Transfers/Other	44,909,044
Ending Balance (8/31/09)	<u>\$ 10,535,055</u>

UNIVERSITY OF HOUSTON  
COLLEGE OF LIBERAL ARTS & SOCIAL SCIENCES  
SUMMARY OF REVENUES AND EXPENDITURES

<u>Account</u>	<u>Description</u>	<u>FY 2009</u>	<u>FY 2008</u>
<u>Revenue</u>			
40300-40499	Designated Tuition	\$ (1,669,581)	\$ (1,555,510)
40700-40999	Other Fees	(6,844,395)	(6,628,239)
55500-55999;56700-57999	Waivers & Expenses	59,621	39,532
41600-41899	Federal Grants & Contracts	(4,850,981)	(6,091,895)
41900-42099	Federal Pass Through Grants/Contracts	(459,104)	(362,239)
42100-42299	State Grants & Contracts	(113,310)	(56,077)
42300-42499	State Pass Through - Other State Agencies	(4,007)	0
42500-42699	Local Grants & Contracts	(63,560)	(54,804)
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	(4,516,705)	(4,418,454)
43500-43599	Endowment Income Distribution	(578,762)	(3,132,589)
43600-43630; 43634-43999	Sales & Services - E & G	(4,260,701)	(3,163,402)
44429-44439; 44441-45999; 49504	Other Revenue Sources	(153,285)	(6,309)
50050-50099	Recovered Costs	(136,981)	(224,759)
Total Revenue		<u>\$ (23,591,750)</u>	<u>\$ (25,654,744)</u>
<u>Cost of Goods Sold</u>			
50000-50049	Cost of Goods Sold	\$ (62,615)	\$ 3,203
Total Cost of Goods Sold		<u>\$ (62,615)</u>	<u>\$ 3,203</u>
<u>Payroll</u>			
50100-50999	Salaries & Wages	\$ 51,297,746	\$ 47,990,679
51000-51399	Fringe Benefits	2,880,814	2,616,828
51400-51999	Claims & Payment	23	0
Total Payroll		<u>\$ 54,178,583</u>	<u>\$ 50,607,506</u>
<u>M &amp; O</u>			
52000-52199	Professional Services	\$ 79,839	\$ 117,825
52200-52399	General Services	259,368	194,272
52400-52499	Academic Service	892,645	724,633
52500-52599	Printing, Copying, & Reproduction	605,303	525,146
52600-52799	Utilities & Sanitation	1,983	5,125
52800-52999	Communication & Transportation	866,945	760,646
53000-53499	Advertising Promotion & Public	553,138	367,380
53500-53599	Rental Lease & Royalties	650,216	579,534
53600-53699	Maintenance	15	435
53700-53799	Routine Repair	110,181	152,279
53800-53849	Pass Through	2,705,930	3,780,484
53850-53899	Contracting Services	525,298	709,047
53900-53999	General Supplies	1,154,767	1,168,594
54000-54099	Lab Research Supplies	11,083	11,248
54100-54199	Health & Clinical Support	3,972	3,110
54200-54299	Construction Expenses	12,502	13,395
54300-54349	Facilities & Ground Support	247	0
54350-54449	Parts & Furnishing	1,252,075	1,339,022
54450-54549	Misc Supplies & Material	51,348	73,235
54550-54699	Legal Services	15,147	5,140
54700-54799	Financial Tax & License Cost	41,393	30,578
54800-54899	Other Recurring Expenses	205,413	294,896
54900-54999	Employee Expenses	267,769	264,098
55000-55199	Special Program & Events	701,749	575,870
55200-55299	Interscholastic Events	1,360	441
55300-55499	Financial Aid	1,950,467	1,909,051
56000-56499	Travel	1,435,191	1,312,012
56500-56599	Contracts & Grants	747,581	894,606
Total M&O		<u>\$ 15,102,925</u>	<u>\$ 15,812,105</u>
<u>Capital Outlay</u>			
58000-58999	Capital Outlay	\$ 518,122	\$ 268,626
Total Capital Outlay		<u>\$ 518,122</u>	<u>\$ 268,626</u>
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		<u>\$ 69,737,016</u>	<u>\$ 66,691,441</u>

UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: Institutional Compliance Status Report for the Three Months Ended  
September 30, 2009

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

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

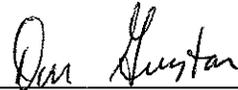
FISCAL NOTE:

SUPPORTING DOCUMENTATION: Institutional Compliance Status Report

ACTION REQUESTED: Information

COMPONENT: University of Houston System

CHIEF AUDIT EXECUTIVE



Don F. Guyton

DATE

10/14/09

CHANCELLOR



Renu Khator

DATE

10-21-09

**UNIVERSITY OF HOUSTON SYSTEM  
INSTITUTIONAL COMPLIANCE STATUS REPORT  
For the three months ended September 30, 2009**

Institutional compliance activities at each university during the three months ended September 30, 2009, are as follows:

<u>Activity</u>	<u>UH/UHS</u>	<u>UHCL</u>	<u>UHD</u>	<u>UHV</u>
Risk Assessments Completed	0	0	1	0
Risk Assessments Updated	1	0	1	0
Compliance Audits Conducted	84	0	0	5
Compliance Committee Meetings Held	1	1	1	1
Risk Mitigation Implemented:				
Specific Control Activities (pol. & proc.)	19	0	2	26
New Training Program / Activities	64	0	0	16
Hot-line Reports:				
Number Received during last 3 months	7	0	3	0
Reports Resolved during last 3 months	4	0	3	1
Unresolved Reports as of Sept. 30, 2009	5	0	1	0

**UHS:**

A system-wide meeting of the institutional compliance officers was held on July 15, 2009, to discuss institutional compliance activities. Included on the meeting agenda were the following:

- Review of reports to be presented to the Audit and Compliance Committee on August 11, 2009
- Cooperative Problem Solving – Sharing of Ideas (discussion by all compliance officers of major concerns / accomplishments)
- Presentation by Mike Glisson
  - Red Flag Rules
  - PCI Compliance Update
- Presentation by Monica Morgan
  - Legislative Update on FMLA & ADA
  - Migration to Electronic Time & Labor
- Presentation by Mike Lovelady and Carla Ponzio – Development of an Electronic Leave Request Form
- Presentation by Anne Sherman – Update on Research hot topics

HR has executed an MOU with USCIS to become a participant in e-Verify for UHS and UH-main campus on September 4, 2009. Each component campus will administer and manage their own e-Verify compliance. Effective September 8, 2009 new and existing employees funded by

certain federal contracts and ARRA funds, not including federal grants or cooperatives, will be e-Verified in accordance with the Program.

## **UH:**

### Finance

UH departments updated their Baseline Standards and Cash Handling Procedures for FY10 and submitted them to Finance for review. Baseline Standards indicate who is responsible for completing various tasks within the department that ensure effective internal controls and the Cash Handling Procedures indicate how departments will safeguard cash in their department and ensure that deposits are made promptly and accurately. Both documents are posted on the Finance web page: <http://www.uh.edu/af/survival/Finance/CashHandling.htm>

### Athletics

The Office of Athletics Compliance was audited for NCAA rules compliance. The audit was conducted by Internal Audit.

### Environmental Health and Risk Management

#### *Training*

General Laboratory Safety (5 Times)  
Hazard Communication (6 Times)  
Biological Safety (9 Times)  
Biohazardous Materials Shipping (3 Times)  
Bloodborne Pathogens (12 Times)  
Principal Investigator Recombinant DNA (11 Times)  
N95 Respirator Training (4 Times)  
Radioactive Material Safety (2 Times)  
X-ray Safety (2 Times)  
Laser Safety  
Chemical Standard Operating Procedures (4 Times)  
Hazardous Waste Procedures  
Asbestos Awareness

#### *New Programs/Activities*

Consultation between EHRM and UHS Sugar Land concerning biological safety regulations  
Review and Approval of Breeding Protocols for Transgenic Animals  
Review and Approval of orders for Biological Materials  
Consultation between EHRM and Engineering Department Wind Center regarding environmental & safety regulations  
Consultations with UH Plumbing Staff concerning Confined Space Entry regulations  
Revision of the Radiation Safety Manual

#### *Regulatory Reports/Actions*

Submitted Above Ground Tank Registration for new Bulk Diesel Fuel Tank Farm  
Chemical Waste Shipment (3 Times)

### Biological Waste Shipment (6 Times)

Reviewed required reports for Annual Underground Tank testing for General Service and Police Buildings

Renewed all City of Houston grease and lint trap permits for main campus

Environmental Analysis Forms for NIH Grant Applications

Approval of orders for Radioactive Material, X-ray Machines, Lasers, and Controlled Substances

Completed X-ray Registration Amendment

Completed Laser Registration Renewal

Completed Special Nuclear Material Reporting to Nuclear Materials Management & Safeguards System (NMMSS) for the U.S. Department of Energy / U.S. Nuclear Regulatory Commission

### Office of the General Counsel

The Office of the General Counsel provided Family Educational Rights and Privacy Rights (FERPA) training to faculty on August 18th and August 19th. The office also provided FERPA training to UH academic advisors on September 22nd.

### Human Resources

- e-Verify—HR has enrolled and trained four HR staff members to administer e-Verify upon identification that their funding source is subject to federal verification.
- I-9 Update—HR has implemented the new form I-9, Employment Eligibility Verification issued August 8, 2009 and expiring August 31, 2012. I-9's for faculty, staff and students are administered in HR and are processed via electronic form and electronic signatures in PeopleSoft.
- Foreign Nationals/Immigration—HR has selected a new web-based software and database for improved foreign national/immigration monitoring and tracking: eImmigration by Cerenade. UH transferred its entire foreign national database and began utilization of eImmigration on September 6, 2009.
- Electronic Time and Labor—Monthly employees were transitioned to electronic reporting of exception time, and paper timesheets have been eliminated. UH Main campus was the first component to transition to electronic time and labor in PeopleSoft. Bi-weekly employees continue to use paper time sheets until decisions are made related to Time Collection Devices required for hourly workers. An electronic leave request form is being designed for employees and supervisors to complete and approve which would eliminate paper leave request forms.
- Mandatory Training—Annual mandatory training opened on October 7, 2009 and will run through December 4, 2009 for Central campus. All other components will have a deadline of November 30, 2009.

### Research

One Research Administrator Certification training session entitled "Human Subjects and Animals" was conducted by Division of Research staff on July 7, 2009.

The Division of Research conducted training sessions July 6, August 12, August 20 and September 11 for individual college groups on how to use the new effort reporting system.

The Division of Research sponsored a live video workshop for UH staff on September 15 presented by the National Council of University Research Administrators entitled "Subrecipient Monitoring".

## UHCL:

The UHCL Compliance Committee assigned goals for FY 2010 as follows:

Environmental Consortium – informational progress – Lisa Coen

UHCL Optimization Forms Utilization - Student Travel – Provost – Dr. Mugdh with Committee members Dr. Biggers, John Cordary and Harry Stenvall

UHCL Optimization Forms Utilization – Federal Funding Requirement tracking – Lee Polk and Usha Mathew

MySafeCampus marketing/awareness including:

The update of the Compliance Manual website:

<http://prtl.uhcl.edu/portal/page/portal/RSK/Risk%20Management>

Contacts with Media – Theresa Presswood

Contact with Government Agencies & Outside Investigators – Harry Stenvall

Records and Information – Katherine Justice

Workplace Conduct and Employment Requirements – below

Fraud – Usha Mathew

Equal Employment Opportunity - Katherine Justice

Sexual Harassment & Sexual Misconduct - Katherine Justice

Overtime Compensation - Katherine Justice

Family and Medical Leave - Katherine Justice

Outside Employment - Katherine Justice

Financial Interest - Katherine Justice

Research – Dr. Meyers

Environmental Health & Safety – Niki Pearce

Entering into Contracts & Agreements - Patti Bozeman and Dan Wilson

Using UHCL & State of Texas Resources – below

Use of State-Owned Property – Roger Carr

Computer Software – Roger Carr

Information Security and Confidentiality – Roger Carr and Harry Stenvall

Computer System Access and Passwords – Roger Carr

Purchasing – Debbie Carpenter

Copyright and Intellectual Property – Dr. Meyers

Political Activity and Contributions – Katherine Justice

Gifts, Gratuities & Estates – Dion McInnis and Katherine Justice

Travel – John Cordary and Harry Stenvall

Reporting Violations – Harry Stenvall

Employee Compliance in a Nutshell - remove

Training – UHS and Katherine Justice

Acknowledgements – Harry Stenvall

Compliance Committee Members – Harry Stenvall

## **UHD:**

Quarterly Compliance Committee Meeting: (September 22, 2009)

- Subject Matter Experts gave reports on identified institutional risk areas. Reports were updated to include the monitoring frequency.
- Reviewed actual performance versus FY2009 Goals reported to the BOR.
- Reviewed FY2010 Goals reported to the BOR.

Risk Assessment Update: One (1) risk moved from the “A List” to the “B List”

Compliance Website: Organizational structuring of website is complete. Completed pages include the “Letter from the President”, “Hotline” (MySafeCampus and State Auditor’s Office), “General Information”, “Resource Information”, “Policies” and “FAQs” (Fraud and Compliance). The Employees Standards of Conduct Guide has been reformatted and is being tested on the website (pdf format). The “(Pre-Audit) Departmental Self Assessment Tool” page has the general information; however, the assessment tools will require more input from the Compliance Committee Members.

The Committee Member Portal has been set up on Vista (Blackboard) and has restricted access. Population of the portal is underway and will be updated on an on-going basis. Documents include the Quarterly Risk Management Reports, Quarterly Board Reports, Monitoring Plans, Meeting Agendas, Training Plans, Meeting Attendance, Guest Speaker Presentations, Worksheets and Resource Materials and the FY09 Self Assessment.

TAC 202 Compliance Review: The UHS Office of Internal Audit, which conducted a follow-up TAC 202 Compliance Review of UHD Information Technology in February, 2009, transmitted its resulting Internal Audit Action Plan to UHD in May 2009. All Action Plan items have been incorporated into UHD’s IT Security Risk Management Plan for FY2009 and are currently under review for mitigation by the stipulated due date.

- In response to the “separation of duties” action item, the UHD IT Policies and Procedures Manual was updated to include specific “separation of duties” requirements and received IT leadership approval in August 2009.

- The UHD Business Continuity and Emergency Planning Team began holding meetings over the summer to prepare an up-to-date Business Continuity Plan for the university. The team is on target to complete the plan by January 2010.

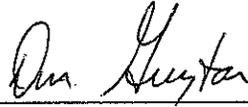
IT Risk Management Plan: The annual update of the IT Risk Assessment for major IT systems began in November 2008. Both the Risk Assessment and the resulting Risk Management Plan update are complete. Final review by application owners was completed and sign-off by some leadership groups was accomplished in June 2009. Signoff on the Final Plan by the UHD President was completed in July 2009.

## UHV:

The quarterly campus compliance meeting was held July 22, 2009 (*minutes posted online at <http://www.uhv.edu/compliance/meetings.asp>*) Notable compliance activity for the quarter included:

- No hotline or other reporting of fraud or other non-compliance was received during the quarter. One carryover report from the previous quarter was investigated by Human Resources and found to be without substantiation.
- A Veterans Administration (VA) audit of selected students receiving veteran's assistance through the Financial Aid office was completed 9/22/09 with no findings.
- The Finance Department conducted audits of departmental change funds in Athletics and Continuing Education. There were no findings of non-compliance.
- A facility-wide life safety inspection was conducted in August.
- Nursing began an internal review of the Affiliation Agreement process between UHV and participating clinical facilities and its Preceptor Credentials verification process. The review is still ongoing.
- Campus payment card merchants are working with the UH PCI compliance officer (Randy Jones) and the Treasurer's Office (Robbi Puryear) on remaining compliance issues, including the UHVConnect online store.
- The federally required Jeanne Clery Campus Crime and Security Report was distributed to all students and employees on September 30<sup>th</sup>. There were no serious crimes to report for either UHV or the Sugar Land or Cinco Ranch sites.
- Required notifications of the Red Flag Identify Theft Program were sent to students in September.
- In August, effective for the fall semester, the new required notifications to students that textbook courses could be purchased from alternative sources, other than the university affiliated bookstore, were sent out.
- With the threat of a possibly severe H1N1 flu event affecting university operations, a campus H1N1 Flu Plan was approved by the President and Cabinet. The operational plan, which is based on five phases of flu severity, includes new Employee Emergency Leave Guidelines, additional Emergency Sanitation precautions, and a Flu Guidance Web Page for students and employees. The H1N1 Flu Plan is part of the overall campus Business Continuity Plan.

The information in this summary is taken from a more comprehensive campus report of compliance activities. To view the full report, (*available on-line after October 9<sup>th</sup>*), go to: <http://www.uhv.edu/compliance/reports.asp>, click "Quarterly Report, Period Ending Sept 30, 2009."



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Don F. Guyton  
System-wide Compliance Officer  
October 6, 2009

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

**COMMITTEE:**        Audit & Compliance

**ITEM:**                External Audit Reports

- SAO Enrollment Audit Report
- Construction Audit – Final Report, Calhoun Lofts Residence Hall

**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.

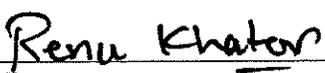
**FISCAL NOTE:**

**SUPPORTING DOCUMENTATION:**        External Audit Reports

**ACTION REQUESTED:**                Information

**COMPONENT:**                        University of Houston System

\_\_\_\_\_  \_\_\_\_\_ 10/14/09  
CHIEF AUDIT EXECUTIVE                        Don F. Guyton                        DATE

\_\_\_\_\_  \_\_\_\_\_ 10-21-09  
CHANCELLOR                                        Renu Khator                        DATE



John Keel, CPA  
State Auditor

An Audit Report on

# **Enrollment Reporting by Texas Public Universities**

September 2009  
Report No. 10-005



An Audit Report on  
**Enrollment Reporting by Texas Public Universities**

SAO Report No. 10-005  
September 2009

## Overall Conclusion

Texas public universities' errors in enrollment data for the 2010-2011 base year (the Summer 2008, Fall 2008, and Spring 2009 semesters) were below the 2 percent error rate allowed by the General Appropriations Act (81st Legislature). Therefore, no adjustments to the universities' appropriations are necessary as a result of errors in the universities' reported enrollment data.

Identified errors in enrollment data totaled approximately \$532,000 in net under-funding of enrollment-based appropriations (see text boxes). All identified errors fell below the 2 percent allowable error rate. Enrollment-based formula funding appropriations to all universities for the 2010-2011 biennium total \$3,734,776,511.

### Enrollment Testing

The State Auditor's Office conducted on-site audits at eight universities. All Texas general academic higher education institutions were asked to self-report any known errors in enrollment data.

Testing of enrollment data included collecting data reported to the Higher Education Coordinating Board (Coordinating Board), testing that data against data in universities' student information systems, and examining controls at the universities to determine whether data is collected and reported correctly.

### Enrollment Audit Overview

The General Appropriations Act (81st Legislature), Rider 18, page III-231, specifies that the accuracy of enrollment data that Texas public institutions of higher education submit for use in formula funding is subject to audit by the State Auditor's Office.

The General Appropriations Act also specifies that: "The calculation of revised appropriation amounts shall allow each institution an error rate of up to 2 percent of the biennial appropriations related to the variables audited at that institution."

### Over- and Under-funding

In analyzing enrollment funding, auditors identified enrollment-based funding as Operations Support funding and Teaching Experience Supplement funding. The amounts of these types of funding are determined based on qualifying semester credit hours (SCH) reported by the universities.

"Over-funding" occurs when a university reports more qualifying SCH than it is entitled to report. This results in that university receiving more funding than it would have been allocated if those items had been reported correctly.

"Under-funding" occurs when a university reports fewer qualifying SCH than it is entitled to report. This results in that university receiving less funding than it would have been allocated if those items had been reported correctly.

## Summary of Information Technology Review

Auditors assessed the information technology (IT) controls over the universities' student information systems and other automated processes used for enrollment reporting. Auditors evaluated general IT controls, including access to student data, password management, and controls over the transmission of enrollment

*This audit was conducted in accordance with the General Appropriations Act (80th Legislature), Rider 8, Page III-188; Rider 9, Page III-199; and Rider 18, Page III-228.*

*For more information regarding this report, please contact Verma Elliott, Audit Manager, or John Keel, State Auditor, at (512) 936-9500.*

data to the Coordinating Board. Auditors also evaluated application controls, including input controls, process controls, and output controls.

Auditors identified issues related to controls over the student information systems and the reliability of certain universities' enrollment data. To minimize risks, auditors communicated details about these issues separately in writing to the universities.

## ***Summary of Objectives, Scope, and Methodology***

The audit objectives were (1) to enhance accountability for enrollment reporting by reviewing self-reported enrollment data from Texas public institutions of higher education and auditing the accuracy of the base year data used for formula funding and (2) to report on the use of distance education as a component of state-funded enrollment hours.

The scope of this audit included the universities' semester credit hour data for the 2010-2011 base year (the Summer 2008, Fall 2008, and Spring 2009 semesters). Each university is allowed up to a 2 percent error rate for enrollment-based appropriations related to the variables audited at that university. Auditors also selected eight universities for on-site audits based on a risk assessment. Auditors did not audit the accuracy of universities' self-reported errors or the distance education programs at the eight universities visited.

The audit methodology consisted of conducting interviews; collecting and reviewing information; and performing tests, procedures, and analyses against predetermined criteria. Auditors obtained the universities' reported information from the Coordinating Board and audited the accuracy of enrollment reporting.

# Contents

## ***Detailed Results***

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# Detailed Results

Chapter 1

## Errors in Universities' Enrollment Data Were Within the Allowable Error Rate

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Identified errors in enrollment data totaled approximately \$532,000 in net under-funding of enrollment-based appropriations. All identified errors fell below the 2 percent allowable error rate.

### Universities Selected for On-Site Audits

- Lamar University.
- Texas A&M International University.
- Texas A&M University.
- Texas A&M University-Kingsville.
- University of Houston.
- University of North Texas.
- The University of Texas at Austin.
- The University of Texas at Brownsville.

The State Auditor's Office conducted on-site fieldwork at eight universities that were selected based on a risk assessment (see text box for a list of the eight universities).

Auditors conducted interviews, tested reports, and obtained detailed data from the student information systems to further analyze the accuracy of these universities' enrollment reporting.

Auditors identified three errors, all at Lamar University, which were below the 2 percent allowable error rate. Lamar University under-reported three courses by one student each. When projected<sup>1</sup> across all three semesters, these three errors totaled approximately \$714,000 in under-funding, or 0.85 percent of Lamar University's 2010-2011 appropriations.

While conducting on-site audits at the eight universities, auditors also identified issues related to controls over the student information systems and the reliability of certain universities' enrollment data. Specifically:

- User access of former employees or whose job duties no longer require them to have access was not consistently removed in a timely manner.
- Universities granted update or modify capabilities to employees who did not need these capabilities to perform their job duties.
- Password controls did not force users to change passwords regularly or allow for the expiration of passwords.

Auditors communicated specific details about these weaknesses separately in writing to each university.

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<sup>1</sup> Auditors tested a sample of students and projected the error rates identified during testing across all students for the three terms comprising the 2010-2011 base year (the Summer 2008, Fall 2008, and Spring 2009 semesters). Auditors did not project the universities' self-reported errors because it was assumed that the universities reported all known errors.

The State Auditor's Office asked universities to self-report any known errors in enrollment data.

Table 1 lists the university's enrollment errors, including errors found in testing and self-reported. Specifically:

- Twenty-three universities (66 percent) over-reported semester credit hours that totaled approximately \$481,000 in funding. The largest over-reporting at a single university, the University of Texas at El Paso, resulted in over-funding of approximately \$158,000, or 0.12 percent of that university's 2010-2011 appropriations.
- Six universities (17 percent) under-reported semester credit hours that totaled approximately \$1,013,000 in funding. The largest under-reporting at a single university, Lamar University, resulted in under-funding of approximately \$821,000 (which consists of the errors identified during auditor testing totaling \$714,000 and other self-reported errors totaling \$107,000), or 0.98 percent of that university's 2010-2011 appropriations.
- Six universities (17 percent) reported that they identified no errors.

Table 1

University Enrollment Data Error Amounts <sup>a</sup>			
(Includes Both Self-reported Errors and Errors Identified by Auditors)			
University	Maximum Allowable Error Amount (Two Percent of Total 2010-2011 Biennium Appropriations)	Total 2010-2011 Biennium Self-Reported Errors and Errors Identified by Auditors	Errors as a Percentage of Total 2010-2011 Biennium Appropriations
<b>Universities That Over-reported Enrollment Data</b> (Note: Over-reporting results in over-funding)			
Angelo State University	\$ 654,622	\$ 4,736	0.01%
Midwestern State University	642,118	3,603	0.01%
Prairie View A&M University	1,098,280	30,703	0.06%
Sam Houston State University	2,023,316	10,498	0.01%
Stephen F. Austin State University	1,411,110	4,556	0.01%
Sul Ross State University	216,907	3,138	0.03%
Sul Ross State University Rio Grande College	99,236	2,569	0.05%
Tarleton State University	1,194,280	4,920	0.01%
Texas A&M International University	617,842	2,030	0.01%
Texas A&M University	9,787,309	37,704	0.01%
Texas A&M University at Galveston	323,086	600	0.00%
Texas A&M University-Commerce	1,281,267	27,767	0.04%
Texas A&M University-Corpus Christi	1,174,854	383	0.00%
Texas A&M University-Kingsville	1,044,744	5,834	0.01%

**University Enrollment Data Error Amounts <sup>a</sup>**  
**(Includes Both Self-reported Errors and Errors Identified by Auditors)**

University	Maximum Allowable Error Amount (Two Percent of Total 2010-2011 Biennium Appropriations)	Total 2010-2011 Biennium Self-Reported Errors and Errors Identified by Auditors	Errors as a Percentage of Total 2010-2011 Biennium Appropriations
Texas A&M University-Texarkana	202,920	2,246	0.02%
Texas Tech University	4,757,524	36,723	0.02%
The University of Texas at Arlington	3,733,034	78,625	0.04%
The University of Texas at Brownsville	508,061	32,276	0.13%
The University of Texas at El Paso	2,541,009	158,237	0.12%
The University of Texas of the Permian Basin	378,038	8,212	0.04%
University of Houston	5,709,926	22,984	0.01%
University of North Texas	4,522,503	1,810	0.00%
West Texas A&M University	877,100	722	0.00%
<b>TOTAL OVER-REPORTING UNIVERSITIES</b>	<b>\$ 44,799,086</b>	<b>\$ 480,876</b>	
<b>Universities That Under-Reported Enrollment Data</b> (Note: Under-reporting results in under-funding)			
Lamar University	\$ 1,676,853	\$ 820,825	0.98%
Texas State University - San Marcos	3,477,007	57,407	0.03%
Texas Woman's University	1,862,248	13,347	0.01%
The University of Texas at Dallas	2,984,047	25,872	0.02%
The University of Texas-Pan American	2,128,819	94,985	0.09%
The University of Texas at Tyler	717,161	231	0.00%
<b>TOTAL UNDER-REPORTING UNIVERSITIES</b>	<b>\$ 12,846,135</b>	<b>\$ 1,012,667</b>	
<b>Appropriation Information for Universities that Reported No Errors and for Which Auditors Did Not Identify Any Errors</b>			
Texas Southern University	\$ 1,235,787	\$ 0	0.00%
The University of Texas at Austin	9,772,817	0	0.00%
The University of Texas at San Antonio	3,365,852	0	0.00%
University of Houston-Clear Lake	1,177,812	0	0.00%
University of Houston-Downtown	1,061,795	0	0.00%
University of Houston-Victoria	436,246	0	0.00%
<b>TOTAL ALLOWABLE ERROR AMOUNT FOR UNIVERSITIES THAT REPORTED NO ERRORS</b>	<b>\$ 17,050,309</b>	<b>\$ 0</b>	<b>0.00%</b>
<sup>a</sup> The totals in this table were rounded to the nearest dollar.			

## ***Distance Education Is a Component of State-funded Enrollment***

---

All eight universities that auditors visited offer students distance education opportunities. Seven of the eight universities offer a degree using distance education. Auditors obtained information from each university regarding their distance education programs; however, auditors did not audit the distance education programs.

### **Background Information**

Title 19, Texas Administrative Code, Section 4.103, defines distance education as a course in which the majority of the instruction occurs when the students and instructor are not in the same physical setting. A course is considered to be offered by distance education if students receive more than one-half of the instruction at a different location than the instructor. The course may be formula-funded or offered through extension, and it may be delivered to on-campus students and to those who do not take courses on the main campus.

Title 19, Texas Administrative Code, Section 4.107, allows institutions of higher education to submit for formula funding the following types of academic credit courses:

- Distance education courses delivered to Texas and non-Texas residents located on-campus or at another location in Texas.
- Distance education courses delivered to Texas residents located out of state or out of the country.
- Study-abroad courses.
- Study-in-America courses.

The universities visited offer distance education courses in multiple ways. These include:

- Web-based or Internet broadcast courses.
- Courses offered on interactive video, videotape, DVD, or other types of electronic media.
- Off-campus, face-to-face courses.
- Courses offered through broadcast television or videoconferencing.
- Hybrid courses, which are combinations of some of the above methods and may also include on-campus, face-to-face components.

To reduce the risk that the tests or work submitted for distance education courses were completed by someone other than the enrolled student, the universities assign distance education students unique identification numbers or names and passwords that they must use to log in to online courses. Some

universities also require students to take exams on campus or to use a proctored testing site. Some use various forms of software to detect plagiarism or to limit the amount of time that students can use to complete examinations or quizzes.

The State Auditor's Office attempted to compare distance education programs across the eight universities. However, the universities do not collect the same information in the same ways, and some information was not available. Table 2 on the next page lists summary information about the distance education offerings at the eight universities visited.

Table 2

**Summary of Distance Education Offerings at the Eight Universities That Auditors Visited**

University	Methods Used to Offer Distance Education	Number of Course Sections Offered <sup>a</sup>	Number of Courses Offered <sup>b</sup>	Number of Credit Hours Offered <sup>c</sup>	Number of Degree Programs Offered <sup>d</sup>	Number of Subject Areas Offered <sup>e</sup>	Number of Students in Tested Sample with at Least One Distance Education Course <sup>f</sup>
Texas A&M University	Web-based; Interactive Video; Off-campus; and Hybrid (combination of two or more methods)	703	368	2,660	24 (Graduate only)	71	1
University of Houston	On Campus (Hybrid); Off Campus; Web-based; Broadcast Television; Videotape/DVD Purchase; and Internet Broadcast	930	396	Information Not Available	7	48	12
University of North Texas <sup>g</sup>	Off-campus; Web-Based; Videoconferencing	Information Not Available	Information Not Available	Information Not Available	18	40	6
The University of Texas at Austin <sup>h</sup>	Web-based	Information Not Available	88	3,927	None	23	1
Texas A&M University-Kingsville	Off-campus; Videoconferencing; Web-based; and Correspondence	215	140	643	6 (Graduate only)	31	4
Texas A&M International University	Web-based; Interactive Videoconferencing	125	85	Information Not Available	6 (Graduate only)	25	3
The University of Texas at Brownsville	Web-based; Videoconferencing	Information Not Available	162	1,233	16	11	10
Lamar University	Off-campus; Interactive Video; and Web-based	469	164	1,115	11	43	13

<sup>a</sup> The Number of Course Sections Offered is the total number of sections offered for a course by distance education. There may be multiple sections offered per course.

<sup>b</sup> The Number of Courses Offered is the total number of courses offered by distance education.

<sup>c</sup> The Number of Credit Hours Offered is the total number of semester credit hours offered by distance education. This number is the sum of the number of semester credit hours for each course section offered.

<sup>d</sup> The Number of Degree Programs Offered is the total number of degree programs available using distance education.

<sup>e</sup> The Number of Subject Areas Offered is the total number of different subjects for which a distance education course is offered.

<sup>f</sup> During testing, auditors identified the students who were taking at least one distance education course.

<sup>g</sup> The information provided by the University of North Texas is for the Spring 2008 semester, which was the most recent semester for which the University gathered this information.

<sup>h</sup> The University of Texas at Austin does not have a centralized office that coordinates distance education information. The information included in this table pertains to distance education offered through the University Extension program.

# Appendices

Appendix 1

## **Objectives, Scope, and Methodology**

---

### **Objectives**

The objectives of this audit were:

- To enhance accountability for enrollment reporting by:
  - ♦ Reviewing self-reported enrollment data from Texas public institutions of higher education.
  - ♦ Auditing the accuracy of the base year data used for formula funding.
- To report on the use of distance education as a component of state-funded enrollment hours.

### **Scope**

The scope of this audit included the universities' semester credit hour data for the 2010-2011 base year (the Summer 2008, Fall 2008, and Spring 2009 semesters). Each university is allowed up to a 2 percent error rate for enrollment-based appropriations related to the variables audited at that university. Auditors also selected eight universities for on-site audits based on a risk assessment. Auditors did not audit the accuracy of universities' self-reported errors or the distance education programs at the eight universities visited.

### **Methodology**

The audit methodology consisted of conducting interviews; collecting and reviewing information; and performing tests, procedures, and analyses against predetermined criteria. Auditors obtained the universities' reported information from the Higher Education Coordinating Board (Coordinating Board) and audited the accuracy of enrollment reporting using the following procedures:

- Tested the accuracy of the information provided by the universities to the Coordinating Board by comparing the information reported by universities to the data in the universities' student information systems. The testing was designed to cover the necessary information for enrollment reporting, such as whether the student was enrolled by the census date, whether tuition was paid by the official payment date, the number of semester credit hours reported per student, the number of students reported for a

course, and other student information (classification, residency, and tuition status).

- Identified and assessed the access controls and the output processes for the systems providing information for enrollment reporting. These systems included the student information and reporting systems.
- Determined whether the primary factor (semester credit hours) used as the basis of the formula funding appropriations by the 81st Legislature was consistent with (1) the number of hours in the Coordinating Board's database and (2) the number of hours reported by individual universities.
- Reviewed universities' self-reported errors in semester credit hours.
- Calculated funding adjustments (if any) due to inaccurately reported semester credit hours.

Criteria used included:

- The General Appropriations Act (81<sup>st</sup> Legislature).
- Texas Education Code, Chapters 51, 54, 61, and 130.
- Title 19, Texas Administrative Code, Chapters 4, 9, 10, and 13.
- The Coordinating Board's *Reporting and Procedures Manual for Texas Public Universities*.

**Project Information**

Audit fieldwork was conducted from April 2009 through August 2009. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Jennifer Brantley, CPA (Project Manager)
- Robert Bollinger, CPA, CFE (Assistant Project Manager)
- Erin Cromleigh
- Michael Gieringer, CFE
- Michele Pheeneey

- Jeremy Schoech
- Lisa Thompson
- Charles P. Dunlap, Jr., CPA (Quality Control Reviewer)
- Verma Elliott, MBA, CIA, CGAP (Audit Manager)

**Statewide-Enrollment Data**

Enrollment steadily increased for public higher education institutions from the Fall 2004 semester through the Fall 2008 semester. Table 3 lists statewide enrollment by the type of higher education institution during this time period.

Table 3

Statewide Student Enrollment by Type of Higher Education Institution					
Type of Institution	Fall 2008	Fall 2007	Fall 2006	Fall 2005	Fall 2004
Public University	509,136	497,195	491,140	484,999	482,124
Independent College or University <sup>a</sup>	115,048	114,042	113,400	112,715	113,451
Public Two-year College <sup>b</sup>	617,507	587,244	575,712	566,071	557,373
Independent Two-year College	615	651	702	698	697
Public Health-related Institution	17,684	16,735	16,103	15,536	15,089
Independent Health-related Institution	2,737	2,759	2,757	2,783	2,671
<b>Totals</b>	<b>1,262,727</b>	<b>1,218,626</b>	<b>1,199,814</b>	<b>1,182,802</b>	<b>1,171,405</b>
<sup>a</sup> Amberton University does not receive Tuition Equalization Grant (TEG) funds and is not included.					
<sup>b</sup> Headcount enrollments in public two-year colleges include only students enrolled in credit courses.					

Source: Higher Education Coordinating Board Web site.

Copies of this report have been distributed to the following:

**Legislative Audit Committee**

The Honorable David Dewhurst, Lieutenant Governor, Joint Chair  
The Honorable Joe Straus III, Speaker of the House, Joint Chair  
The Honorable Steve Ogden, Senate Finance Committee  
The Honorable Thomas “Tommy” Williams, Member, Texas Senate  
The Honorable Jim Pitts, House Appropriations Committee  
The Honorable Rene Oliveira, House Ways and Means Committee

**Office of the Governor**

The Honorable Rick Perry, Governor

**Entities mentioned in this report**

Members of the Board of Regents, Chancellor, and President of each university listed in this report



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# **University of Houston**

**Calhoun Lofts Residence Hall**  
Houston, Texas

Construction Audit

Pepper-Lawson Construction, LP

**CCM Consulting Group**

Vinson Chapman  
Joseph Stephens  
Walter Trojanowsky

August 2009

**AUDIT – 3.2.1**

# Calhoun Lofts Residence Hall Construction Audit

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# Calhoun Lofts Residence Hall Construction Audit

## Background Information and Contract Status

The University of Houston System (University) selected Pepper-Lawson Construction, LP (PLC) to construct the Calhoun Lofts Residence Hall located in Houston, Texas. The work was to be performed for the Cost of Work plus a Fee of 2.82% of the Cost of Work with an initial guaranteed maximum price (GMP) of \$100,704,730. The GMP also includes \$3,602,367 as a not-to-exceed amount for general conditions. Cost savings, if any, accrue 100% to the University. The status of the contract as of the audit date, per PLC's records, is as follows:

Original Contract Amount		\$ 100,704,730	
Approved Change Orders		<u>0</u>	
		<u>\$ 100,704,730</u>	
Job Cost at 7/31/09		\$ 94,995,837	
Fee: Phase BBB	\$ 146,466		
Phase AAA	2,386,080		
Phase DES	<u>102,192</u>	<u>2,634,738</u>	
		97,630,575	
Add: Costs Billed, Not Yet in Job Cost System <sup>(1)</sup>		115,258	
Add: Preconstruction Cost Billed in Excess of Actual Cost <sup>(2)</sup>		19,630	
Less: Costs in Job Cost Not Included in Billing <sup>(3)</sup>		<u>(120,193)</u>	
Adjusted Cost Plus Fee		97,645,270	
Total Completed and Stored as of 7/31/09 (Pay Application #22)		<u>97,645,478</u>	
Billings in Excess of Cost Plus Fee		<u>\$ 208</u>	

- (1) Includes invoices on hand when the pay application was prepared but not yet entered into PLC's job cost system. Invoices on the Executive Summary to the Payment Application total \$107,076. One invoice from Clumm Acoustical Systems in the amount of \$8,182 was inadvertently left off the Executive Summary.
- (2) This cost is not considered an exception as we understand that a Memorandum of Understanding is soon to be executed by the Owner and PLC. This Memorandum of Understanding fixes the Design Fees (which includes Preconstruction Services) at a "fixed amount." Please see Administrative Comment # 2 in this Report.
- (3) PLC has requested contingency funds to cover the cost of fire rated frames (\$87,980) and remediation work (\$28,904). Owner has not approved these amounts at this time. This also includes charges for pick up trucks and computers/software (\$3,309) that were posted to job cost after billing cut-off.

# **Calhoun Lofts Residence Hall Construction Audit**

## Audit Scope and Objectives

The scope of our audit included the review of PLC's billing files, contract and subcontract files, related change order documentation, correspondence and job cost records to:

1. Verify GMP contract value was not overstated.
2. Verify that costs were reimbursable per the terms of the contract.

# Calhoun Lofts Residence Hall Construction Audit

## Summary of Potential Cost Exceptions

1.	Credit Due on GL Insurance Costs Billed	\$ 309,120
2.	Paid Time Off Charged Directly to Cost of Work	111,623
3.	Overstatement of Subcontractor Change Order Markup	27,698
4.	“Incidental” Markups in KenMor Change Orders	17,980
5.	“Incidental” Markups in Joslin Change Orders	16,224
6.	Excess Equipment Rental Charges	9,324
7.	Duplicated Overhead in Joslin Change Orders	7,186
8.	Credit for Markup on Deductive Change Orders	3,372
9.	Duplicated Overhead in Oxford Change Order	2,496
9.	Rental Charges in Excess of Cost	2,159
10.	Bond Cost on Change Orders for Non-Bonded Subcontractor	<u>1,678</u>
		<u>\$ 508,860</u>

## Summary of Pending Cost Credit

1.	Anticipated Bond Premium Refund	<u>\$ 258,644</u>
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# Calhoun Lofts Residence Hall Construction Audit

## Breakdown of Potential & Pending Cost Exceptions

This breakdown is used to reflect the cost of potential cost exceptions in the following Projected Contract Status on Page 6.

	Cost	PLC Fee @ 2.82%	Total
<b><u>Potential Cost Exceptions:</u></b>			
1. Credit Due on GL Insurance Costs Billed	\$ 300,642	\$ 8,478	\$ 309,120
2. Paid Time Off Charged Directly to Cost of Work	108,562	3,061	111,623
3. Overstatement of Subcontractor Change Order Markup	26,938	760	27,698
4. "Incidental" Markups in KenMor Change Orders	17,487	493	17,980
5. "Incidental" Markups in Joslin Change Orders	15,779	445	16,224
6. Excess Equipment Rental Charges	9,068	256	9,324
7. Duplicated Overhead in Joslin Change Orders	6,989	197	7,186
8. Credit for Markup on Deductive Change Orders	3,280	92	3,372
9. Duplicated Overhead in Oxford Change Order	2,428	68	2,496
10. Rental Charges in Excess of Cost	2,100	59	2,159
11. Bond Cost on Change Orders for Non-Bonded Subcontractor	1,632	46	1,678
	<u>\$ 494,905</u>	<u>\$ 13,955</u>	<u>\$ 508,860</u>
<b><u>Pending Cost Credit:</u></b>			
1. Anticipated Bond Premium Refund	<u>\$ 251,550</u>	<u>\$ 7,094</u>	<u>\$ 258,644</u>

# Calhoun Lofts Residence Hall Construction Audit

## Projected Contracted Status

**This contract status includes potential cost exceptions and pending cost exceptions from page 5 as well as PLC's estimated costs to complete.**

Original Contract Amount		\$ 100,704,730
Approved Change Orders		0
		<u>\$ 100,704,730</u>
Job Cost at 7/31/09		\$ 94,995,837
Less: Potential Cost Exceptions (See Breakdown Of Potential & Pending Cost Exceptions on Page 5)		(494,905)
Less: Pending Cost Exception (See Breakdown Of Potential & Pending Cost Exceptions on Page 5)		(251,550)
Estimated Cost to Complete:		
Commitments to Subcontractors		370,563
Pending Subcontractor Change Orders not in Accounting System		138,944
Subcontractor Cost in Pending Contractor Contingency		345,287
General Conditions:		
Salaries	\$ 115,000	
Burden @ 40%	46,000	
Miscellaneous Costs	10,000	171,000
Miscellaneous Cost of the Work		82,000
Unbilled Design Fees		264,292
Total Estimated Cost and Design Fees		95,621,468
Less: Design Fees not Subject to Fee		(2,685,925)
Estimated Cost Subject to Fee		92,935,543
Fee @ 2.82%		2,620,782
Estimated Cost at Completion plus Fee		95,556,325
Add: Design Fee		2,685,925
Estimated Cost plus Fees at Completion		98,242,250
Contract in Excess of Estimated Cost plus Fees		\$ 2,462,480

# Calhoun Lofts Residence Hall Construction Audit

## Detail of Potential Cost Exceptions

### 1. Credit Due on GL Insurance Costs Billed

PLC has charged to the project and billed the Owner \$580,408 for the cost of GL, Umbrella, Auto, and Contractors Equipment insurance. Review of the actual cost support indicates that the accrual percentage used in developing the estimated GL charges may need to be revised. At the conclusion of CCM's interim audit, PLC management personnel agreed to suspend future accruals. PLC did not make any adjustments at that time. Based on the GL cost reconciliation methodology discussed and agreed to between the auditors and PLC, it appears a credit is due as follows:

Total General Liability Insurance Billed	\$ 580,408
Total Estimated General Liability Insurance Cost, per Audit	<u>279,766</u>
	300,642
Fee at 2.82%	<u>8,478</u>
Potential Cost Exception	<u>\$ 309,120</u>

### 2. Paid Time Off Charged Directly to Cost of Work

PLC charges 100% of the salary cost, of personnel assigned to the project, to job cost. These salaried costs are then increased by 40% to cover the contractually stipulated "taxes, insurance, and benefits..." PLC effectively charged the project twice for paid time off for salaried personnel.

Based on discussions with PLC personnel, it was estimated that the total paid time off for holidays and sick days per person per year is 9. This was estimated at 7 holidays and 2 sick days. The total of 9 days is equivalent to 3.46% of the total assumed work days of 260 days per year. Review of PLC vacation request forms indicate that \$38,419 of vacation pay (including burden) was also included in job cost. PLC should credit the project for this duplication and either reduce the 40% percentage charged or begin separating the paid time off salary expense from job cost. A potential job cost credit is due as follows:

Total Salaried Charges, Including 40% Burden	\$ 2,027,258
Sick and Holiday Error Rate per Audit	<u>      .0346</u>
Paid Time Off Credit Due	70,143
Vacation Time Charged to Project	<u>      38,419</u>
	108,562
PLC Fee at 2.82%	<u>      3,061</u>
Potential Cost Exception	<u><u>      \$ 111,623</u></u>

3. Overstatement of Subcontractor Change Order Markup

Article 11.8.1 of the Uniform General Conditions limits the markup allowed for overhead and profit by subcontractors for their change order work. The allowed markups are:

Fee on Self Performed Work	
Estimated Cost of Work less than \$10,000	15.0%
Estimated Cost between \$10,000 and \$20,000	10.0%
Estimated Cost over \$20,000	7.5%
Fee on Work Performed by a Sub-Subcontractor	
Estimated Cost of Work less than \$10,000	10.0%
Estimated Cost between \$10,000 and \$20,000	7.5%
Estimated Cost over \$20,000	5.0%

Review of the subcontract change order on the project showed instances where these percentages were not used. These are detailed in Exhibit I to this report and a potential variance is computed. A potential job cost credit is due as follows:

Subcontractor Markup Included in Change Orders	\$ 77,871
Subcontractor Markup, per Audit	<u>      50,933</u>
	26,938
PLC Fee at 2.82%	<u>      760</u>
Potential Cost Exception	<u><u>      \$ 27,698</u></u>

4. "Incidental" Markups in KenMor Change Orders

Article 11.8.1 of the Uniform General Conditions limits the various costs and markups that are allowed to be included in subcontract change orders. It also stipulates that certain costs related to change orders are to be included in markup for overhead as follows:

*Overhead shall be considered to include insurance other than mentioned above, field and office supervisors and assistants, including safety and*

*scheduling personnel, use of small tools, incidental job burdens and general Home Office expenses, and no separate allowance will be made therefore.*

Review of KenMor Electric's change orders showed that KenMor was adding amounts to their change orders for items that appear to be overhead as defined by Article 11.8.1. These include:

Supervision at 15% of Labor  
Project Management  
Project Engineer  
Testing at 2% of Labor  
Consumables at 3% of Labor  
Safety at 2% of Labor  
Cleanup at 3% of Labor  
Material Handling at 9% of Labor  
Warranty at 1.5%

The amounts included in KenMor's change orders for the above items are detailed in Exhibit II to this report. A potential adjustment to the job cost is due as follows:

Supervision at 15% of Labor	\$ 5,562
Project Management	2,625
Project Engineer	750
Testing at 2% of Labor	427
Consumables at 3% of Labor	640
Safety at 2% of Labor	427
Cleanup at 3% of Labor	640
Material Handling at 9% of Labor	1,918
Warranty at 1.5%	<u>1,469</u>
	14,458
Markup Allowed on Change Orders	<u>3,029</u>
	17,487
PLC Fee at 2.82%	<u>493</u>
Potential Cost Exception	<u>\$ 17,980</u>

**Note:** This exception amounted to \$14,388 (\$14,794 including PLC fee) at the end of our interim audit work. This amount has been submitted to KenMor; however, it has not been executed at this time and has not been reflected in PLC's cost records.

5. "Incidental" Markups in Joslin Change Orders

Article 11.8.1 of the Uniform General Conditions limits the various costs and markups that are allowed to be included in subcontract change orders. It also stipulates that certain costs related to change orders are to be included in markup for overhead as follows:

*Overhead shall be considered to include insurance other than mentioned above, field and office supervisors and assistants, including safety and scheduling personnel, use of small tools, incidental job burdens and general Home Office expenses, and no separate allowance will be made therefore.*

Review of Joslin Construction's change orders showed that Joslin's labor burden rates appeared to be unusually high (see table below).

	<b>Base (\$/hr)</b>	<b>Burden</b>	<b>% Burden</b>
Superintendent	\$ 40.00	\$ 20.00	50%
Operator	\$ 20.00	\$ 25.00	125%
Leadman	\$ 18.00	\$ 16.00	89%
Pipe Layer	\$ 15.00	\$ 9.00	60%
Laborer	\$ 12.00	\$ 9.00	75%

An e-mail from Joslin's controller to Joel Lester, PLC's project manager, indicated that burden includes items such as "...licenses, government compliance, project manager, project assistant...project accountant, engineering and plans." We did not receive any further breakdown on the costs included in Joslin's change orders. These items mentioned in Joslin's e-mail appear to be overhead as defined by Article 11.8.1.

As we did not receive any backup for the burden rates included, CCM estimated a burden rate that would exclude items considered as overhead as defined in Article 11.8.1. The potential cost exception is estimated as follows:

Joslin Change Order Total, CO #'s 1-5	\$ 131,490
Labor Component of Total, Estimated at 50%	65,745
Burden Component of Labor, Estimated at 48%	<u>31,558</u>
Overstatement of Burden, Estimated at 50%	15,779
PLC Fee at 2.82%	<u>445</u>
Potential Cost Exception	<u><u>\$ 16,224</u></u>

6. Excess Equipment Rental Charges

Article 13.3.2 of the Contract limits the aggregate rental charges for PLC-owned equipment to the "purchase price and maintenance cost of the item." Review of the rental charges by PLC indicates that PLC, in some cases, does not appear to be monitoring the aggregate equipment rental. Some items (shown below) have rental charges exceeding their purchase price.

The job cost should be credited for rental charges in excess of the Contract's limits as follows:

Total Station –	Rental Charges	\$ 12,000	
	Purchase Cost	<u>7,523</u>	\$ 4,477
Radios -	Rental Charges	\$ 11,750	
	Purchase Cost	<u>7,320</u>	4,430
Trash Buggies –	Rental Charges	1,750	
	Purchase Cost	<u>1,589</u>	<u>161</u>
			9,068
PLC Fee at 2.82%			<u>256</u>
	Potential Cost Exception		<u>\$ 9,324</u>

7. Duplicated Overhead in Joslin Change Orders

Article 11.8.1 of the Uniform General Conditions limits the various costs and markups that are allowed to be included in subcontract change orders. It also stipulates that certain costs related to change orders are to be included in markup for overhead as follows:

*Overhead shall be considered to include insurance other than mentioned above, field and office supervisors and assistants, including safety and scheduling personnel, use of small tools, incidental job burdens and general Home Office expenses, and no separate allowance will be made therefore.*

Review of Joslin Construction's change orders showed that Joslin was adding amounts to their change orders for superintendent labor. This appears to fall under the definition of *field supervisor* as defined by Article 11.8.1. A potential adjustment to the job cost is due as follows:

Superintendent Labor Included in Change Orders	
CO #1 – COR #07-042-003	\$ 2,901
CO #2 – COR #07-042-006	1,800
CO #2 – COR #07-042-004	<u>1,800</u>
	6,501
Joslin Markup at 7.5%	<u>488</u>
	6,989
PLC Fee at 2.82%	<u>197</u>
Potential Cost Exception	<u>\$ 7,186</u>

8. Credit for Mark-up on Deductive Change Orders

Door Pro had two deductive change orders where the credit for the associated mark-up for overhead and profit was not provided. In change order # 2, a deductive change was netted with an additive change. Overhead and Profit was calculated on the additive portion only. Article 11.8.3 of the Uniform General Conditions states: *On changes involving both additions and deletions, percentages for overhead and profit will be allowed only on the net addition.* Change order # 2 was a net deduct before any overhead and profit was applied. The contract does not state how fee is to be handled in this instance, however, it stands to reason that if deducts are to be netted against additions prior to calculating fee on additive changes, the same fee methodology would apply to net deductive changes.

In the second instance, change order # 5, Door Pro provided a credit for the deletion of magnetic holders. The change order did not include the associated credit for the 15% OH&P mark-up. The contract does not address how fee is to be handled for deductive change orders. However, based on contract language related to additive changes and changes containing both additive and deductive changes it appears the intent was to deduct fee for deductive changes as well. A potential credit to the job cost is due as follows:

Door Pro CO#2		
Deduct (without OH&P)	\$	(16,802)
Add (before OH&P)		<u>14,636</u>
Net Change		(2,166)
OH&P @ 15%		<u>(325)</u>
Total Deduct Due		(2,491)
Original amount of CO # 2		<u>908</u>
Credit due on CO#2	\$	3,399
Less Credit Included in Cost Exception # 3		(1,609)
Door Pro CO#5		
Deductive Change Order		<u>9,936</u>
OH&P @15% Not Included		<u>1,490</u>
		3,280
PLC Fee at 2.82%		<u>92</u>
Potential Cost Exception	\$	<u><u>3,372</u></u>

9. Duplicated Overhead in Oxford Builders Change Orders

Article 11.8.1 of the Uniform General Conditions limits the various costs and markups that are allowed to be included in subcontract change orders. It also stipulates that certain costs related to change orders are to be included in markup for overhead as follows:

*Overhead shall be considered to include insurance other than mentioned above, field and office supervisors and assistants, including safety and*

*scheduling personnel, use of small tools, incidental job burdens and general Home Office expenses, and no separate allowance will be made therefore.*

Review of cost detail provided by Oxford on the change order for OCEA # 14 showed that Oxford had built into their labor rate 7.25% for Supervision. This appears to fall under the definition of *field supervisor* as defined by Article 11.8.1. A potential adjustment to the job cost is due as follows:

Supervision Included in the Change Order	\$ 2,428
PLC Fee at 2.82%	<u>68</u>
Potential Cost Exception	<u>\$ 2,496</u>

10. Rental Charges in Excess of Cost

PLC is renting a forklift from Katy Equipment for \$2,700 per month. Katy is an affiliate company of PLC and shares a common office address. Katy is renting the forklift from RSC Equipment Rental for \$2,000. Katy is supplying maintenance services to the equipment that is not being charged to the job. Discussion with PLC project management indicates that Katy is supplying approximately 8 hours of maintenance service per month with an approximate value of \$350. Since Katy and PLC appear to be related companies, Katy should also be subject to the terms of the Contract. The job cost should be credited for the rental charges in excess of cost as follows:

Rent Charged – 6 Months at \$2,700	\$ 16,200
Rent Allowed – Rent at \$2,000 per month	12,000
Maintenance at \$350 per month	<u>2,100</u>
	<u>14,100</u>
	2,100
PLC Fee at 2.82%	<u>59</u>
Potential Cost Exception	<u>\$ 2,159</u>

11. Bond Cost on Change Orders for Non-Bonded Subcontractor

Review of KenMor Electric's change orders showed that KenMor was adding an amount for payment and performance bonds. However, it does not appear that KenMor was actually bonded. KenMor stopped adding the cost of a bond to its change orders after change order # 4. The job cost should be reduced for the amount of bond included in KenMor's change orders as follows:

KenMor Change Order #2	\$ 769
KenMor Change Order #3	530
KenMor Change Order #4	<u>333</u>
	1,632
PLC Fee at 2.82%	<u>46</u>
Potential Cost Exception	<u><u>\$ 1,678</u></u>

# Calhoun Lofts Residence Hall Construction Audit

## Detail of Pending Cost Credit

### 1. Anticipated Bond Premium Refund

Article 13.5.d. of the Contract states that the Cost of Work shall be credited with: "Rebates, discounts, or commissions allowed to and collected by the Design/Build Contractor from suppliers of materials or from subcontractors, together with all other refunds, returns, or credits received for return of materials."

PLC purchased a payment and performance bond and charged the total cost of the bond to the project. The cost of the bond was based on the original contract value of \$100,704,730. The final contract value now appears to be approximately \$98,266,517.

Discussion with PLC project management indicates that upon the successful completion of the project PLC will receive a premium refund equal to 20% percent of the premium paid. This premium refund appears to fall within the meaning of Article 13.5.d.

PLC management is in agreement that if and when the refund is collected, a credit to the Cost of Work will be posted. The anticipated bond refund to be credited to job cost is as follows:

Payment and Performance Bond Premium Paid	\$ 1,131,800
Original Contract Value	<u>100,704,730</u>
Percentage of Bond Cost	1.12%
Current Estimated Final Contract Value	<u>98,242,250</u>
Estimated Final Bond Premium	<u>1,100,313</u>
Estimated Refund of Original Bond Premium	31,487
Successful Completion Premium Rebate (@ 20% of Estimated Final Bond Premium)	<u>220,063</u>
Total Estimated Bond Premium Refund	251,550
Fee at 2.82%	<u>7,094</u>
Pending Cost Credit	<u>\$ 258,644</u>

# Calhoun Lofts Residence Hall Construction Audit

## Administrative Issue

### Clarification of Contract Terms

Article 23.2 of the Contract stipulates a design fee of \$2,835,925. This amount appears to be a fixed fee. Exhibit D to Contract Amendment #1 refers to design fee as a “not to exceed” amount. Exhibit D also refers to the general conditions as “lump sum, not-to-exceed.” These terms appear to be contradictory. PLC believes that the general conditions do not have a limit other than that of the Contract GMP and that the Design Fee is viewed as a fixed sum, not a “not to exceed”. As a part of our Interim Audit, CCM suggested a memo of understanding would help prevent any future disputes over these terms.

It is our understanding that the Owner and PLC are now very close to agreeing on the terms of a Memorandum of Understanding. Based on information obtained from PLC, the Memorandum of Understanding includes the following provisions:

1. General Conditions shall be included in the Cost of the Work with only one GMP on the entire Cost of the Work. There will not be a separate “lump sum, not to exceed” limitation on General Conditions.
2. Design Fees which include preconstruction services shall be lump sum.
3. There shall be no fee (2.82%) on Design Fees.

The contract statuses presented in this report at pages 2 and 6 and the cost exceptions have been presented as if this Memorandum of Understanding was already executed with the provisions as outlined above.

University of Houston  
Calhoun Lofts

Exhibit I

Subcontractor Change Order Markup

Sub	Sub CO#	Amount	Markup	Cost	Effective Markup %	Markup % per Audit	Markup per Audit	Variance	
AYG	2	22,302	2,482	19,820	12.52%	10.0%	\$ 1,982	\$ 500	(a)
Joslin	2	32,776	2,980	29,796	10.00%	7.5%	2,235	745	(a)
Joslin	2	29,788	2,708	27,080	10.00%	7.5%	2,031	677	(a)
Door Pro Systems	1	797	138	659	21.00%	15.0%	99	40	(a)
Door Pro Systems	2	17,710	3,073	14,636	21.00%	10.0%	1,464	1,609	(a)
Door Pro Systems	3	24,563	4,263	20,300	21.00%	7.5%	1,522	2,740	(a)
Door Pro Systems	4	4,850	842	4,008	21.00%	15.0%	601	240	(a)
Door Pro Systems	6	10,612	1,842	8,770	21.00%	15.0%	1,316	526	(a)
Door Pro Systems	7	1,783	309	1,474	21.00%	15.0%	221	88	
Door Pro Systems	8	9,212	1,599	7,613	21.00%	15.0%	1,142	457	
Door Pro Systems	10	2,429	422	2,007	21.00%	15.0%	301	120	
Door Pro Systems	11	6,829	875	5,644	15.50%	15.0%	847	28	
Door Pro Systems	12	1,967	252	1,626	15.50%	15.0%	244	8	
Door Pro	1	2,005	348	1,657	21.00%	15.0%	249	99	
Haley Greer	1	45,912	4,174	41,738	10.00%	7.5%	3,130	1,044	
Haley Greer	2	31,388	6,575	24,813	26.50%	7.5%	1,861	4,714	(a)
Haley Greer	4	93,994	6,780	87,214	7.77%	7.5%	6,541	239	
Haley Greer	6	8,970	1,879	7,091	26.50%	15.0%	1,064	815	(a)
Haley Greer	8	1,134	238	896	26.50%	15.0%	134	103	
Haley Greer	12	79,226	5,612	73,613	7.62%	7.5%	5,521	91	
J&B Construction	1	42,204	6,331	35,873	17.65%	7.5%	2,690	3,640	(a)
J&B Construction	2	11,420	1,713	9,707	17.65%	15.0%	1,456	257	(a)
J&B Construction	3	10,833	1,625	9,208	17.65%	15.0%	1,381	244	(a)
Letsos	2	23,452	4,022	19,152	21.00%	5.0%	958	3,064	Sub (a)
Kenmor Electric	1	3,096	408	2,633	15.50%	15.0%	395	13	(a)
Kenmor Electric	2	7,681	1,012	6,528	15.50%	15.0%	979	33	(a)
Kenmor Electric	2	14,302	1,885	12,157	15.51%	10.0%	1,216	669	(a)
Kenmor Electric	2	7,383	973	6,275	15.51%	15.0%	941	32	(a)
Kenmor Electric	2	15,366	292	1,880	15.53%	15.0%	282	10	(a)
Kenmor Electric	2		1,175	11,750	10.00%	5.0%	588	588	Sub (a)
Kenmor Electric	3	30,832	4,064	26,225	15.50%	7.5%	1,967	2,097	(a)
Kenmor Electric	4	5,656	713	4,605	15.48%	15.0%	691	22	
Kenmor Electric	4	13,695	1,245	12,450	10.00%	7.5%	934	311	Sub
Oxford Builders	OCEA14	*	5,023		15.00%	7.5%	3,952	1,071	
			<u>\$ 77,871</u>				<u>\$ 50,933</u>	<u>\$ 26,938</u>	

Notes:

- (a) pending deductive change orders have been issued to sub by PLC but are not yet in the cost system.
- Sub Sub-subcontract work
- \* Oxford applied 15% to labor total without burdens; the correction applied 7.5% to fully burdened labor.

Allowable Markups:	Self-Perf	Sub-Sub
\$0 - \$10,000	15.0%	10.0%
\$10,001 - \$20,000	10.0%	7.5%
Over \$20,000	7.5%	5.0%

University of Houston  
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Exhibit II  
Kenmor "Incidental" Markups

	Subcontract Change Order #							Subtotal	Total
	4	3	2	2	2	2	1	SCO # 1 - 3	SCO # 1 - 4
Supervision at 15% of Labor	\$ 591	\$ 1,335	\$ 892	\$ 1,456	\$ 882	\$ 239	\$ 167	\$ 4,971	\$ 5,562
Project Management	300	600	375	675	375	150	150	2,325	2,625
Project Engineer	100	150	100	200	100	50	50	650	750
Testing at 2% of Labor	46	103	69	113	64	19	13	381	427
Consumables at 3% of Labor	69	155	104	169	96	28	19	571	640
Safety at 2% of Labor	46	103	69	113	64	19	13	381	427
Cleanup at 3% of Labor	69	155	104	169	96	28	19	571	640
Mat. Handling at 9% of Labor	206	465	311	508	287	83	58	1,712	1,918
Warranty at 1.5%	290	462	115	215	111	230	46	1,179	1,469
	1,717	3,528	2,139	3,618	2,075	846	535	12,741	14,458
Markup % Allowed	10.0%	7.5%	15.0%	15.0%	15.0%	15.0%	15.0%		
Markup	171.70	264.60	320.85	542.70	311.25	126.90	80.25	1,647	3,029
Total With Markup	\$ 1,889	\$ 3,793	\$ 2,460	\$ 4,161	\$ 2,386	\$ 973	\$ 615	\$ 14,388	\$ 17,487



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

**COMMITTEE:**        Audit & Compliance

**ITEM:**                Ethics and Conflict of Interest Policies

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Audit & Compliance Committee Charter and Checklist, item number 23, requires an annual review of the Ethics and Conflict of Interest Policies of the Board and each of the universities.

**FISCAL NOTE:**

**SUPPORTING DOCUMENTATION:**                Ethics and Conflict of Interest Policies (under separate cover)

**ACTION REQUESTED:**                Information

**COMPONENT:**                University of Houston System

\_\_\_\_\_  
**DIRECTOR, INTERNAL AUDITING**                *Don F. Guyton*                10/16/09  
Don F. Guyton                **DATE**

\_\_\_\_\_  
**INTERIM CHANCELLOR**                *Renu Khator*                10-21-09  
Renu Khator                **DATE**

UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS  
AUDIT & COMPLIANCE COMMITTEE

ETHICS AND CONFLICT OF INTEREST POLICIES  
OF  
BOARD OF REGENTS AND EACH OF THE UNIVERSITIES

November 5, 2009

UNIVERSITY OF HOUSTON SYSTEM  
ETHICS AND CONFLICTS OF INTEREST POLICIES  
As of November 5, 2009

The Board of Regents Audit Committee Charter and Checklist, item number 23, requires the Audit Committee to conduct an annual review of the ethics and conflict of interest policies of the Board and each of the universities. The following policies are attached for this review, noting in parenthesis the date of last update:

Page No.

Board of Regents

- |   |       |   |
|---|-------|---|
| 1 | 57.01 | Code of Ethics (12/16/08)                           |
| 1 | 57.08 | Conflicts of Interest (05/17/07)                    |
| 3 |       | Board of Regents Conflict of Interest Certification |

University of Houston System

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|---|---------|---------------------------------------|
| 4 | 02.A.09 | Conflict of Interest (4/7/08)         |
| 5 | 02.A.29 | Ethical Conduct of Employees (6/9/09) |

University of Houston

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|----|--------|--|
| 15 | 2.4.07 | Ethical Conduct of University Employees (9/1/04)             |
| 20 |        | Policy on Conflict of Interest for Academic Staff – Research |
| 26 |        | Annual Certification of Compliance – Research – Appendix 1   |

University of Houston Downtown

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|----|---------|---|
| 28 | 01.A.12 | Standards of Conduct Policy (2/1/04)                                      |
| 30 | 05.C.07 | Code of Conduct – Procurement Responsibilities (11/1/99)                  |
| 32 | 06.A.03 | Standards of Conduct in Government-Sponsored Research (5/2/01)            |
| 35 | 06.A.04 | Procurement Integrity Policy (5/2/01)                                     |
| 36 | 06.A.07 | Ethical Conduct in Research and Government-Sponsored Activities (4/30/01) |

University of Houston Clear Lake

- |    |                         |   |
|----|-------------------------|---|
| 41 | Faculty handbook 10.2.3 | Procedure on Conflicts of Interest for Investigators<br>(3/10/05) |
|----|-------------------------|---|

(NOTE: University of Houston Clear Lake HR web site refers to the University of Houston System Board of Regents Conflict of Interest Policy and Ethical Conduct of Employees)

University of Houston Victoria

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|----|-----|---|
| 47 | C-8 | Employee Standards of Conduct – policy also addresses Conflicts of Interest<br>(3/9/04) |
| 57 |     | Financial Aid Conflict of Interest Certification  |
| 59 | E-7 | Related Party (11/11/08)  |

In addition to their own policies, all institutions also refer to the Texas Ethics Commission “Guide to Ethics Laws for State Officers and Employees.”

## BOARD OF REGENTS POLICIES

### 57.01 Code of Ethics [<http://www.uhsa.uh.edu/regents/policy/af.html#personnel>]

- 57.01.1 All members of the board and all employees of the system and its component institutions shall adhere to the highest ethical standards of conduct reflected in state law and board policies.
  - 57.01.2 The system code of ethics is comprised of the following components:
    - A. Statutory Standards of Conduct for State Employees, Section 572.051, Texas Government Code;
    - B. the following board policies:
      - a) Academic Freedom (21.03)
      - b) Sexual Harassment (29.02)
      - c) Governmental Appearances (81.01)
      - d) Consulting and Paid Professional Service (57.02)
      - e) Dual Office Holding(57.04)
      - f) Nepotism (57.07)
      - g) Conflicts of Interest (57.08)
  - 57.01.3 All members of the board and employees of the system and its component institutions shall be furnished a copy of the laws and policies comprising the code of ethics at the time of employment or commencement of service and at the start of each academic year. (05/17/07)
  - 57.01.4 All members of the board shall annually sign conflict of interest certification statements affirming their compliance with their official oath and specific provisions of Texas statutes related to ethical behavior. (12/16/08)
- 

### 57.08 Conflicts of Interest [<http://www.uhsa.uh.edu/regents/policy/af.html#personnel>]

All members of the board and employees of the system and its component institutions shall adhere to and be furnished a copy of the Statutory Standards of Conduct for State Employees, Section 572.051, Texas Government Code, and shall avoid conflicts of interest, generally described as the use of one's university employment or position to obtain unauthorized privileges, benefits, or things of value for oneself or others, including the following:

- 57.08.1 No board member or employee shall solicit, engage, or agree to accept any privilege, benefit or thing of value for the exercise of his or her discretion, influence, or powers as an employee or regent, except as is allowed by law.
- 57.08.2 No board member or employee shall accept any privilege, benefit, or thing of value that might influence him or her in the discharge of his or her duties as an employee or regent.
- 57.08.3 No board member or employee shall use his or her position to secure special privileges or exemptions for himself or herself or others, except as is allowed by law.
- 57.08.4 No board member or employee may be an officer, agent, employee, or member of, or own an interest in a professional activity that foreseeably might require or

## BOARD OF REGENTS POLICIES

- induce him or her to disclose confidential information acquired by reason of his or her system position.
- 57.08.5 No board member or employee shall accept employment or engage in any business or professional activity that foreseeably might require or induce him or her to disclose confidential information acquired by reason of his or her system position.
- 57.08.6 No board member or employee shall disclose confidential information gained by reason of his or her system position, nor shall he or she otherwise use such information for his or her personal gain or benefit.
- 57.08.7 No board member or employee shall transact any business for the system with any entity of which he or she is an officer, agent, employee, or member, or in which he or she owns a significant interest.
- 57.08.8 No board member or employee shall make personal investments in any enterprise that foreseeably might create a substantial conflict between his or her private interests and the system's interests.
- 57.08.9 No board member or employee shall accept other employment that might impair his or her independence of judgment in the performance of his or her system duties.
- 57.08.10 No board member or employee shall receive any compensation for his or her services to the system from any source other than the State of Texas except as is allowed by law.
- 57.08.11 No board member or employee who exercises discretion in connection with contracts, purchases, payments, claims, or other pecuniary transactions shall solicit, accept, or agree to accept any benefit from a person or entity the employee knows or should know is or is likely to become financially interested in such transactions.

Failure of any employee to comply with the foregoing shall constitute grounds for discharge or other disciplinary action. (5/17/07)

# BOARD OF REGENTS POLICIES

## UNIVERSITY OF HOUSTON SYTEM BOARD OF REGENTS CONFLICT OF INTEREST CERTIFICATION FY2009 - 2010

By signing below, I certify that I will abide by the following conditions during my term as a member of the Board of Regents of the University of Houston System:

- I do solemnly swear that I will faithfully execute the duties of the Board of Regents of the University of Houston System, and will to the best of my ability preserve, protect, and defend the Constitution and laws of the United States and of this State, so help me God. *See* Texas Constitution Art. 16, § 1.
- I do solemnly swear that I have not directly or indirectly paid, offered, promised to pay, contributed, or promised to contribute any money or thing of value, or promised any public office or employment as a reward to secure my appointment or confirmation, whichever the case may be, so help me God. *See* Texas Constitution Art. 16, § 1.
- I will file a verified financial statement with the Texas Ethics Commission in accordance with Texas Government Code §§ 572.022 through 572.0252. *See* Texas Government Code § 572.021.
- If I have a personal or private interest in a measure, proposal, or decision pending before the board, I shall publicly disclose the fact to the board in a meeting called and held in compliance with Texas Government Code Chapter 551. I acknowledge that I may not vote or otherwise participate in such a decision pending before the board and further understand that my public disclosure shall be entered in the minutes of the meeting. *See* Texas Government Code § 572.058(a).
- **I shall not:**
  - Accept or solicit any gift, favor, or service that might reasonably tend to influence me in the discharge of my official duties or that I know or should know is being offered with the intent to influence my official conduct. *See* Texas Government Code 572.051(a)(1).
  - Accept other employment or engage in a business or professional activity that I might reasonably expect would require or induce me to disclose confidential information acquired by reason of my position. *See* Texas Government Code 572.051(a)(2).
  - Accept other employment or compensation that could reasonably be expected to impair my independence of judgment in the performance of my official duties. *See* Texas Government Code 572.051(a)(3).
  - Make personal investments that could reasonably be expected to create a substantial conflict between my private interest and the public interest. *See* Texas Government Code 572.051(a)(4).
  - Intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised my official powers or performed my official duties in favor of another. *See* Texas Government Code 572.051(a)(5).
  - With the intent to obtain a benefit or with intent to harm or defraud another, intentionally or knowingly misuse government property, services, personnel, or any other thing of value belonging to the government that has come into my custody or possession by virtue of my office or employment. *See* Texas Penal Code § 39.02(a)(2).

\_\_\_\_\_/\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Printed Name

## UNIVERSITY OF HOUSTON SYSTEM POLICIES

02.A.09 Conflict of Interest [<http://www.uhsa.uh.edu/sam/2HumanResources/2A9.htm>]

### UNIVERSITY OF HOUSTON SYSTEM ADMINISTRATIVE MEMORANDUM

SECTION: Human Resources  
AREA: General  
SUBJECT: Conflict of Interest

NUMBER: 02.A.09

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#### 1. PURPOSE

Although the University of Houston System depends upon the integrity and discretion of its staff with respect to actual or apparent conflict of interest, all University of Houston System employees are subject to the prohibitions of state law and applicable federal guidelines. This administrative memorandum presents guidelines to avoid conflicts of interest in accordance with Board of Regents Policy [57.08](#).

#### 2. POLICY

2.1. Conflict of interest is the use of one's University of Houston System employment to obtain unauthorized privileges, benefits, or things of value for oneself or others.

2.2. Guidelines to avoid conflict of interest include the following:

- a. No employee shall solicit, accept, or agree to accept any privilege, benefit or thing of value for the exercise of his or her discretion, influence or powers as an employee except as allowed by law.
- b. No employee shall accept any privilege, benefit or thing of value that might influence him or her in the discharge of his or her duties as an employee.
- c. No employee shall use his or her position to secure special privileges or exemptions for himself or herself or others, except as is allowed by law.
- d. Any employee who is an officer, agent, employee or member of, or owns a significant interest in any entity doing business with any component university of the University of Houston System must disclose such relationship in writing to his or her immediate superior.
- e. No employee shall accept employment or engage in any business or professional activity which foreseeably might require or induce him or her to disclose confidential information acquired by reason of his University of Houston System position.
- f. No employee shall disclose confidential information gained by reason of his or her component university position nor shall he or she otherwise use such information for his or her personal gain or benefit.
- g. No employee shall transact any business for the University of Houston System with any entity of which he or she is an officer, agent, employee, or member, or in which he or she owns a significant interest.

## UNIVERSITY OF HOUSTON SYSTEM POLICIES

- h. No employee shall make personal investments in any enterprise which foreseeably might create a substantial conflict between his or her private interests and the University of Houston System's interests.
- i. No employee shall accept other employment which might impair his or her independence or judgment in the performance of his or her University of Houston System duties.
- j. No employee shall receive any compensation for his or her services from any source other than the State of Texas except as allowed by law.
- k. No employee who exercises discretion in connection with contracts, purchases, payments, claims or other pecuniary transactions shall solicit, accept or agree to accept any benefit from a person or entity the employee knows, or should know, is or is likely to become financially interested in such transactions.

2.3. Failure of an employee to comply with the foregoing shall constitute grounds for discharge or other disciplinary action.

### 3. REVIEW AND RESPONSIBILITIES

Responsible Parties: Associate Vice Chancellor for Finance

Review: Every five years, on or before August 31

### 4. APPROVAL

Approved:

Jim McShan

Interim Vice Chancellor for Administration and Finance

Renu Khator

Chancellor

Date: April 7, 2008

### 5. INDEXING TERMS

Conflict of interest

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02.A.29 Ethical Conduct of Employees

<http://www.uhsa.uh.edu/sam/2HumanResources/2A29.pdf>

## UNIVERSITY OF HOUSTON SYSTEM ADMINISTRATIVE MEMORANDUM

SECTION: Human Resources  
AREA: General  
SUBJECT: Ethical Conduct of Employees

NUMBER: 02.A.29

### 1. PURPOSE

## UNIVERSITY OF HOUSTON SYSTEM POLICIES

- 1.1. New federal and state laws and regulations, together with growing scrutiny of the complex relationships between public institutions and outside public and private organizations and individuals, necessitate the clarification of standards of accountability for public servants. Requirements for ethical behavior are especially important in public institutions of higher education; component university employees are accountable to taxpayers for the use of public funds and also have the responsibility to lead and educate component university students by example.
- 1.2. University of Houston System employees have a responsibility to the public in the performance of their official duties. High institutional and personal standards of conduct must be maintained to fulfill that responsibility. These standards must include avoiding any actions that would create the appearance of violation of laws or ethical principles. This document sets forth a code of accountability for component university employees in the performance of their component university responsibilities; it identifies areas of particular legal and ethical concern and specifies requirements for compliance with state laws, federal guidelines, Board of Regents policies, standards of ethics, and good business practices.

### 2. POLICY

- 2.1. Employees of the System shall avoid using their positions for purposes that are, or give the appearance of being, motivated by a desire for private gain for themselves or others, such as those with whom they have family, business, or other ties. Component university employees shall exercise the utmost good faith in all transactions, activities, and behaviors related to their duties to the System and its property and resources. The principles of good faith and honest dealing apply to all aspects of the employee's responsibilities and activities on the part of the component university, not just those identified in this directive as subject to particular statutes or causes for particular concern.
- 2.2. Prior to entering into any consulting, investment, professional or other arrangement that may involve a conflict of interest or commitment, a faculty or exempt employee must submit to the college or department head a complete written disclosure of the pending relationship and any potential conflicts that it may involve. The subsequent arrangements will then be subject to the approval of the appropriate dean, associate vice president, associate vice chancellor, or designee. This provision applies to all regular faculty and exempt staff and to non-exempt staff with procurement or research responsibilities.
- 2.3. On an annual basis, all non-University business activities and arrangements shall be reported to the Chancellor through the Executive Vice Chancellor of Administration and Finance.
- 2.4. Component university employees shall promptly disclose to their supervisor or department head any substantiated information regarding what they believe to constitute a violation of this document or any law or institutional policy.

## UNIVERSITY OF HOUSTON SYSTEM POLICIES

- 2.5. Failure to comply with the principles outlined in this document shall be considered a breach of the public trust and may subject the employee to disciplinary action up to and including dismissal, as well as to the possibility of criminal action.

### 3. DEFINITIONS

- 3.1. Benefit: Anything an independent third party observer might reasonably regard to provide a monetary gain or advantage. For the purposes of this policy, a benefit would include, but is not limited to, monetary gifts, meals, employment, or other items of significant gain or advantage. When the appropriateness of a benefit is in question, it should not be accepted.
- 3.2. Conflict of commitment: A situation in which an employee's outside activities interfere with the employee's primary commitment of time and intellectual energies to the University, or in which a full-time employee's primary professional loyalty is not to the System. The general permitted limit to external commitments is one day per calendar week, never to conflict with the employee's scheduled classes or other duties and responsibilities.
- 3.3. Conflict of interest: A situation in which there is a divergence between the employee's private interests and the employee's professional obligations to the component university (i.e. the public interest) such that an independent observer might reasonably question whether the employee's actions or decisions are determined by considerations of private gain, financial or otherwise, to the component university's detriment.
- 3.4. Honoraria: A payment for speech, lecture, or services on which, by custom or agreement, a specific price may not be set. For the purposes of this policy, this definition includes any payment from an outside entity for services such as making a speech, teaching a class or workshop, or providing consulting services.
- 3.5. Immediate Family: Includes spouse and dependent children. Children, for the purposes of this policy, include adopted, step and foster children, as well as natural sons and daughters.
- 3.6. Relatives: Individual laws prescribe the relationships covered in specific provisions.
- 3.7. System Employee: An employee of the System is an individual who performs services that are subject to the will and control of the component university in terms of what must be done and how it must be done within legal parameters. For purposes of this document, the term "employee" refers to any individual serving in a faculty, research or staff capacity subject to the terms and conditions described above. An employee is paid through the payroll system, with accompanying tax withholding as provided by law.

### 4. PROVISIONS

## UNIVERSITY OF HOUSTON SYSTEM POLICIES

- 4.1. Acceptance of gifts or other benefits: An employee of the System (or member of the employee's immediate family) may not solicit or accept any gift, favor, privilege, benefit, service, exemption or thing of value that might influence the employee to perform his or her job differently. An employee should assume that anyone having business with the component university as a client, contractor, or vendor is likely to be seen as attempting to curry favor if that person provides any gift or benefit to the employee. More detailed directives related to conflict of interest may be found in Board Policy 57.08 and SAM 02.A.09 - Conflict of Interest.

The only gifts and benefits not subject to this restriction are those conferred on account of kinship or a personal or professional relationship independent of employee's status, non-cash items of less than \$50.00 in value, and those used solely to defray expenses accrued in the performance of official duties that are not reimbursable by the component university.

- 4.2. Bribery: A component university employee commits the criminal offense of bribery if the employee solicits, offers or accepts any benefit in exchange for a decision, opinion, Recommendation, vote or other exercise of discretion by the employee.
- 4.3. Business, investments, and professional activity: An employee or the employee's immediate family shall not make personal investments in any enterprise that foreseeably might create a significant conflict between the employee's private interests and the University's interests. An employee shall not transact any business for the University with any entity of which he or she is an owner, officer, agent, employee or member or in which the employee or the employee's immediate family owns any significant interest or accrues any benefit.
- 4.4. Charitable or professional organizations/pro bono work: Any contribution of time without compensation to charitable or professional organizations or causes that may infringe upon the employee's regular work hours must be disclosed to the employee's department head and must not interfere with the individual's University responsibilities.
- 4.5. Disclosure of confidential information: No component university employee shall disclose confidential information gained by reason of his or her position, nor shall the employee otherwise use such information for personal gain or benefit. Similarly, no employee shall accept other employment or engage in any business or professional activity that foreseeably might require or induce the employee to disclose confidential information acquired through his or her position.
- 4.6. Dual employment: A System employee may hold another non-elective state or federal office or position of honor, trust, or profit only after being granted prior approval. The Board delegates to the Chancellor or designee the authority to approve such dual office holding by any System employee who is not an officer of the System or its component universities. Officers of the System are defined as executive management employees serving in the following positions: Chancellor, vice chancellor, General Counsel, president, vice president, dean (academic), Chief Audit Executive, and their equivalents

## UNIVERSITY OF HOUSTON SYSTEM POLICIES

(e.g., an administrative head of a recognized department reporting directly to the Chancellor or component university president). Such approval must be based on formal findings that the dual office holding is of benefit to the state or is required by state or federal law and that the situation creates no conflict of interest or commitment.

- 4.7. Governmental appearances or expert witness service: Component university employees appearing before Congress or the Texas Legislature or their agencies, committees, or members to offer testimony, opinions or commentary in regard to existing or potential laws, rules or regulations, unless expressly authorized to do so by the Board or the Chancellor, must clearly state in advance that they are appearing in their individual capacities and that their testimony, opinions and commentary are not authorized by and must not be construed as reflecting upon the position of the System.

Appearances as an expert witness by any employee of the System shall be subject to the provisions of SAM 02.D.07 - Expert Witness Service.

- 4.8. Honoraria: By state law, a component university employee may not solicit, agree to accept, or accept an honorarium in consideration for services the employee would not have been asked to provide but for his or her official position; i.e. for providing services on behalf of the component university. This prohibition includes a payment made to a third party if made in exchange of the employee's services. This restriction applies to any fee for any service provided in the employee's official capacity, but does not apply to food, transportation and lodging in connection with the service provided.
- 4.9. Lobbying by state employees, political campaigns, holding public office, and other political activities: The General Appropriations Act prohibits the use of state funds to influence the outcome of any election or any legislative measure. Likewise, this act restricts the use of any component university funds to hire lobbyists and provides restrictions against offering gifts to legislators and accepting gifts from legislators. Similarly, federal restrictions prohibit the use of federal funds to influence federal legislation. The Vice Chancellor for Governmental Relations shall be responsible for the general coordination of System governmental activities.

No component university employee may use his or her authority, influence, or time during University work hours to affect the result of any election or political campaign or to achieve any other political purpose. Likewise, University funds, equipment, or other resources may not be used to work on a political campaign. Component university employees may run for local elective office and serve as elected public officials so long as campaign activities are not conducted during official component university hours and so long as the office does not involve a political party primary or a party affiliation. The employee must provide prior notification to his or her supervisor of the candidacy and election to office.

- 4.10. Nepotism: Relatives of component university employees may not be employed in positions where the employee has the official authority to hire or recommend or approve the hiring, salary, or promotion of the relative, even if it results from marriage after the

## UNIVERSITY OF HOUSTON SYSTEM POLICIES

employment relationship was formed. The requirements of nepotism statutes may be found in Board Policy 57.07 and SAM 02.A.21 - Nepotism.

- 4.11. Outside consulting or other employment: The System expects employees to accord a full professional commitment to the component university during the terms of their appointments. Interaction between employees and external entities for reasonable periods of time and for personal remuneration may be desirable when the relationship benefits the University, enhances the professional skills of the employee, or constitutes a public service.

However, no employee shall accept consulting or external employment that might impair his or her independence of judgment in performance of University duties, nor shall an employee receive any compensation from any source other than the State of Texas except as allowed by law. All consulting and other paid professional employment shall comply with Board Policy 57.02 and SAM 02.A.08 - Consulting and Outside Employment.

In accordance with Board Policy 57.05, any outside employment of the Chancellor, other officers of the System Administration, or the president or vice presidents of any component university, including serving on the Board of Directors or governing board of any outside organization, shall be approved in advance by the Board.

- 4.12. Reporting of time and effort; maintenance of all records: It is a violation of law to falsify or alter the reporting of time worked, salary records, or any way revise component university documents or records so as to provide an unearned benefit to the employee or another party.
- 4.13. Transfer of research results, materials, products, records: Board Policy 21.08 requires that component university faculty and staff disclose on a timely basis the creation or discovery of all potentially patentable inventions created with University resources. Ownership of these inventions must be assigned to the component university regardless of source of funding.

Component universities must have policies and procedures in place to ensure compliance with all applicable federal guidelines related to funded research, intellectual property, and related conflict of interest regulations.

- 4.14. Travel: Travel undertaken on official System business may be paid or reimbursed from University funds when arrangements comply with applicable SAMs 01.C.05 - Executive Travel, 03.A.03 - Business Travel, and 03.A.04 - University Credit Cards.
- 4.15. Use of component university equipment, facilities, support staff, and other resources: As a state employee, under statute, an employee is required to use component university property for component university purposes only, not for personal or private purposes. In situations where there is no direct cost to the component university, such as use of telephones to make occasional local calls, such use is not considered a misapplication of state property and may be permitted within reason.

## UNIVERSITY OF HOUSTON SYSTEM POLICIES

Use of component university facilities, space, equipment or support staff for any activity other than the conduct of the employee's job responsibilities is permitted only if an appropriate and equitable financial arrangement has been concluded between the individual and the institution prior to the beginning of the outside activity. Please review SAMs 01.B.06 – Facilities Reservation and Rentals and 03.A.05 – Contract Administration for additional guidance.

- 4.16. Use of System and component university names: The name of the University of Houston System or its component universities may in no case be used for advertising or procurement purposes by any individual or external organization for non-University purposes. Likewise, employees may not represent themselves as acting in the capacity of System or component university employees when conducting consulting or personal activities. The System as well as the component universities bear no responsibility for any actual or implied obligations or liabilities incurred by an individual resulting from a consulting or other paid professional agreement or activity.

### 5. COMPLIANCE

- 5.1. In compliance with Board Policy 57.01, each component university is required to provide a copy of the laws and policies comprising the code of ethics to employees annually and to each new employee at the start of their employment. To acknowledge receipt and understanding of these laws and policies, all employees must annually complete Code of Ethics training.

Each component shall establish procedures related to the ethical conduct of employees that shall include the following compliance actions:

- a. Annual certification by regular faculty, exempt staff, and other key staff involved in procurement or funded research activities to include the following:
  - receipt of this document and compliance with its provisions,
  - disclosure of any external consulting, employment, and professional activities – including service on governing boards and ownership in outside enterprises - providing the names of the external employers/organizations involved,
  - disclosure of any actual or potential conflicts of interest related to external employment, acceptance of benefits, or external investments, and
  - any additional information that may be required by federal funding agencies.
- b. A procedure for the timely prior review and approval or disapproval of written disclosures of pending relationships by component university employees entering into any consulting, investment, professional, or other arrangement that may potentially involve a conflict of interest or commitment. Such procedures shall require approval

## UNIVERSITY OF HOUSTON SYSTEM POLICIES

at the vice presidential or vice chancellor level of all such activities and annual reporting to the Chancellor.

- 5.2. In addition to these System-wide certifications, the Chancellor and presidents are required to submit an annual financial statement with the Texas Ethics Commission using the forms provided by the commission. Vice presidents, those at the director level or higher positions over procurement and contracting functions, and those others considered by the component to have high-level procurement responsibilities shall file with the chief financial officer of each component university a report disclosing the following information:
- a. The amount of any compensation received for services related to these associations; and
  - b. Known information regarding whether any of the organizations cited have any relationship to the System and a description of the relationship.
- 5.3. Information received during the annual certification shall be compiled and submitted to the Chancellor through the Office of the Executive Vice Chancellor for Administration and Finance prior to the Chancellor's annual report to the Board.

### 6. REVIEW AND RESPONSIBILITIES

Responsible Party: Associate Vice Chancellor for Finance

Review: Every five years, on or before March 1

### 7. APPROVAL

Approved: Carl P. Carlucci  
Executive Vice Chancellor for Administration and Finance  
Renu Khator  
Chancellor

Date: June 9, 2009

## EXHIBIT A

### Citations and References

#### **General**

System Board of Regents Policies:

21.08 Intellectual Property

57.02 Consulting and Paid Professional Service

## UNIVERSITY OF HOUSTON SYSTEM POLICIES

57.04 Dual Employment

57.07 Nepotism

57.08 Conflicts of Interest

81.01 Governmental Appearances

System Administrative Memoranda:

01.C.05 Executive Travel

02.A.08 Consulting and Outside Employment

02.A.09 Conflict of Interest

02.A.21 Nepotism

02.D.07 Expert Witness Services

03.A.03 Business Travel

03.A.04 University Credit Cards

Texas Revised Civil Statutes:

Article 6252-9b-Standards of Conduct

Government Code Chapter 554 - Whistleblower Act

By Provision:

4.1. Acceptance of gifts or other benefits:

03.F.01 Gift Acceptance Policies

4.2. Bribery:

01.C.04 Reporting/Investigating Fraudulent Acts

4.3. Business, investments, and professional activity:

02.A.09 Conflict of Interest

03.A.17 Disclosure of Related Party Interests

4.4. Charitable or professional organizations/pro bono work:

03.A.17 Disclosure of Related Party Interests

4.5. Disclosure of confidential information:

01.D.06 Protection of Confidential Information

02.A.31 Access to and Maintenance of Staff Personnel Files

4.6. Dual employment:

02.B.02 Overtime and Compensatory Time

4.7. Governmental appearances or expert witness service:

09.A.01 Governmental Relations Communications and Appearances

4.8. Honoraria:

02.A.08 Consulting and Outside Employment

## UNIVERSITY OF HOUSTON SYSTEM POLICIES

- 4.9. Lobbying by state employees, political campaigns, holding public office, and other political activities:

### 02.A.39 Political Aid and Legislative Influence

- 4.10. Nepotism:

02.A.21 Nepotism

- 4.11. Outside consulting or other employment:

02.A.08 Consulting and Outside Employment

- 4.12. Reporting of time and effort and maintenance of other records:

03.D.03 Employee Time and Effort Reporting

- 4.13. Transfer of research results, materials, products, records:

- 4.14. Travel:

01.C.05 Executive Travel

03.A.03 Business Travel

03.A.04 University Credit Cards

- 4.15. Use of University equipment, facilities, support staff, and other resources:

01.B.06 Facilities Reservation and Rental

- 4.16. Use of University name:
-

# UNIVERSITY OF HOUSTON POLICIES

02.04.07 Ethical Conduct of University Employees

[\[http://www.uh.edu/mapp/02/02/020407.htm\]](http://www.uh.edu/mapp/02/02/020407.htm)

## UNIVERSITY OF HOUSTON MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Human Resources

Number: 02.04.07

AREA: Employee Relations

SUBJECT: Ethical Conduct of University Employees

### I. PURPOSE AND SCOPE

This document outlines the processes prescribed by the university to ensure that employees are informed of their responsibilities for accountability and ethical conduct. It requires that any potential conflict be reviewed and reported in accordance with state and federal laws and regulations and with Board of Regents policies.

### II. DEFINITIONS

- A. Benefit: According to statute, anything reasonably regarded as providing monetary gain or advantage. For the purposes of this document, such benefit shall include personal and individual invitations to meals, travel, or items of significant gain or advantage with a value of \$50 or more.
- B. Conflict of commitment: A situation in which an employee's outside activities interfere with the employee's commitment of time and intellectual energies to the university, or in which a full-time employee's professional loyalty is not to the University of Houston.
- C. Conflict of interest: A situation in which there is a divergence between the employee's private interests and professional obligations to the university (i.e., the public interest) such that an independent observer might reasonably question whether the employee's actions or decisions are determined by considerations of private gain, financial or otherwise, to the university's detriment.
- D. Consulting and outside employment: For the purposes of this document, activities undertaken for remuneration from a third party where the activity is within the scope of activities, functions, or expertise for which the individual is compensated by the University of Houston. This definition does not include unpaid public service or lectures for fees, unless these activities require significant amounts of time or they otherwise adversely affect the employee's performance of university duties.
- E. Honoraria: A payment for speech, lecture, or other services on which, by custom or agreement, a specific price may not be set. For the purposes of this document, this definition includes any payment from an outside entity for services such as making a speech, teaching a class or workshop, or providing consulting services.
- F. Immediate family: Includes spouse and dependent children. Children, for the purposes of this document, include adopted, step, and foster children, as well as natural sons and daughters.

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- G. Related-party interest: A business or personal relationship that exists between a university employee and an outside individual or organization that may influence the employee's actions or decisions due to considerations of private benefit - financial or otherwise - and/or may create or be perceived as creating a conflict of interest.
- H. Significant financial interest: Anything of monetary value including, but not limited to: salary, other payments for services (e.g., consulting fees or honoraria); equity interests (e.g., stocks, stock options, or other ownership interests); and intellectual property rights (e.g., patents, copyrights, and royalties from such rights) that, when aggregated with immediate family:
  - 1. exceeds \$10,000 fair market value and five percent ownership; or,
  - 2. is expected to exceed \$10,000 in payments during the next 12-month period

### III. DISTRIBUTION OF POLICIES REGARDING ETHICAL CONDUCT

In accordance with state law or Board of Regents Policy 57.01.3, copies of the laws and Board of Regents Policies listed below are distributed and otherwise made available online upon initial employment (by Human Resources) and annually (by the Board of Regents' office).

- A. Statutory Standards of Conduct for State Employees, § 572.051, Texas Government Code
- B. 1997 General Appropriations Act Article IX, § 5. Political Aid, Legislative Influence
- C. Board of Regents Policies:
  - 1. Consulting and Paid Professional Service (57.02)
  - 2. Dual Employment (57.04)
  - 3. Nepotism (57.07)
  - 4. Conflicts of Interest (57.08)
  - 5. Academic Freedom (21.03)
  - 6. Governmental Appearances (81.01)
  - 7. Sexual Harassment (29.02)

### IV. TIMELY DISCLOSURE OF POTENTIAL CONFLICT OF INTEREST SITUATION

University employees are required and expected to take the initiative to disclose and request prior approval of their department head before entering into any activity or situation that may involve, or appear to involve, a conflict of interest or other potentially incompatible obligation. Such a relationship includes consulting or other outside employment, a relationship defined as a related-party interest, or any other relationship that results in a gift or other benefits to the employee.

Under the terms of the Board Policy 57.02, exempt staff are required to obtain written approval from their supervisor prior to entering into a consulting/outside employment relationship; faculty are required to notify their department chair and dean prior to entering into such a relationship.

Where a question of propriety of the proposed employment or business relationship exists, the department head shall submit the application to the dean (for faculty) or dean or director (for staff). The dean or director may, in turn, consult with the appropriate vice president, Human Resources, or the university Ethics Coordinator, as applicable, prior to resolving the conflict.

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### V. ANNUAL CERTIFICATION OF COMPLIANCE AND REPORTING OF OUTSIDE CONSULTING/ EMPLOYMENT AND DISCLOSURE OF EXTERNAL RELATIONSHIPS

On an annual basis, consulting and outside employment shall be reported to the Board through the Vice President for Administration and Finance.

Also, on an annual basis, a possible conflict with external business activities and benefits shall be reported to the appropriate vice president.

The Office of the Vice President for Administration and Finance is responsible for coordinating this annual survey during the fall of each year, working with the Office of the Senior Vice President for Academic Affairs and Provost and appropriate vice presidents. On an annual basis, the Office of the Vice President for Research will coordinate the annual certification of compliance with the Policy on Conflict of Interest for Academic Staff for those staff involved in research or educational activities funded or proposed for funding by an external sponsor.

### VI. GUIDELINES, STANDARDS FOR EVALUATING AND RESOLVING POTENTIAL CONFLICT OF INTEREST SITUATIONS

- A. Ethics violations are to be reported to the university Ethics Coordinator. The Chief Human Resources Administrator will be the university's Ethics Coordinator.
- B. The Ethics Coordinator will make a determination as to the severity of the ethics violation and determine the appropriate university administrative unit(s) that may be a part of the investigation.
- C. The Ethics Coordinator notifies the investigative unit(s) (i.e., Internal Auditor, University of Houston Police Department (UHPD), and/or Human Resources, and the appropriate vice presidents) of the reported violation and submits the allegations to the unit(s) for review. Violations involving sponsored project agreements will be submitted to the Vice President for Research and handled in accordance with the Policy on Conflict of Interest for Academic Staff.
- D. The Ethics Coordinator notifies the appropriate administrative unit (i.e., department chair, dean, or vice president), that an investigation is to take place. Confidentiality of the information and employee(s) involved in the investigation will be of utmost importance, to insure proper adjudication of the allegations.
- E. The ethics violation is investigated and a report is rendered to the Ethics Coordinator.
- F. The Ethics Coordinator reviews the investigative report. Every attempt will be made to resolve internal ethical violations at the lowest level of administrative review. If however, a reasonable solution cannot be reached; the Ethics Coordinator will appoint the Ethics Review Panel to determine a final disposition.
- G. Recommendations occurring out of the investigation and/or the Ethics Review Panel will be reviewed by the General Counsel and the appropriate vice president.
- H. Based upon the findings of the ethics review process, appropriate administrative action will be taken to insure that the investigated ethics violation is corrected. Employees who fail to comply with the responsibilities and requirements outlined in this document may be subject to disciplinary action.

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- I. A final report of the investigation, findings, and recommended corrective action is then submitted through administrative channels to the State Ethics Commission.

### VII. PROCESS FOR REQUESTING “ETHICS OPINION” FROM THE ETHICS COORDINATOR AND/OR THE ETHICS REVIEW PANEL

In any case, the responsible manager may contact the university Ethics Coordinator for direction and assistance in resolving a conflict situation.

Upon review, the Ethics Coordinator may recommend that the Ethics Review Panel be convened to review the situation and make a recommendation. In such a case, the situation must be put in writing and involve the signatures of the dean or director and the responsible vice president, as well as Human Resources.

### VIII. SANCTIONS FOR CONDUCT NOT MEETING STANDARDS OF ETHICS

Investigation of a conflict of interest may involve the Internal Auditing Department, UHPD, and the General Counsel. The employee’s supervisor and the appropriate vice president will be notified. If criminal activity is involved, UHPD will be involved and the employee will be subject to prosecution and criminal charges.

When a staff employee is involved, the investigation shall involve Human Resources and the appropriate vice president. When a faculty member is involved, the investigation shall include input from the Senior Vice President for Academic Affairs and Provost. When sponsored projects are involved, the investigation shall include the Vice President for Research and the Policy on Conflict of Interest for Academic Staff will be followed.

### VI. REVIEW AND RESPONSIBILITY

Responsible Party: Executive Director, Human Resources

Review: Every three years, on or before October 1

### VII. APPROVAL

John M. Rudley, Vice President for Administration and Finance

Jerald Strickland, Provost

Jay Gogue, President

Date of President's Approval: 09/15/04

### VIII. REFERENCES

## UNIVERSITY OF HOUSTON POLICIES

- Statutory Standards of Conduct for State Employees, § 572.051, Texas Government Code
- Penal Code § 36.02 (Bribery), §36.07 (Honoraria), § 39.01
- Government Code 572.051
- General Appropriations Act Article IX, § 5. Political Aid, Legislative Influence
- UH Board of Regents Policies 21.03, 29.02, 81.01, 57.01, 57.02, 57.04, 57.07, 57.08
- UH System Administrative Memoranda 02.A.03, 02.A.08, 02.A.09, 02.A.10, 02.A.21, 02.A.39, 02D.07
- Index Terms:
  - Acceptance of gifts by employees
  - Bribery
  - Confidential information
  - Conflicts of interest
  - Consulting and paid professional services
  - Dual employment
  - Ethics
  - Expert witness service
  - Governmental appearances
  - Honoraria
  - Lobbying by state employees
  - Nepotism
  - Outside employment
  - Political activities by state employees
  - Pro bono work
  - Related party interest

### Addendum A - Statutory Standards of Conduct for State Employees

#### Addendum A

##### Statutory Standards of Conduct for State Employees Board of Regents 57.08 - Conflicts of Interest § 572.051, Texas Government Code

All members of the board and employees of the system and its component institutions shall adhere to and be furnished a copy of the Statutory Standards of Conduct for State Employees, Section 572.051, Texas Government Code, and shall avoid conflicts of interest, generally described as the use of one's university employment or position to obtain unauthorized privileges, benefits, or things of value for oneself or others, including the following:

1. No board member or employee shall solicit, engage, or agree to accept any privilege, benefit, or thing of value for the exercise of his or her discretion, influence, or powers as an employee except as is allowed by law.
2. No board member or employee shall accept any privilege, benefit, or thing of value that might influence him or her in the discharge of his or her duties as an employee.
3. No board member or employee shall use his or her position to secure special privileges or exemptions for themselves or others, except as is allowed by law.

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4. No board member or employee may be an officer, agent, employee, or member of, or own an interest in a professional activity that might require or induce them to disclose confidential information acquired by reason of his or her system position.
5. No board member or employee shall accept employment or engage in any business or professional activity that might require or induce them to disclose confidential information acquired by reason of their system position.
6. No board member or employee shall disclose confidential information gained by reason of their system position, or otherwise use such information for personal gain or benefit.
7. No board member or employee shall transact any business for the system with any entity of which they are an officer, agent, employee, or member, or in which they own a significant interest.
8. No board member or employee shall make personal investments in any enterprise that might create a substantial conflict between their private interests and the system's interests.
9. No board member or employee shall accept other employment that might impair their independence of judgment in the performance of their system duties.
10. No board member or employee shall receive any compensation for services from any source other than the State of Texas except as allowed by law.
11. No board member or employee who exercises discretion in connection with contracts, purchases, payments, claims or other pecuniary transactions shall solicit, accept, or agree to accept any benefit from a person or entity the employee knows or should know is or is likely to become financially interested in such transactions.

Failure of any employee to comply with the foregoing shall constitute grounds for discharge or other disciplinary action.

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Division of Research Policy on Conflict of Interest for Academic Staff  
[\[http://www.research.uh.edu/PCC/Research\\_Policies.html\]](http://www.research.uh.edu/PCC/Research_Policies.html)

University of Houston  
Policy on Conflict of Interest for Academic Staff

Introductory Note

In recent years, the issue of conflict of interest has become increasingly important. University faculty and some staff members have taken on new and different functions in addition to the traditional roles of teaching, research, and public service. Spin-off companies transferring technology developed in the laboratory, extensive consultative activities, and various types of public service involvement are encouraged by both federal and state agencies, and by the University as necessary for the public good. Governmental agencies, becoming more concerned about the extent and type of these activities as they relate to funded and proposed research and scholarly activities of faculty and some staff have issued regulations which require universities to develop, publish, and enforce institutional policies which comply with certain federal mandates. Key in these policies is the requirement for regular, timely, and full disclosure of actual or

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potential conflicts of interest as they relate to significant financial interests which could reasonably be seen by an impartial observer as effecting the design, conduct, or reporting of research or educational activities funded or proposed for funding by an external sponsor.

### DEFINITIONS

#### Academic Staff Member

An academic staff member means the principal investigator, co-principal investigator, and any other person at the University who is responsible for the design, conduct, or reporting of research or educational activities. This definition includes anyone who is paid by or whose work is supported by a grant or contract whether the support is internal or external (e.g., graduate students, postdoctoral fellows, but not technicians or clerical employees) and includes the immediate family of the academic staff member.

#### Executive Unit Head

The executive unit head means the chair, or equivalent of other units such as the director of a center or institute, in whom primary administrative authority resides. If a conflict exists for an executive unit head, the term refers to the head of the next level of administrative authority in the normal reporting line.

#### Immediate Family

Immediate family means the academic staff member's spouse and dependent children as defined by the IRS.

#### Significant Financial Interest

Significant financial interest means anything of monetary value, including, but not limited to salary, other payments for services (e.g., consulting fees or honoraria); equity interests (e.g., stocks, stock options, or other ownership interests); and intellectual property rights (e.g., patents, copyrights and royalties from such rights).

The term does not include:

- Salary, royalties or other remuneration from the University;
- Any ownership interest in the institution, if the institution is an applicant under the Small Business Innovation Research Program or Small Business Technology Transfer Program;
- Income from seminars, lectures, or teaching engagements sponsored by public or nonprofit entities;
- Income from service on advisory committees or review panels for public or nonprofit entities;
- An equity interest that, when aggregated for the investigator and the investigator's spouse and dependent children, meets both of the following tests: does not exceed \$10,000 in value

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as determined through reference to public prices or other reasonable measures of fair market value, and does not represent more than a 5% ownership interest in any single entity; or

- Salary, royalties or other payments that, when aggregated for the investigator and the investigator's spouse and dependent children, are not expected to exceed \$10,000 during the next twelve-month period.

### GENERAL PRINCIPLES

#### Conflict of Interest

A conflict of interest may take various forms but exists when there is a divergence between an individual's private interests and his or her professional obligations to the University such that an independent observer might reasonably question whether the individual's professional actions or decisions might be influenced by considerations of gain, financial or otherwise, for the individual or his or her family members or for other parties. A conflict of interest depends on the situation, and not on the character or the actions of the individual.

Conflicts of interest are common and practically unavoidable in a modern research university. Conflicts of interest can arise out of the fact that a mission of the University is to promote public good by fostering the transfer of knowledge gained through University research and scholarship to the private sector. Two important means of accomplishing this mission include consulting and the commercialization of technologies derived from University research. It is appropriate that individuals be rewarded for their participation in these activities through consulting fees, sharing in royalties resulting from the commercialization of their work, ownership and/or other associations with spin-off companies. It is wrong, however, for an individual's actions or decisions, made in the course of his or her University activities, to be determined by considerations of personal financial gain. Such behavior calls into question the professional objectivity and ethics of the individual and reflects negatively on both the institution and the external sponsor of the research activity.

Members of the academic community should conduct their affairs so as to avoid or minimize conflicts of interest, and must respond appropriately when apparent conflicts of interest arise. To that end, the purposes of this policy are to educate individuals about situations that generate conflicts of interest, to provide means for individuals and the University to manage, reduce, or eliminate actual or potential conflicts of interest, and to describe situations that are prohibited. Every member of the academic community has an obligation to become familiar with, and abide by, the provisions of this policy. If a situation arises which raises questions of conflict of interest academic staff are urged to discuss the situation with their department chair, college dean, or the Vice President for Research.

### STATEMENT OF POLICY

#### Policy

Prior to the University entering into any of the arrangements listed below, the involved academic staff member must have submitted to the chair of his/her department or the executive unit head a

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complete written disclosure. This disclosure should include 1) his or her current or pending relationship with the outside enterprise or entity in which the academic staff member has a significant financial interest, 2) the relationship of the proposed University activity to the enterprise or entity, and 3) the means by which the academic staff member proposes to address actual or potential conflicts of interest which arise from his or her, including immediate family members, dual University and enterprise or entity roles.

- A) Project proposals where any of the involved academic staff members (or immediate family members) have employment or consulting arrangements or significant financial interests in an enterprise or entity whose interests might be affected by the outcome of the proposed project.
- B) Project proposals in which any of the involved academic staff members (or immediate family members) have employment or consulting arrangements or significant financial interests in the proposed sponsor, subcontractor, vendor, or collaborator with the proposed project.
- C) Gifts, including cash or property, which will be under the control, or will directly support the teaching or research activities of an academic staff member from an enterprise or entity in which that academic staff member (or immediate family members) has an employment or consulting arrangement or significant financial interests.
- D) University technology licensing arrangements with an enterprise or entity for which the inventor (or immediate family members) has employment or consulting arrangement or significant financial interests.

Common sense must prevail in the interpretation of these provisions. That is, if a reasonable, disinterested person would question the relationship, it should be disclosed and approval sought for the proposed arrangement.

### Certification of Compliance

On an annual basis, all academic staff members must certify to their department chair or executive unit head their knowledge of and compliance with the financial disclosure policy of the University as outlined herein. (A sample certification form is at the end of this document.) The certification form also requires the same information about members of the academic staff member's immediate family. Academic staff members must supply this information for confidential review by the University. At minimum, disclosures must include the information found on the sample certification form at the end of this document. Individual colleges of the University may design their own forms, including more, but not less, information than that requested below.

In addition, academic staff members must disclose to their department chair or executive unit head on an ad hoc basis new situations in which significant financial interests are obtained and which may raise questions of conflict of interest as soon as such situations become known to the academic staff member.

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The department chair or the executive unit head (if he/she does not report to the Vice President for Research) will review the certification form and forward to the Division of Research or to the Dean of the appropriate college as indicated on the certification form.

The dean or executive unit head (if he/she reports to the Vice President for Research) will review the financial disclosure, determine whether an actual or potential conflict of interest exists, and determine what conditions or restrictions, if any, should be imposed by the institution to manage, reduce or eliminate such conflict of interest. An actual or potential conflict of interest exists when the reviewer(s) reasonably determines that a significant financial interest could affect the design, conduct, or reporting of the research or educational activities in question.

Examples of conditions or restrictions that might be imposed to manage, reduce, or eliminate actual or potential conflicts of interest include:

- Public disclosure of significant financial interests;
- Monitoring of research by independent reviewers;
- Modification of the research plan;
- Disqualification from participation in that portion of the research that would be affected by the significant financial interests;
- Divestiture of the significant financial interests; or
- Severance of relationships that create actual or potential conflicts.

If the dean or executive unit head determines that imposing conditions or restrictions would be either ineffective or inequitable, and that the potential negative impacts that may arise from a significant financial interest are outweighed by interests of scientific progress, technology transfer, or the public health and welfare, then the dean or executive unit head may recommend that the research go forward without imposing such conditions or restrictions. Such a recommendation will be forwarded to the Vice President for Research, who shall be advised by a committee of faculty, for his or her review and approval. However, in any case any significant financial interest shall be publicly disclosed.

Following review and approval of any proposed arrangements by the dean or the executive unit head, the academic staff member's disclosure and the dean's findings and recommendation shall be submitted to the Vice President for Research, who shall be advised by a committee of faculty, for his or her review and approval.

Records of all financial disclosures and of all actions taken to resolve actual or potential conflicts of interest will be maintained in the Division of Research until at least 3 years beyond the termination or completion of the sponsored project award to which they relate, or the resolution of any government action involving those records.

Failure of any academic staff member to comply with this policy shall constitute grounds for disciplinary action.

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## PROCEDURAL DETAIL

### Responsibilities of Academic Deans and Executive Unit Heads

Each department chair, dean, executive unit head and the Vice President for Research is responsible for the timely review of annual certifications as well as ad hoc disclosure reports. The dean shall use his or her discretion and knowledge of local conditions to set up a system that works well for the college. Each college's plans for distribution, receipt, processing, and review of disclosure forms shall be submitted to and approved by the Vice President for Research. However, individual colleges may have more, but not less, restrictive internal policies than those set forth by the University.

College deans and executive unit heads will file their own disclosures and certifications of compliance with the Vice President for Research.

### Responsibilities of the Vice President for Research

The Vice President for Research is the University officer responsible for interpreting and overseeing implementation of and compliance with this Policy. He or she is responsible for reviewing and approving each college's mechanisms for implementing this Policy.

The Vice President for Research is responsible for keeping the appropriate external funding agency informed if the institution finds it is unable to satisfactorily manage an actual or potential conflict of interest for any activity where that agency requires that it be notified in such instances.

### Appeals of Decisions Made by the Vice President for Research

Should an academic staff member wish to appeal a decision made by the Vice President for Research, he or she may present the appeal to the President of the University of Houston.

### Implementation

This policy as written is based on the final regulations issued by the National Science Foundation and the Public Health Service effective October 1, 1995.

All academic staff members will be required to submit an annual disclosure (see attached) beginning September 1995 and when submitting a research proposal to one of the agencies which has mandated financial disclosure and to respond to the specific requirements related to that proposal submission as required by that agency. Faculty submitting proposals to the NSF or PHS (including NIH) on or after October 1, 1995, will be required to complete and submit a disclosure prior to submission of proposals.

Reviewed 9/1999

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APPENDIX I

[http://www.research.uh.edu/PCC/Research\_Policies.html]

University of Houston
Annual Certification of Compliance
With the Policy on Conflict of Interest for Academic Staff
September 1, \_\_\_\_\_(year) through August 31, \_\_\_\_\_(year)

NAME \_\_\_\_\_

DEPARTMENT \_\_\_\_\_ TITLE \_\_\_\_\_

The following questions apply to your situation as it currently exists. If there are any changes during the current fiscal year (i.e., September 1 through the following August 31) you must resubmit this form with the new information. If you answer "YES" to any of the questions below, list each such arrangement, provide an attached written explanation, and indicate how you propose to manage, reduce or eliminate the conflict of interest.

- 1. Do you currently have internally or externally sponsored research or are you supported by a grant or contract the outcome of which could affect the interests of an enterprise or entity which you (or your immediate family of relations, i.e. spouse, blood relations, step-relations, in-laws and adoptive relations) have employment or consulting arrangements and/or significant financial interest?
2. Do you currently have internally or externally sponsored research or are you supported by a grant or contract where you (or your immediate family of relations, i.e. spouse, blood relations, step-relations, in-laws and adoptive relations) have employment or consulting arrangements and/or significant financial interests with the sponsor of the research, a subcontractor to the grant, a vendor, or a research collaborator?
3. Do you currently have gifts or cash or property which are under your control, or which directly support your teaching or research activities from an enterprise or entity in which you (or your immediate family of relations, i.e. spouse, blood relations, step-relations, in-laws and adoptive relations) have an employment or consulting arrangement and/or significant financial interests?
3. Does the University currently have a technology licensing arrangement with an enterprise or entity for which you, the inventor, (or your immediate family of relations, i.e. spouse, blood relations, step-relations, in-laws and adoptive relations) have employment or consulting arrangements and/or significant financial interests?

CERTIFICATION

In submitting this form, I certify that the above information is true to the best of my knowledge and that I have read the University's policies related to conflict of interest as described in the "Policy on Conflict of Interest for Academic Staff." I supply this information for confidential review by the University and I do not authorize release of any of it for any other use.

SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

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**Administrative Review and Approval**

**Department Chairman or Unit Head (signature required on all forms):**

- To the best of my knowledge no conflict of interest exists.
- A conflict of interest may exist but does not appear to be significant.
- A conflict of interest may exist which warrants further review

Chair (or Unit Head) Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_ Date: \_\_\_\_\_

**Dean and Vice President for Research (signature required if any potential conflict is reported):**

Based on the information reported:

- To the best of my knowledge no conflict of interest exists.
- A conflict of interest may exist but does not appear to be significant.
- A conflict of interest may exist which warrants further review

Dean's (or Director's) Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_ Date: \_\_\_\_\_

Vice President for Research Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Instructions for Processing:**

All forms must be submitted annually by October 31 to the Division of Research. Original signatures are required. "Signed by," computer-generated, and rubber stamp signatures WILL NOT be accepted. Individuals with joint appointments must file a form with each unit. Completed and signed forms should be scanned and uploaded into the Division of Research database system. Instructions are available at:

[http://www.research.uh.edu/PCC/Research\\_Policies.html](http://www.research.uh.edu/PCC/Research_Policies.html)

Select "Procedure for Scanning and Storing Files in RD2K." The departments/dean's offices must have procedures in place for the filing and storage of the conflict of interest forms. Should you have any questions, please contact the Division of Research.

# UNIVERSITY OF HOUSTON DOWNTOWN POLICIES

01.A.12 Standards of Conduct

[<http://www.uhd.edu/about/hr/PS01A12.pdf>]

Memo to: All UH-Downtown/PS Holders

From: Max Castillo, President

Subject: Standards of Conduct Policy

UH-Downtown PS 01.A.12

Issue No. 3

Effective date: 02/01/2004

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## 1. PURPOSE

This Policy Statement specifies the standards of conduct to which University of Houston - Downtown (UHD) employees shall adhere to in order to avoid conflicts of interest, in accordance with Chapter 572, Texas Government Code. In summary, no state employee may have a direct or indirect interest, including financial and other interests, or engage in business transactions or professional activities, or incur any obligation of any nature that is in substantial conflict with the proper discharge of the employee's duties in the public interest. Further, new federal and state laws and regulations, together with growing scrutiny of the complex relationships between public institutions and outside public and private organizations and individuals, necessitate the clarification of standards of accountability for public employees. Requirements for ethical behavior are especially important to university employees because they are accountable to taxpayers for the use of public funds and have the responsibility to lead and educate students by example.

## 2. DEFINITIONS

2.1 Benefit: Anything an independent third party observer might reasonably regard to provide a monetary gain or advantage. When the appropriateness of a benefit is in question, it should not be accepted.

2.2 Conflicts of interest: are defined as the use of one's University employment to obtain unauthorized privileges, benefits or things of value for oneself or others.

2.3 Conflict of commitment: A situation in which an employee's outside activities interfere with the employee's primary commitment of time and intellectual energies to the University, or in which a full-time employee's primary professional loyalty is not to the University of Houston-Downtown.

2.4 Honoraria: A payment for speech, lecture, or services on which, by custom or agreement, a specific price may not be set.

## 3. POLICY/PROCEDURES

3.1 No employee shall accept or solicit any gift, favor, privilege, benefit, service, exemption, or thing of value that might reasonably tend to influence him/her in the discharge of official duties or that the employee knows or should know is being offered with the intent to influence the employee's official conduct.

3.2 A university employee commits the criminal offense of bribery if the employee solicits, offers, or accepts any benefit in exchange for a decision, opinion, recommendation, vote, or other exercise of discretion by the employee.

3.3 No employee shall accept other employment or engage in a business or professional activity, which foreseeably might require or induce him/her to disclose confidential information acquired by reason of this University position.

compensation which might impair his/her independence of judgment in the performance of his/her University duties.

3.5 No employee shall make personal investments that could reasonably be

## UNIVERSITY OF HOUSTON DOWNTOWN POLICIES

expected to create a substantial conflict between the employee's private interests and the public interest.

3.6 By law, an employee may not solicit, agree to accept, or accept an honorarium in consideration for services the employee would not have been asked to provide but for his or her official position. This prohibition includes a payment made to a third party if made in exchange of the employee's services. These restrictions do not apply to food, transportation, and lodging in connection with the service provided.

3.7 No employee shall intentionally or knowingly solicit, accept or agree to accept any benefit for having exercised his/her official powers or his/her official duties in favor of another.

3.8 Board of Regents Policy, 21.08 requires university faculty and staff to disclose on a timely basis the creation or discovery of all potentially patentable inventions created or discovered in the course of their university activities or with use of university resources. Ownership of these inventions must be assigned to the university regardless of source of funding.

3.9 Failure of any employee to comply with the foregoing standards of conduct shall constitute grounds for discharge or other disciplinary action.

#### 4. COMPLIANCE

4.1 The University of Houston - Downtown will distribute annually Policy Statement 01 .A. 12, Standards of Conduct, to all employees. An annual certification by regular faculty, exempt staff, and other key staff involved in procurement or funded research activities is required to include the following:

- Receipt of this Policy Statement and compliance with its provisions,
- Disclosure of any external consulting, employment, and professional activities,

- Including service on governing boards and ownership in outside enterprises,
- Providing the names of the external employers/organizations involved,
- Disclosure of any actual or potential conflicts of interest related to external employment, acceptance of benefits, or external investments, and
- Any additional information that may be required by federal funding agencies.

A timely review and approval or disapproval of written disclosures of pending relationships by university employees entering into any consulting, investment, professional, or other arrangements that may potentially involve a conflict of interest or commitment must be done prior to beginning any such activities. Approval must be secured in writing from the Vice-President for Administration and Finance. All approved activities must be reported annually by the Vice President of Administration and Finance to the University of Houston System Chancellor.

4.2 In addition to university-wide certifications, the President is required to submit an annual financial statement with the Texas Ethics Commission using the forms provided by the Commission. Vice Presidents, those at the director level or higher positions over procurement and contracting functions, and those employees considered by the University of Houston - Downtown to have high-level procurement responsibilities shall file with the Vice President for Administration and Finance a report disclosing the following information:

- The amount of any compensation received for services related to these associations and
- Known information regarding whether any of the organizations cited have any relationship to the University of Houston System and a

## UNIVERSITY OF HOUSTON DOWNTOWN POLICIES

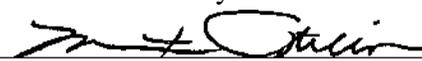
description of the relationship.

4.3 Information received during the annual certification shall be compiled and submitted to the Chancellor through the Office of the Vice Chancellor for Administration and Finance prior to the Chancellor's annual report to the Board of Regents.

### 5. REVIEW AND RESPONSIBILITIES

Responsible Party (Reviewer): Assistant Vice President for Human Resources and Affirmative Action

Review: Bi-annually

  
\_\_\_\_\_  
President

### Policy History

Issue #1: 05/16/1994

Issue #2: 03/15/1999

Issue #3: 02/01/2004

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### 05.C.07 Code of Conduct – Procurement Responsibilities

[<http://www.uhd.edu/about/hr/PS05C07.pdf>]

Memo to: UH-Downtown/PS Holders

From: Max Castillo

Subject: Code of Conduct - Procurement Responsibilities

UH-Downtown/PS 05.C.07

Issue No. 1

Effective date: 11/01/99

Page 1 of 1

#### 1. PURPOSE

University of Houston - Downtown (UHD) employees have a responsibility to the public to maintain high institutional and personal standards in the performance of their official duties. This policy defines the standards of conduct that must be met by all university employees engaged in any activity related to purchasing or contracting for goods or services for the university. This policy complies with state and federal laws, standards of ethics, and good business practices.

#### 2. DEFINITIONS

2.1 Benefit: Anything reasonably regarded as providing monetary gain or advantage. For the purposes of this policy, such benefit shall include personal and individual invitations to meals or items of significant gain or advantage with a value of \$50.00 or more.

2.2 Conflict of interest: A situation in which there is a divergence between the employee's private interests and the employee's professional obligations to the University (i.e. the public interest) such that an independent observer might reasonably question whether the employee's actions or decisions are determined by considerations of private gain, financial or otherwise, to the University's detriment.

2.3 Financial relationship: Includes paid employment, consulting or other contract work, ownership or investment such that the relationship accrues a financial benefit to the employee or family member. This directive concerns benefits to the employee or family member that are direct and substantial.

2.4 Immediate family: Includes spouse and dependent children. Dependent children, for the purposes of this policy, include adopted, step-, and foster children, as well as natural sons and daughters.

## UNIVERSITY OF HOUSTON DOWNTOWN POLICIES

2.5 Procurement or purchasing activities includes: 2.5.1 approvals, disapproval, or recommendations concerning a procurement transaction;

2.5.2 preparation of any part of procurement actions; 2.5.3 influencing the content of any specification or procurement standard; and

2.5.4 acting in any advisory capacity including rendering of advice, investigation, or auditing in any procurement activity.

2.6 Regular employee: A University employee who is employed at least 20 hours per week on a regular basis for a period of at least 4-1/2 months, excluding students employed in a position for which student status is a condition of employment.

### 3. POLICY/PROCEDURES

3.1 This policy applies to all procurement activities by all University employees, and in particular to regular faculty, exempt staff, and non-exempt staff who have certifying signature authority. These directives apply to procurement actions from all sources of funds.

3.2 UHD employees shall not participate in the selection of a vendor or the award or administration of any contract or purchase if a real or apparent conflict of interest would be involved. A conflict would exist if the employee or any member of his or her immediate family had a financial or other interest in a firm otherwise eligible for the procurement action, and that interest would result in personal benefit to the employee or family member.

3.3 University employees shall neither solicit, demand or accept any gift, favor, privilege, benefit, service, exemption, special discount, trip, employment, loan, gratuity, economic opportunity, or thing of value from any vendor, contractor, or party to a subagreement that would result in personal benefit and/or that could influence the employee's official conduct. In cases where the appropriateness of the benefit may

be in question, the benefit should not be accepted.

3.4 Any attempt to realize personal gain through conduct inconsistent with the proper discharge of the employee's duties to the university is a breach of the public trust and will subject the employee to disciplinary action up to and including termination, as well as to the possibility of criminal charges.

3.5 University employees who, as a function of their job responsibilities, participate directly or indirectly in any procurement activity may not (nor shall any member of their immediate families):

3.5.1 acquire or maintain a direct financial relationship pertaining to the procurement;

3.5.2 acquire or maintain a direct financial relationship with a business or organization pertaining to the procurement; or

3.5.3 enter into a negotiation or an arrangement concerning prospective employment with a person, business, or organization involved in any specific procurement in which the employee is involved.

3.6 A University employee shall not offer, give, or agree to give any individual or organization a gratuity, benefit, or offer of employment in connection with any procurement activity.

3.7 A University employee may not disclose confidential information obtained by reason of his or her position nor otherwise use such information for actual or anticipated personal gain or for the personal gain of any other person.

3.8 This policy allows the use of employee-authored textbooks or other intellectual property in the employee's courses.

3.9 All faculty and staff are required to read and sign a Related Party Disclosure Form each fall, in accordance with UHS AM 02.A.10 (Disclosure of Related Party Interests).

### 4. REVIEW AND RESPONSIBILITIES

Responsible Party:

# UNIVERSITY OF HOUSTON DOWNTOWN POLICIES

Vice President for Administration and Vice  
President for Academic Affairs  
Review: Biennial

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President

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06.A.03 Standards of Conduct in Government-Sponsored Research  
[\[http://www.uhd.edu/about/hr/PS06A03.pdf\]](http://www.uhd.edu/about/hr/PS06A03.pdf)

Memo to: All UH-Downtown/PS Holders

UH-Downtown/PS 06.A.03  
Issue No. 2

From: Max Castillo, President Effective date: 05/02/01

Page 1 of 2

Subject: Standards of Conduct in Government-Sponsored Research

## 1. PURPOSE

This PS outlines the standards of procedure and conduct in Government-sponsored research adhered to by the University of Houston - Downtown (UHD). These standards are part of a joint statement of The Council of the American Association of University Professors and The American Council on Education. All University employees must abide by the procedures outlined herein to prevent conflicts of interest with outside parties, including government agencies.

## 2. POLICY/PROCEDURES

2.1 Favoring of Outside Interests. When a University employee involved in government-sponsored work has a significant financial interest in, or a consulting arrangement with, a private business concern, actual or apparent conflicts of interest must be avoided between his government-sponsored University research obligations and his outside interests and other obligations. Situations in or from which conflicts of interest may arise are:

2.1.1 Undertaking or orientation of the employee's University research to serve the research or other needs of the private firm without disclosure of these activities to the University and to the sponsoring agency;

2.1.2 Purchase of major equipment, instruments, materials, or other items for University research from the private firm in which the employee has the interest without disclosure of such interest;

2.1.3 Use for personal gain or to benefit a private entity of Government-sponsored work products, results, materials, records, or information that are not made generally available (This would not necessarily preclude appropriate licensing arrangements for inventions, or consulting on the basis of Government-sponsored research results where there is significant additional work by the employee independent of the Government-sponsored research);

2.1.4 Use for personal interest or other unauthorized use of privileged information acquired in connection with the employee's Government-sponsored activities. Privileged information includes, but is not limited to, medical, personnel or security records of individuals; anticipated material requirements of price actions; possible new sites for government operations; and knowledge of forthcoming programs or selection of contractors/subcontractors in advance of official notice.

2.1.5 Negotiation or influence upon the negotiation of contracts relating to the employee's Government-sponsored research between the University and private

## UNIVERSITY OF HOUSTON DOWNTOWN POLICIES

organizations with which the employee has consulting or other significant influence.

2.1.6 Acceptance of gratuities or special favors from private organizations with which the University does or may conduct business in connection with a Government-sponsored research project, or extension of gratuities or special favors to employees of the sponsoring Government agency, under circumstances which might reasonably be interpreted as an attempt to influence the recipients in the conduct of their duties.

2.2 Distribution of Effort. There should be a clear understanding, by all concerned parties, of the amount of time and responsibilities for which an employee is accountable, when involved in Government-sponsored research. A demonstrable relationship between the effort or responsibility proposed in the research agreement and the actual extent of the employee's involvement is expected in order to avoid any misconceptions of the amount of intellectual effort being devoted to the research in question.

2.3 Consulting for Government Agencies or their Contractors. When the University employee engaged in Government-sponsored research also serves as a consultant to a Federal agency, his/her conduct is subject to the provisions of the Conflict of Interest Statutes (18 U.S.C. 202-209 as amended). If the employee consults for one or more Government contractors, or prospective contractors, in the same technical field as his/her research project, care must be taken to avoid giving advice that may be of questionable objectivity because of its possible bearing on his/her other interests. In undertaking and performing consulting services, the employee shall make full disclosure of such interests to the University and to the contractor insofar as they may appear to relate to the work at the University for the contractor.

2.4 University Responsibilities. UHD recognizes that disclosure and consultation are the obligations assumed by the University when it accepts government funds for research. UHD will herein implement organizational and administrative actions to prevent conflicts of interest in Government-sponsored research.

2.4.1 The Coordinator of Grants and Contracts and the Principal Investigator will insure that all Government funds are expended for the purposes for which they are intended and that all services which are required in return for these funds are supplied (See Exhibit A for specific procedures.).

2.4.2 Any UHD employee involved in Government-sponsored research must consult with the appropriate vice president before accepting any outside professional work to insure there will not be any real or perceived conflicts of interest with the research.

2.4.3 The Vice President for Administration or designee will serve as an informed source of advice and guidance for consultation on problems that may or do develop as a result of University employees' outside financial or consulting interests, as they relate to their participation in any Government-sponsored research.

2.4.4 All University employees participating in Government-sponsored research must abide by the standards outlined herein as well as those delineated in all Grant Administration policies (PS 06.A.xx).

### 3. REVIEW AND RESPONSIBILITIES

Responsible Party (Reviewer): Vice President for Administration  
Review: Biennial  
President

Policy History  
Issue #1: 09/30/94

# UNIVERSITY OF HOUSTON DOWNTOWN POLICIES

## EXHIBIT A (PS 06.A.03)

### UNIVERSITY OF HOUSTON - DOWNTOWN

#### GRANT ACCOUNTING PROCEDURES

The University of Houston – Downtown (UHD) is the recipient of awards and grants from various governmental or private entities. These grants are awarded for specific activities, such as research.

The Coordinator of Grants and Contracts is responsible for the accounting, reconciliation, reporting and reimbursement activities relating to awards. For each award, separate accountability is maintained.

Upon receipt of an award, an account number is assigned and the budget is established based on the allocations approved by the awarding agency. The budget is created according to the categories of the award and the Principal Investigator (PI) is assigned as the Account Manager.

In most cases, the University will initially expend its own funds. Some federal grants are reimbursed through a letter of credit arrangement with the various federal agencies. An established volume criteria per agency must be maintained before a letter of credit may be established with an agency. Therefore, UHD's letters of credit are combined with the other UH components. UHD draws down funds daily or weekly depending on the agency. The Coordinator of Grants and Contracts monitors these types of expenditures closely to minimize the length of time local funds are used. UH Central Research Accounting Office prepares the federal PMS 272 report (monthly for the Department of Education and quarterly for other federal agencies). Expenditures for grants from state or private entities are billed to the agencies. These billed receivables are also monitored closely to insure timely payments.

Grant Accounting is responsible for requesting funds from the awarding agency, tracking expenditures, verifying the legality of the expenditures and matching them against the award budget and balance. Periodic reporting of the expenditures and reconciliation of reimbursements is required for each grant, as dictated by the awarding agency.

Once a month, an account analysis is processed for each grant and forwarded to the respective Principal Investigator. The PI will:

1. Review all expenditures;
2. Recommend action should encumbrances need to be changed or canceled. (PI notifies Grant Accounting of needed corrections);
3. Request Grant Accounting to process any necessary reclassification of budgetary-related items, after seeking approval from the awarding agency. Accounting will notify the Budget Office which will make all necessary changes; and
4. Request reclassification of accounts if overexpenditures occur. The PI must supply Grant Accounting with the departmental account that will absorb this expense. Grant Accounting will process the entry.

## UNIVERSITY OF HOUSTON DOWNTOWN POLICIES

Research Accounting will reconcile the general subledgers for all grant accounts (Ledger 5) on a monthly basis.

Prior to the expiration of a grant, the PI will be responsible for the following:

1. Notify the Purchasing Department regarding the disposition of any outstanding encumbrances relating to purchases.
2. Notify the Payroll Department regarding the disposition of any outstanding payroll encumbrances relating to items that are not in line with the original intent of the approved grant budget.
3. Review expenditures as they relate to particular budgets granted. If expenditures should be applied to another account, the Grant Accounting Department should be notified.
4. Notify the Budget and Grant Accounting departments regarding any reclassification, or proposed reclassification, of any budgetary change to the account. This may require prior approval by the awarding agency.
5. If the account has a negative balance of funds available, the Grant Accounting Department will be notified as to which account will be used to absorb any expenditures that have exceeded the original budgeted amount.

Once the PI complies with the foregoing steps, Grant Accounting will process and forward the final financial report to the regulatory agency.

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### 06.A.04 Procurement Integrity Policy

[<http://www.uhd.edu/about/hr/PS06A04.pdf>]

Memo to: All UH-Downtown/PS Holders

UH-Downtown/PS 06.A.04

Issue No. 2

From: Max Castillo, President Effective date: 05/02/01

Page 1 of 1

Subject: Procurement Integrity Policy

#### **1. PURPOSE**

This PS outlines the prohibited actions by of University of Houston - Downtown (UHD) personnel who have any role in the development and submission of proposals to federal agencies and/or negotiations of any contracts.

#### **2. POLICY/PROCEDURES**

2.1 Section 27 of the OFPP Acts Amendment of 1988, entitled "Procurement Integrity" prohibits certain activities by universities and their personnel, especially principal investigators and administrative

officials, while the government is reviewing proposals in anticipation of making an award. This law affects the interaction of University personnel with program and procurement officials in the federal government. It may also affect the interaction of University personnel as consultants to any governmental agency.

2.2 Activities which University personnel are prohibited from engaging in are as follow:

2.2.1 Discuss any potential future employment of government officials;

## UNIVERSITY OF HOUSTON DOWNTOWN POLICIES

2.2.2 Provide anything of value to governmental officials or their families;

2.2.3 Offer any money, gratuity, or other thing of value to any procurement officer; or

2.2.4 Solicit proprietary or source selection information from governmental officials.

2.3 If the proposed award is \$100,000 per year or more, the Vice President for Administration shall file, concurrent with submission of the proposal and/or the award, a certification concerning procurement integrity by the University (Exhibit A).

2.4 Violation of these regulations will result in loss of contract awards (or a part thereof), and may result in suspension or debarment from receipt of any federal awards.

### 3. REVIEW AND RESPONSIBILITY

Responsible Party (Reviewer): Vice President for Administration

Review: Biennial  
President

Policy History

Issue #1: 08/01/94

EXHIBIT B  
(PS 06.A.04)

## UNIVERSITY OF HOUSTON-DOWNTOWN

### CERTIFICATION REGARDING PROCUREMENT INTEGRITY (Federal Contracts and Grants)

The undersigned certifies, to the best of his knowledge and belief, that the University of Houston-Downtown has abided by the requirements of the Procurement Integrity regulations, whereby University employees have not, knowingly:

- a) Made, directly or indirectly, any offer or promise of future employment with any procurement officer of the federal agency;
- b) Offered or gave, directly or indirectly, any money, gratuity, or other thing of value to any procurement officer of the federal agency;
- c) Solicited or obtained, directly or indirectly, any proprietary or source selection information regarding such procurement.

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T. Chaney Anderson, Vice President for Administration      Date

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06.A.07 Ethical Conduct in Research and Government-Sponsored Activities

[<http://www.uhd.edu/about/hr/PS06A07.pdf>]

Memo to: All UH-Downtown/PS Holders

UH-Downtown/PS 06.A.07

Issue No. 2

From: Max Castillo, President Effective Date: 04/30/01

Page 1 of 2

Subject: Ethical Conduct in Research and Government-Sponsored Activities

# UNIVERSITY OF HOUSTON DOWNTOWN POLICIES

## 1. PURPOSE

This PS states the University of Houston - Downtown (UHD) policy and procedures for promoting ethical behavior in all research, scholarly and creative activities, and government-sponsored activities, and outlines how to handle allegations of scientific misconduct. This policy does not address items such as differences in interpretation or judgment of data, scholarly or political disagreements, personal or professional opinions, or private, moral or ethical behavior or views.

## 2. DEFINITIONS

2.1 Misconduct is defined as deliberate fabrication, falsification plagiarism, or other serious deviation from practices commonly accepted in the academic and scientific communities for proposing, conducting, or reporting results from education, research, and scholarly or creative activities. Misconduct also refers to retaliation against a person who, acting in good faith, reports or provides information about suspected or alleged misconduct.

2.2 Inquiry is defined as a stage of preliminary information-gathering and initial fact-finding to determine whether an allegation or apparent instance of misconduct warrants an investigation.

2.3 Investigation is a formal examination and evaluation of relevant facts to determine whether misconduct has taken place or, if misconduct has already been confirmed, to assess its extent and consequences and/or to determine appropriate action.

2.4 Relevant Parties is defined as the person(s) against whom the allegations were made, the person making the allegations, and the funding agency (if a government-sponsored activity).

## 3. POLICY/PROCEDURES

### 3.1 Policy

3.1.1 All research and government-sponsored activities in which members of the University community engage shall be conducted according to the recognized high ethical standards of collegiate education and research.

3.1.2 Ethical behavior includes, but is not limited to, faithful representation of data and accurate disclosure of all facts pertaining to all education and research activities.

3.1.3 Participants in research projects must be noted and persons listed as coauthors on research reports of any type must have a bona fide role in the research and accept responsibility for the quality of work reported.

3.1.4 All members of the University community have the responsibility to report those activities which they believe constitute unethical behavior.

3.1.5 All allegations of misconduct involving science and/or engineering activities funded by the Public Health Service, the National Institutes of Health, and/or the National Science Foundation, must be reported according to the steps delineated in Exhibit A.

### 3.2 Procedures for Investigating Allegations of Misconduct

3.2.1 Allegations of unethical behavior or misconduct shall be reported in writing to the Vice President of Academic Affairs and Provost (VPAA) for review and action. If the VPAA has a possible conflict of interest, the allegation shall be reported to the President. In such instances, duties assigned to the VPAA in implementing this policy will be implemented by the President.

3.2.2 The VPAA will authorize an inquiry into the suspected or alleged misconduct and determine whether the allegations warrant further examination as violations of University policy. The initial inquiry will

## UNIVERSITY OF HOUSTON DOWNTOWN POLICIES

last no longer than 60 calendar days and must include a meeting with the subject(s) of the allegation. This inquiry will result in the VPAA Inquiry Report containing the following information:

- a. Name of the person(s) against whom the allegations were made;
- b. General nature of the allegations;
- c. The application/grant number (if a government-funded activity);
- d. Evidence reviewed and persons interviewed; and
- e. Conclusions. (A decision to dismiss the allegation or proceed with a formal investigation.)

3.2.3 If the allegations are dismissed, the VPAA will notify the relevant parties within 10 working days. A detailed record of the inquiry shall be maintained in the Office of the Vice President for Administration to allow for a later assessment of the reasons for not conducting a formal investigation. These records shall be securely stored for a period of at least three years after termination of the inquiry.

3.2.4 If the decision is made to initiate a formal investigation, the VPAA will notify the relevant parties and appoint an Investigating Committee (IC). The VPAA will forward to the IC the initial report. The members of the IC will be appointed by the VPAA in consultation with the Executive Committee of the Faculty Senate. The IC will consist of at least two tenured faculty representatives from each of the three colleges.

3.2.5 At its first meeting, the IC will elect a chair to handle procedural and administrative matters. The investigative phase will begin within 10 days of completion of the inquiry and shall reach a disposition within 60 days of its initiation. The IC may request the advice or appearance of individuals familiar with the nature of the study while maintaining, to the extent allowed by law, their confidentiality.

3.2.6 The IC shall insure confidentiality of the proceedings and shall undertake diligent efforts to protect the position, anonymity, and reputation of all parties in the misconduct investigation.

3.2.7 The subject of the allegation has the right to submit information to the committee and/or appear personally before the IC to present his/her case. Prior to such appearance, the subject of the allegation has the right to receive a written report from the IC detailing all the evidence relevant to the allegation. At this appearance, he/she may bring legal counsel or an advisor but must speak for himself/herself. If either the IC or the subject of the allegation wishes to have legal counsel or an advisor present during the hearing, the chair of the IC and/or the subject of the allegation must be notified at least one week in advance. This meeting shall be conducted informally.

3.2.8 A record of the proceedings and all related documentation shall be maintained by the IC's chair throughout the investigative process. Breach of confidentiality will be grounds for a charge of misconduct or other appropriate personnel action.

3.2.9 Once the investigation has been completed, the IC shall issue a formal report summarizing its findings and conclusions which may include a majority and minority report. Copies of the investigative report, the record of the proceedings and all related documentation will be forwarded to the VPAA. Within 10 working days of receiving this report, the VPAA will forward copies of the report to the relevant parties.

3.2.10 All documentation related to the inquiry and investigation proceedings shall be stored in the Office of the Vice President for Academic Affairs and Provost.

### 3.3 Penalties and Appeals

3.3.1 Within 10 working days of receipt of the report, the VPAA, consonant with the seriousness of the offense, shall impose

## UNIVERSITY OF HOUSTON DOWNTOWN POLICIES

disciplinary measures which include, but are not limited to, a written reprimand to be placed in the employee's personnel file, withholding of pay raises for a period of time, notification of the offense to pertinent organizations and publishers, or initiating dismissal procedures within the regulations of the University.

3.3.2 Sanctions imposed by the funding agency, if misconduct occurs in a government-sponsored activity, range from minimal restrictions to suspension or termination of an active award, loss of funding and/or debarment or suspension of an individual, a department, or the University from participating in government-sponsored programs.

3.3.3 Retaliation against the person(s) reporting the allegations of misconduct is prohibited and shall be dealt with as misconduct.

3.3.4 Interim administrative action may be taken by the university and/or the awarding agency upon receipt of allegations of misconduct in research or government-sponsored activities.

3.3.5 The subject of the investigation may appeal the IC's ruling and/or sanctions imposed by the VPAA to the President. This appeal must occur within 30 calendar days of the receipt of the ruling and/or sanctions being appealed. The President's decision will be final and binding.

### 4. REVIEW AND RESPONSIBILITIES

Responsible Party (Reviewer): Vice President for Academic Affairs  
Review: Biennial  
President

Policy History  
Issue #1: 10/16/95

EXHIBIT A  
(PS 06.A.07)

### STEPS FOR DEALING WITH ALLEGATIONS OF MISCONDUCT (Science and Engineering Government-Sponsored Activities)

The University of Houston - Downtown has established an administrative process for promoting ethical behavior in education, research and government-sponsored activities and for handling allegations of scientific misconduct. To this end, the procedures stipulated in PS 06.A.07 and the steps outlined below will be followed.

1. Inform the funding agency if an initial inquiry into suspected or alleged scientific misconduct warrants a formal investigation. A copy of the written report resulting from the inquiry shall be received by the funding agency prior to the commencement of the investigation.
2. Keep the funding agency informed throughout the investigation.
3. Provide the funding agency with a copy of the investigation report including the sanctions imposed on the individual(s) against whom the allegations of scientific misconduct were made.
4. Notify the funding agency at any point during the inquiry and/or investigation phase(s) of the alleged misconduct if it involves any of the following:
  - a. Immediate health hazards;
  - b. Resources, reputation, or other interests of the funding agency which need to be protected;

## UNIVERSITY OF HOUSTON DOWNTOWN POLICIES

- c. Federal action may be needed to protect the interests of the subject of the investigation or of others potentially affected;
  - d. The scientific community or the public should be informed, or will be informed; or
  - e. There is a reasonable indication of a criminal violation. In that instance, the funding agency must be notified within 24 hours of obtaining that information.
5. Science and engineering proposals, for activities funded by the Public Health Service, the National Institutes of Health, and/or the National Science Foundation, must include a copy of the "Certification of Scientific Integrity" executed by the Vice President for Academic Affairs and Provost. This form may be obtained in the Office of the Vice President for Academic Affairs and Provost.

### UNIVERSITY OF HOUSTON - DOWNTOWN CERTIFICATION OF SCIENTIFIC INTEGRITY (Certification for Science or Engineering Proposals)

The undersigned certifies that the University of Houston - Downtown (UHD) will ensure protection of the integrity of all education and research activities, research subjects, and the public; observance of legal requirements and responsibilities; an impartial process for receipt and disposition of allegations of scientific misconduct; prompt notification to the agency if allegations of scientific misconduct occur; protection of the person(s) bringing the allegation; and proper maintenance of a complete and accurate record of the misconduct proceedings for all government-sponsored science and engineering activities.

\_\_\_\_\_  
Vice President for Academic Affairs and Provost

\_\_\_\_\_  
Date

## UNIVERSITY OF HOUSTON CLEAR LAKE POLICIES

### 10.2.3 Procedure on Conflicts of Interest for Investigators

[\[http://prtl.uhcl.edu/portal/page/portal/PRV/FORMS\\_POLICY\\_PROCEDURES/FACULTY\\_HANDBOOK/10\\_2\\_3\\_fh\]](http://prtl.uhcl.edu/portal/page/portal/PRV/FORMS_POLICY_PROCEDURES/FACULTY_HANDBOOK/10_2_3_fh)

*Approved by University Council, March 10, 2005*

#### 1. Purpose

The Conflict of Interest policy applies to individual(s) applying for or receiving funds that are to be managed through the University. In accordance with Federal regulations, the University has a responsibility to manage, reduce, or eliminate any actual or potential conflicts of interest that may be presented by a financial interest of an investigator. Thus, the University requires that investigators disclose any significant financial interest that may present an actual or potential conflict of interest with a sponsored project. Violations of conflict of interest may result in fines and/or penalties against the university.

The goal of the Conflict of Interest policy is to facilitate maintaining objectivity in the production of research results.

#### 2. Definitions

2.1 To be in compliance with Federal regulations governing sponsored projects, we have adopted the following definitions.

2.2 Investigator means the principal investigator/project director, co-principal investigators, and any other person at the university who is responsible for the design, conduct, or reporting of research, educational, or service activities funded, or proposed for funding, by an external sponsor providing funds that are to be managed through the university. In this context, the term "Investigator" includes the investigator's spouse and dependent children.

2.3 Significant Financial Interest means anything of monetary value, including, but not limited to:

- salary or other payments for services (e.g., consulting fees or honoraria)
- equity interests (e.g., stocks, stock options or other ownership interests)
- intellectual property rights (e.g., patents, copyrights, and royalties from such rights).

The term does not include:

1. salary, royalties, or other remuneration from the university;
2. income from seminars, lectures, or teaching engagements sponsored by public or nonprofit entities;
3. income from service on advisory or review panels for public or nonprofit entities;
4. an equity interest that when aggregated for the Investigator and the Investigator's spouse and dependent children, meets both of the following tests: does not exceed \$10,000 in value as determined through reference to public prices or other reasonable measures of

## UNIVERSITY OF HOUSTON CLEAR LAKE POLICIES

fair market value, or constitute more than a five percent ownership interest in any single entity, or

5. salary, royalties, or other payments that when aggregated for the Investigator and the Investigator's spouse and dependent children over the next twelve months, are not expected to exceed \$10,000.

Provided, however, that the exclusions in items (1), (4), and (5) shall not apply if the compensation or transfer of an equity interest is conditioned upon a particular outcome in a sponsored research project.

2.4 A Potential Conflict of Interest occurs when there is a divergence between an individual's private interests and his or her professional obligations to the University such that an independent observer might reasonably question whether the individual's professional actions or decisions are determined by considerations of personal gain, financial or otherwise. An actual conflict of interest depends on the situation and not on the character or actions of the individual.

### 2.5 Conflict of Interest

The following list illustrates some of the most common conflicts of interest that occur with sponsored programs:

- Altering the focus of a research program for the benefit of one's outside interests or for financial gain;
- Obtaining personal gain by influencing purchases of equipment, instruments, etc.;
- Influencing the negotiation of contracts for inappropriate personal or third party benefit;
- Using or releasing privileged information for personal or third party gain;
- Accepting gratuities or special favors in return for influencing the conduct of research.

## 3. Procedure

3.1 Prior to the University entering into any of the arrangements listed below, the involved Investigator must have submitted to the dean of his/her School or to the executive unit head a complete written disclosure. This disclosure should include 1) his or her current or pending relationship with the outside enterprise or entity in which the Investigator has a significant financial interest, 2) the relationship of the proposed University activity to the enterprise or entity, and 3) the means by which the Investigator proposes to address actual or potential conflicts of interest which arise from his or her, including immediate family members, dual University and enterprise or entity roles.

3.2 Project proposals where any of the involved Investigators (or immediate family members) have employment or consulting arrangements or significant financial interests in an enterprise or entity whose interests might be affected by the outcome of the proposed project.

3.3 Project proposals in which any of the involved Investigators (or immediate family members) have employment or consulting arrangements or significant financial interests in the proposed sponsor, subcontractor, vendor, or collaborator with the proposed project.

## UNIVERSITY OF HOUSTON CLEAR LAKE POLICIES

3.4 Gifts, including cash or property, which will be under the control, or will directly support the teaching or research activities of an Investigator from an enterprise or entity in which that Investigator (or immediate family members) has an employment or consulting arrangement or significant financial interests.

3.5 University technology licensing arrangements with an enterprise or entity for which the inventor (or immediate family members) has employment or consulting arrangement or significant financial interests.

3.6 Common sense must prevail in the interpretation of these provisions. That is, if a reasonable, disinterested person would question the relationship, it should be disclosed and approval sought for the proposed arrangement.

### 4. Implementation

This procedure as written is based on the final regulations issued by the National Science Foundation contained in Manual Number 15 as revised October, 1977 and the Public Health Service Objectivity in Research Guide, National Institutes of Health Guide, effective October 1, 1995.

### 5. Certification of Compliance

5.1 On an annual basis, all Investigators engaging in sponsored projects must certify to their dean or executive unit head their knowledge of and compliance with the financial disclosure policy of the University as outlined herein. (See Appendix I, sample certification form, at the end of this document.) The certification form also requires the same information about members of the Investigator's immediate family. Investigators must supply this information for confidential review by the University. At minimum, disclosures must include the information found on the sample certification form at the end of this document.

5.2 In addition, Investigators engaging in sponsored projects must disclose to their Dean or executive unit head on an ad hoc basis new situations in which significant financial interests are obtained and which may raise questions of conflict of interest as soon as such situations become known to the Investigator.

5.3 The dean or executive unit head will review the financial disclosure, determine whether an actual or potential conflict of interest exists, and determine what conditions or restrictions, if any, should be imposed by the institution to manage, reduce or eliminate such conflict of interest. An actual or potential conflict of interest exists when the reviewer(s) reasonably determines that a significant financial interest could affect the design, conduct, or reporting of the research or educational activities in question.

5.4 Examples of conditions or restrictions that might be imposed to manage, reduce, or eliminate actual or potential conflicts of interest include:

- Public disclosure of significant financial interests;

## UNIVERSITY OF HOUSTON CLEAR LAKE POLICIES

- Monitoring of projects by independent reviewers;
- Modification of the research plan;
- Disqualification from participation in that portion of the project that would be affected by the significant financial interests;
- Divestiture of the significant financial interests; or
- Severance of relationships that create actual or potential conflicts.

5.5 If the dean or executive unit head determines that imposing conditions or restrictions would be either ineffective or inequitable, and that the potential negative impacts that may arise from a significant financial interest are outweighed by interests of scientific progress, technology transfer, or the public health and welfare, then the dean or executive unit head may recommend that the project go forward without imposing such conditions or restrictions. Such a recommendation will be forwarded through the Executive Director, Office of Sponsored Programs, to the Associate Vice President for Information Resources, who shall provide his or her approval and/or disapproval as delegated by the Provost. Restrictions similar to those listed in section 5.4 may be imposed by the Associate Vice President for Information Resources.

### 6. Appeals of Decisions

Should an Investigator wish to appeal a decision made by the Associate Vice President for Information Resources, he or she may present the appeal to the Provost who then forms the adhoc appeals committee. The adhoc appeals committee is to be made up of one faculty from each school selected by the dean of that school, one member from A&F and one non-academic position appointed by the Provost. The adhoc appeals committee will make a recommendation to the Provost who has final authority.

### 7. Retention of Records

Records of all financial disclosures and of all actions taken to resolve actual or potential conflicts of interest will be maintained in the Office of Sponsored Programs until at least 3 years beyond the termination or completion of the sponsored project award to which they relate, or the resolution of any government action involving those records.

Failure of any Investigator to comply with this policy shall constitute grounds for disciplinary action.

### Appendix I

University of Houston-Clear Lake  
Annual Certification of Compliance

With the Procedure on Conflict of Interest for Investigators

NAME \_\_\_\_\_ TITLE \_\_\_\_\_  
DEPARTMENT \_\_\_\_\_ EMPL ID \_\_\_\_\_

The following questions apply to your situation as it currently exists. If there are any changes during the current fiscal year (i.e., September 1 through the following August 31) you must resubmit this form with the new information. If you answer yes to any of the questions below,

**UNIVERSITY OF HOUSTON CLEAR LAKE POLICIES**

list each such arrangement, provide an attached written explanation, and indicate how you propose to manage, reduce or eliminate the conflict of interest.

- 1. Do you currently have internally or externally sponsored projects or are you supported by a grant or contract the outcome of which could affect the interests of an enterprise or entity in which you (or members of your immediate family, i.e., spouse or dependent children as defined by the Internal Revenue Service) have employment or consulting arrangements and/or significant financial interest.  YES or  NO
- 2. Do you currently have internally or externally sponsored project or are you supported by a grant or contract where you (or members of your immediate family, i.e., spouse or dependent children as defined by the Internal Revenue Service) have employment or consulting arrangements and/or significant financial interests with the sponsor of the project, a subcontractor to the grant, a vendor, or a research collaborator.  YES or  NO
- 3. Do you currently have gifts of cash or property which are under your control, or which directly support your teaching or research activities from an enterprise or entity in which you (or your immediate family members) have an employment or consulting arrangement and/or significant financial interests.  YES or  NO
- 4. Does the University currently have a technology licensing arrangement with an enterprise or entity for which you, the inventor, (or your immediate family members) have employment or consulting arrangements and/or significant financial interests.  YES or  NO

**CERTIFICATION**

In submitting this form, I certify that the above information is true to the best of my knowledge and that I have read the University’s policies related to conflict of interest as described in the “Procedure on Conflicts of Interest for Investigators.” I supply this information for confidential review by the University and I do not authorize release of any of it for any other use.

SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

**Administrative Review and Approval**

Possible Conflict of Interest

- 1.  No activity is reported and to the best of my knowledge no conflict of interest exists.
- 2. Based on the activity reported (brief explanation for each significant interest must be attached), to the best of my knowledge and in my judgment:
  - a)  No conflicts exist.
  - b)  A conflict of interest may exist but does not appear to be significant.
  - c)  A conflict of interest may exist which warrants further review.

Dean’s Signature<sup>1</sup> \_\_\_\_\_ Date

Associate Vice President for Information Resources<sup>2</sup> \_\_\_\_\_ Date

Distribution instructions:

When Item 1 is checked: Copies of each annual Certification of Compliance will be submitted to the Office of Sponsored Programs from the deans or executive unit heads for retention.

**UNIVERSITY OF HOUSTON CLEAR LAKE POLICIES**

When Item 2 is checked: The dean will forward such certification to the Associate Vice President for Information Resources—as designated by the Senior Vice President and Provost—who will forward copies of all Annual Certification of Compliance forms to the Office of Sponsored Programs after the potential conflict has been addressed.

Final Authority: Final authority resides with the Provost. In the event of appeal, final authority resides with the Provost. See Section 6.

Retention by Division of Research: The Office of Sponsored Programs will retain those annual Certification of Compliance and ad hoc reports as required by the external agencies.

<sup>1</sup>Required on all disclosures, whether or not any activity is reported.

<sup>2</sup>Required whenever 2(b) or 2(c) is checked.

For office use only

Action: \_\_\_\_\_

Comments: \_\_\_\_\_

Date: \_\_\_\_\_ Initials: \_\_\_\_\_

Signature: \_\_\_\_\_

William A. Staples

Title: President

University of Houston-Clear Lake

Approval Date: March 10, 2005

Sunset Date: March 10, 2015

## UNIVERSITY OF HOUSTON VICTORIA POLICIES

C-8 Employee Standards of Conduct (policy also addresses Conflicts of Interest)  
[<http://www.uhv.edu/fin/policy/c/c-8.htm>]

### SECTION: PERSONNEL INDEX C-8

### SUBJECT: EMPLOYEE STANDARDS OF CONDUCT

#### POLICY

Employees of the University of Houston-Victoria (UHV) are public servants and have a responsibility to the public in the performance of official duties. Federal and state law, together with growing scrutiny of the complex relationships between public institutions and outside public and private organizations and individuals, necessitate the clarification of standards of accountability for public servants. Requirements for ethical behavior are especially important in public institutions of higher education; university employees are accountable to taxpayers for the use of public funds and also have the responsibility to lead and educate university students by example.

The purpose of this policy is to ensure that employees are informed of their responsibilities for accountability and ethical conduct and that any potential conflict is reviewed and reported in accordance with state and federal law and University of Houston System Board of Regents Policies. This policy applies to all university employees, with certain reporting requirements for specific groups as noted.

University employees shall promptly disclose to their supervisor any substantiated information regarding what they believe to constitute a violation of this policy or any law or institutional policy.

Failure to comply with the provisions of this policy may subject the employee to disciplinary action up to and including dismissal, as well as to the possibility of criminal action.

#### DEFINITIONS

*Benefit:* Anything reasonably regarded by an independent observer as providing monetary gain or advantage. For the purposes of this policy, a benefit shall include, but is not limited to monetary gifts, meals, employment, travel, or items of significant gain or advantage with a value of \$50 or more. When the appropriateness of a benefit is in question, it should not be accepted.

*Bribery:* A university employee commits the criminal offense of bribery if the employee solicits, offers, or accepts any benefit in exchange for a decision, opinion, recommendation, vote, or other exercise of discretion by the employee.

*Conflict of commitment:* A situation in which there is a divergence between the employee's private interests and the employee's professional obligations to the university (i.e. the public interest) such that an independent observer might reasonably question whether the employee's

## UNIVERSITY OF HOUSTON VICTORIA POLICIES

actions or decisions are determined by considerations of private gain, financial or otherwise, to the university's detriment.

*Conflict of interest:* A situation in which an employee's outside activities interfere with the employee's primary commitment of time and intellectual energies to the university, or in which a full-time employee's primary professional loyalty is not to UHV. The general permitted limit to external commitments for faculty is one day per calendar week, never to conflict with the employee's scheduled classes or other duties and responsibilities.

*Consulting and outside employment:* For the purposes of this policy, activities undertaken for remuneration from a third party when the activity is within the scope of activities, functions, or expertise for which the individual is compensated by the university. This definition does not include unpaid public service or lectures for fees, unless these activities require significant amounts of time or otherwise adversely affect the employee's performance of university duties.

*Honoraria:* A payment for speech, lecture, or other services on which, by custom or agreement, a specific price may not be set. For the purposes of this policy, this definition includes any payment from an outside entity for services such as making a speech, teaching a class or workshop, or providing consulting services.

*Immediate family:* Includes spouse and dependent children. Children, for the purposes of this document, include adopted, step, and foster children, as well as natural sons and daughters.

*Related-party interest:* A business or personal relationship that exists between a university employee and an outside individual or organization that may influence the employee's actions or decisions due to considerations of private benefit - financial or otherwise - and/or may create or be perceived as creating a conflict of interest.

*Significant financial interest:* Anything of monetary value including, but not limited to salary, other payments for services (e.g., consulting fees or honoraria); equity interests (e.g., stocks, stock options, or other ownership interests); and intellectual property rights (e.g., patents, copyrights, and royalties from such rights) that, when aggregated with immediate family:

- exceeds \$10,000 fair market value and 5 percent ownership; or
- is expected to exceed \$10,000 in payments during the next 12-month period

### STANDARD OF CONDUCT GUIDELINES

University employees have a responsibility to the public in the performance of their official duties. High institutional and personal standards of conduct must be maintained to fulfill that responsibility. These standards must include avoiding any actions that would create the appearance of violation of laws or ethical principles

UHV employees shall avoid using their positions for purposes that are, or give the appearance of being motivated by a desire for private gain for themselves or others, such as those with whom they have family, business, or other ties. University employees shall exercise the utmost good

## UNIVERSITY OF HOUSTON VICTORIA POLICIES

faith in all transactions, activities, and behaviors related to their duties to the university and its property and resources. The principles of good faith and honest dealing apply to all aspects of the employee's responsibilities and activities on the part of the university, not just those identified in this policy as subject to particular statutes or causes for particular concern.

- **Disclosure of Confidential Information** - No university employee shall disclose confidential information gained by reason of his or her position, nor shall the employee otherwise use such information for personal gain or benefit. Similarly, no employee shall accept other employment or engage in any business or professional activity that foreseeably might require or induce the employee to disclose confidential information acquired through his or her position.
- **Business, Investments, and Professional Activity** - An employee or the employee's immediate family shall not make personal investments in any enterprise that foreseeably might create a significant conflict between the employee's private interests and the university's interests. An employee shall not transact any business for the university with any entity of which he or she is an owner, officer, agent, employee, or member or in which the employee or the employee's immediate family owns any significant interest or accrues any benefit.
- **Bribery** - No employee shall solicit, offer or accept any benefit in exchange for a decision, opinion, recommendation, vote, or other exercise of discretion.
- **Outside Consulting or Other Employment** - The university expects employees to accord a full professional commitment to the university during the terms of their appointments. Interaction between employees and external entities for reasonable periods of time and for personal remuneration may be desirable when the relationship benefits the university, enhances the professional skills of the employee, or constitutes a public service. However, no employee shall accept consulting or external employment that might impair his or her independence of judgment in performance of university duties, nor shall an employee receive any compensation from any source other than the State of Texas except as allowed by law. The University bears no responsibility for any actual or implied obligations or liabilities incurred by an individual resulting from a consulting or other paid professional agreement or activity. All such activity must be reported to the immediate supervisor for approval before performing the work. The employee must be careful to avoid conflicts of interest and conflicts of commitment. Employees should be aware that a Conflict of Interest situation exists when outside activities interfere with the employee's primary commitment of time and intellectual energies to the university, or when a full-time employee's primary professional loyalty is not to the University. The general permitted limit to external commitments for faculty is one day per calendar week, never to conflict with the employee's scheduled classes or other duties and responsibilities. Unpaid public service or lectures for fees are not included unless these activities require significant amounts of time or otherwise adversely affect the employee's performance of university duties. All consulting and other paid professional employment shall comply with [Board Policy 57.02](#) and [UHS SAM 02.A.08](#).

## UNIVERSITY OF HOUSTON VICTORIA POLICIES

Prior to entering into any consulting, investment, professional, or other arrangement that may involve a conflict of interest or commitment, a faculty or exempt employee must submit to the appropriate supervisor a complete written disclosure of the pending relationship and any potential conflicts that it may involve. The subsequent arrangements will then be subject to the approval of the appropriate Cabinet-level supervisor. When a question of propriety of the proposed employment or business relationship exists, the supervisor shall submit the application to the Vice President for Academic Affairs and Provost (for faculty) or Vice President for Administration (for staff). This procedures apply to all regular faculty and exempt staff and to non-exempt staff with procurement or research responsibilities.

In accordance with [Board of Regents Policy 57.05](#), any outside employment of the Chancellor, other officers of the System Administration, or the President or vice presidents of any component, including serving on the board of directors or governing board of any outside organization, shall be approved in advance by the Board of Regents.

- **Honoraria** - By state law, a university employee may not solicit, agree to accept, or accept an honorarium in consideration for services the employee would not have been asked to provide but for his or her official position; i.e. for providing services on behalf of the university. This prohibition includes a payment made to a third party if made in exchange of the employee's services. This restriction applies to any fee for any service provided in the employee's official capacity, but does not apply to food, transportation, and lodging in connection with the service provided.
- **Dual Employment** - A UHV employee may hold another non-elective state or federal office or position of honor, trust, or profit only with the prior approval of the President and the Board of Regents. Such approval must be based on formal findings that the dual office holding is of benefit to the state or is required by state or federal law and that the situation creates no conflict of interest or commitment. UHV is required to maintain records of any compensation, including per diem, associated with the second position.
- **Charitable or Professional Organizations/Pro Bono Work** - Any contribution of time without compensation to charitable or professional organizations or causes that may infringe upon the employee's regular work hours must be disclosed to the employee's supervisor and must not interfere with the individual's university responsibilities.
- **Use of University Equipment, Facilities, Support Staff, and Other Resources** - As a state employee, an employee is required to use university property for university purposes only, not for personal or private purposes. In situations where there is no direct cost to the university, such as use of university telephones to make non-toll calls, or use of computers for occasional internet use, such use is not considered a misapplication of state property and may be permitted within reason. Use of university equipment, facilities, or support staff for any activity other than the conduct of the employee's job responsibilities is permitted only if prior

## UNIVERSITY OF HOUSTON VICTORIA POLICIES

appropriate and equitable financial arrangements have been concluded between the individual and the University.

- **Use of University Name** - The name of the University of Houston-Victoria may in no case be used for advertising or procurement purposes by any individual or external organization for non-university purposes. Likewise, employees may not represent themselves as acting in the capacity of university employees when conducting consulting or personal activities. UHV bears no responsibility for any actual or implied obligations or liabilities incurred by an individual resulting from a consulting or other paid professional agreement or activity.
- **Governmental Appearances or Expert Witness Service** - University employees appearing before Congress or the Texas Legislature or their agencies, committees, or members to offer testimony, opinions, or commentary in regard to existing or potential laws, rules, or regulations, unless expressly authorized to do so by the Board or the Chancellor, must clearly state in advance that they are appearing in their individual capacities and that their testimony, opinions, and commentary are not authorized by and must not be construed as reflecting upon UHV's position.
- **Nepotism** - Relatives of university employees may not be employed in positions where the employee has the official authority to hire or recommend or approve the hiring, salary, or promotion of the relative, even if it results from marriage after the employment relationship was formed. The requirements of nepotism statutes may be found in [Board of Regents Policy 57.07](#) and [UHS SAM 02.A.21](#).
- **Transfer of Research Results, Materials, Products, Records** - [Board of Regents Policy 21.08](#) requires that university faculty and staff disclose on a timely basis the creation or discovery of all potentially patentable inventions created or discovered in the course of their university activities or with use of university resources. Ownership of these inventions must be assigned to the university regardless of source of funding.
- **Travel** - Travel undertaken on official university business may be paid or reimbursed from university funds when arrangements comply with applicable University of Houston System SAMs 01.C.05, 03.A.03, 03.A.04, and 03.A.14.
- **Lobbying by State Employees, Political Campaigns, Holding Public Office, and Other Political activities** - The General Appropriations Act prohibits the use of state funds to influence the outcome of any election or any legislative measure. Likewise, this act restricts the use of any university funds to hire lobbyists and provides restrictions against offering gifts to legislators and accepting gifts from legislators. Similarly, federal restrictions prohibit the use of federal funds to influence federal legislation. The Vice Chancellor for Governmental Relations shall be responsible for the general coordination of University of Houston System governmental activities.

## UNIVERSITY OF HOUSTON VICTORIA POLICIES

- **Political Campaigns** - No university employee may use his or her authority, influence, or time during university work hours to affect the result of any election or political campaign or to achieve any other political purpose. Likewise, university funds, equipment, or other resources may not be used to work on a political campaign. University employees may run for local elective office and serve as elected public officials so long as campaign activities are not conducted during official university hours and so long as the office does not involve a political party primary or a party affiliation. The employee must provide prior notification to his or her supervisor of the candidacy and election to office.
- **Reporting of Time and Effort; Maintenance of All Records** - It is a violation of law to falsify or alter the reporting of time worked, salary records, or any way revise university documents or records so as to provide an unearned benefit to the employee or another party.
- **Acceptance of gifts or other benefits** - A benefit is anything reasonably regarded by an independent observer as providing monetary gain or advantage. Benefits include, but are not limited to monetary gifts, meals, employment, travel, or items of significant gain or advantage with a value of \$50 or more. When the appropriateness of a benefit is in question, it should not be accepted. An employee (or member of the employee's immediate family) may not solicit or accept any gift, favor, privilege, benefit, service, exemption, or thing of value that might influence the employee to perform his or her job differently. An employee should assume that anyone having business with the university as a client, contractor, or vendor is likely to be seen as attempting to curry favor if that person provides any gift or benefit to the employee.

The only gifts and benefits not subject to this restriction are those conferred on account of kinship or a personal or professional relationship independent of employee's status, non-cash items of less than \$50.00 in value, and those used solely to defray expenses accrued in the performance of official duties that are not reimbursable by the university.

- **Related Party Interests** - A related party interest is a business or personal relationship that exists between a university employee and an outside individual or organization that may influence the employee's actions or decisions due to considerations of private benefit - financial or otherwise - and/or may create or be perceived as creating a conflict of interest. There is a distinction between a related-party interest and a conflict of interest. A related-party interest is a question of fact and results when an individual is in a position to personally benefit from transactions entered into by the University.

However, whether the transaction or relationship creates a conflict of interest requires a subjective evaluation of the facts and circumstances. All faculty and staff in a position to originate purchase requests or influence purchasing decisions must annually complete a disclosure statement.

## UNIVERSITY OF HOUSTON VICTORIA POLICIES

- **Conflicts of Interest** - No employee shall use their employment to obtain unauthorized privileges, benefits, or things of value for oneself or others. Employees are required to take the initiative to disclose and request prior approval of their supervisor before entering into any activity or situation that may involve, or appear to involve, a conflict of interest or other potentially incompatible obligation. Such a relationship includes consulting or other outside employment, a relationship defined as a related-party interest, or any other relationship that results in a gift or other benefit to the employee.

Although the University of Houston System depends upon the integrity and discretion of its staff with respect to actual or apparent conflict of interest, all University of Houston System employees are subject to the prohibitions of state law and applicable federal guidelines. Guidelines to avoid conflict of interest include the following:

- No employee shall solicit, accept, or agree to accept any privilege, benefit or thing of value for the exercise of his or her discretion, influence or powers as an employee except as allowed by law.
- No employee shall accept any privilege, benefit or thing of value that might influence him or her in the discharge of his duties as an employee.
- No employee shall use his or her position to secure special privileges or exemptions for himself or herself or others, except as is allowed by law.
- Any employee who is an officer, agent, employee or member of, or owns a significant interest in any entity doing business with any component of the University of Houston System must disclose such relationship in writing to his or her immediate superior.
- No employee shall accept employment or engage in any business or professional activity which foreseeably might require or induce him or her to disclose confidential information acquired by reason of his/her university position.
- No employee shall disclose confidential information gained by reason of his or her university position nor shall he or she otherwise use such information for his or her personal gain or benefit.
- No employee shall transact any business for the university with any entity of which he or she is an officer, agent, employee, or member, or in which he or she owns a significant interest.
- No employee shall make personal investments in any enterprise which foreseeably might create a substantial conflict between his or her private interests and the university's interests.

## UNIVERSITY OF HOUSTON VICTORIA POLICIES

- No employee shall accept other employment which might impair his or her independence or judgment in the performance of his or her university duties.
- No employee shall receive any compensation for his or her services from any source other than the State of Texas except as allowed by law.
- No employee who exercises discretion in connection with contracts, purchases, payments, claims or other pecuniary transactions shall solicit, accept or agree to accept any benefit from a person or entity the employee knows, or should know, is or is likely to become financially interested in such transactions.

University employees are required and expected to take the initiative to disclose and request prior approval of their supervisor before entering into any activity or situation that may involve, or appear to involve, a conflict of interest or other potentially incompatible obligation. Such a relationship includes consulting or other outside employment, a relationship defined as a related-party interest, or any other relationship that results in a gift or other benefits to the employee.

### EVALUATING AND RESOLVING VIOLATIONS OF STANDARDS

University employees are asked to report in good faith violations of this policy or any law, regulation or other occurrence of institutional noncompliance, whenever observed or suspected. Reports may be made to either the employee's immediate supervisor, the HR/AA Director, the campus assigned Institutional Compliance Officer (Director of Business Services) or confidentially to the telephone number provided on the University's Institutional Compliance website. Violations involving sponsored project agreements should be directed to the Provost and Vice President for Academic Affairs and handled in accordance with applicable policy.

Confidentiality of the information and employee(s) involved is of utmost importance to insure proper adjudication of the allegations. Federal and state laws prohibits university officials from retaliating against employees who report violations in good faith. In addition, the university is committed to maintaining the confidentiality and anonymity of all individuals who make such reports to the extent allowed by law.

All reports received will be reviewed immediately to determine whether an investigation is warranted. Every attempt will be made to resolve internal violations at the lowest level of administrative review. However, after a determination of the seriousness of the violation has been made, other administrators may also become involved. When criminal activity is suspect, appropriate civil authorities may become involved. When the investigation involves the Internal Auditing Department, the Office of General Counsel, or the UHS Institutional Compliance Officer, the appropriate campus Vice President will be notified as well as the Director, Human Resources/Affirmative Action.

Based upon the findings, appropriate action will be taken to remedy the situation.

Supervisors may contact the Director, Human Resources/Affirmative Action or the campus Institutional Compliance Officer (Director of Business Services) at any time for guidance and

## UNIVERSITY OF HOUSTON VICTORIA POLICIES

assistance in resolving standards of conduct violations. Also, employees may call the State of Texas Ethics Commission (512.463.5800) for guidance.

### SANCTIONS FOR VIOLATIONS OF EMPLOYEE STANDARDS OF CONDUCT

Standard of Conduct violations, depending upon the severity, may subject the employee to disciplinary action up to and including dismissal, as well as to the possibility of criminal charges and prosecution.

### SUMMARY OF DISCLOSURE AND REPORTING REQUIREMENTS

1. In accordance with [Board of Regents Policy 57.01.3](#), copies of the laws and Board of Regents Policies listed below are to be distributed to an employee by the Human Resources Office upon initial employment and annually by the University of Houston System Board of Regents' office.
  - Statutory Standards of Conduct for State Employees, § 572.051, Texas Government Code
  - General Appropriations Act Article IX, § 5. Political Aid, Legislative Influence
  - Board of Regents Policies:
    - [Consulting and Paid Professional Service \(57.02\)](#)
    - [Dual Employment \(57.04\)](#)
    - [Nepotism \(57.07\)](#)
    - [Conflicts of Interest \(57.08\)](#)
    - [Academic Freedom \(21.03\)](#)
    - [Governmental Appearances \(81.01\)](#)
    - [Sexual Harassment \(29.02\)](#)
2. UHS Policy Distribution - In accordance with UHS Administrative Memorandum 02.A.29, Ethical Conduct of Employees, copies of this policy are to be distributed to all university employees annually. The annual distribution may be by e-mail.
3. UHV Policy Distribution – Copies of university policy C-8, Employee Standards of Conduct, are to be distributed upon initial employment and then electronically, annually to all employees.
4. Faculty Consulting or Outside Paid Professional Activity Disclosure - In accordance with [Board of Regent policy 57.02.5](#), Faculty who wish to arrange consulting or other paid professional activities must provide prior written notification and receive written approval from their dean. Review by their dean of such activities will include consideration of any real or apparent conflict of interest and the benefit of the proposed service to the system and the component university.
5. Exempt Staff Consulting or Paid Professional Activity Personal Disclosure - In accordance with [Board of Regent policy 57.02.6](#), professional or administrative staff who wish to arrange consulting or other paid professional activities must obtain prior written approval from the appropriate supervisor. While consulting is a recognized aspect of faculty activities with the limitations noted in this document, consulting by professional or administrative staff must be justified on an individual basis by clear and direct benefit to the system.

## UNIVERSITY OF HOUSTON VICTORIA POLICIES

6. Institutional Reporting of Outside Consulting, Employment or Expert Witness Services - Annually, during the first quarter, faculty and exempt professional staff will be surveyed by the Provost's Office for any consulting, outside employment, or expert witness activities. The information will be forwarded to the appropriate state office with an information copy to the UHS General Counsel's office.
7. Employee Reporting of Violations of Ethical Standards - University employees are asked to report violations of this policy or any law, regulation or other occurrence of institutional noncompliance, whenever observed, to one of the following: the employee's immediate supervisor, the HR/AA Director, the Institutional Compliance Officer or anonymously to the telephone number provided on the University's Institutional Compliance website.
8. Employee Disclosure and Annual Reporting of Related Party Interests – Annually, within the first quarter, the Department of Business Services will obtain signed disclosure statements from all faculty and staff in a position to originate purchase requests or influence purchasing decisions of any possible conflict of interest situations. Information is reported in accordance with UHS Administrative Memorandum 02.A.29. Disclosures are required from any employee who
  - a. has previously disclosed a related party interest, or
  - b. will serve in a supervisory capacity at a department level or higher in the coming fiscal year, or
  - c. is in a position to make final purchasing decisions. (this category includes all delegated
  - d. departmental purchasers and ProCard users), or
  - e. has signature authority on any university cost center, or
  - f. can personally benefit from a relationship or business transaction.
9. Financial Statement Report - In accordance with UHS Administrative Memorandum, 02.A.29, Section 5.2, the President is required to submit an annual financial statement with the Texas Ethics Commission using forms prescribed by the Commission.
10. Procurement Disclosure Report - In accordance with UHS Administrative Memorandum 02.A.29, Section 5.2, certain employees, including vice presidents, employees at the director level or higher, employees who are over procurement and contracting functions, and those others considered by the campus to have high-level procurement responsibilities shall file with the chief financial officer of each component a report disclosing the following information:
  - The amount of any compensation received for services related to these associations; and
  - Known information regarding whether any of the organizations cited have any relationship to the University of Houston System and a description of the relationship.

### REFERENCES

1. Board of Regents Policy 57.01, [Code of Ethics](#)

## UNIVERSITY OF HOUSTON VICTORIA POLICIES

2. UH System Administrative Memo 02.A.29, [Ethical Conduct of Employees](#)
3. [Texas Ethics Commission's Guide to Ethics Laws for State Employees](#)
4. University Policy C-3, [Outside Employment](#)
5. University Policy C-6, [Nepotism](#)
6. Texas Government Code, Section 572.051, [Standards of Conduct](#)

Approved by:

Signature obtained                      3/9/04  
Don N. Smith, Ph.D.                      Date  
Interim President

Originating Department: Business Services  
Next Review Date: February 2006

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Financial Aid Conflict of Interest Certification

Can be found on UHV Compliance Website under Standards of Conduct at

[http://www.uhv.edu/compliance/pdfs/FY2009/Financial\\_Aid\\_Conflict\\_of\\_Interest.pdf](http://www.uhv.edu/compliance/pdfs/FY2009/Financial_Aid_Conflict_of_Interest.pdf)

### **Financial Aid Employee Standards of Conduct and Conflict of Interest Certification**

**Instructions:** *All Financial Aid (FA) employees are to complete this certification, which supplements University Policy C-8, Employee Standards of Conduct, annually by August 31st. New FA employees are to complete within 30 days of employment.*

**Distribution:** *Original to employee's personnel file. Copy to employee. Copy to Financial Aid Director.*

As a University of Houston-Victoria (UHV) financial aid employee, I am expected to always maintain exemplary standards of professional conduct in all aspects of carrying out my responsibilities, specifically including all dealings with any entities involved in any manner in student financial aid, regardless of whether such entities are involved in a government sponsored, subsidized, or regulated activity. In doing so, I understand I will:

1. Refrain from taking any action for personal benefit.
2. Refrain from taking any action I believe is contrary to law, regulation, or the best interests of the students and parents I serve.
3. Ensure that the information I provide is accurate, unbiased, and does not reflect any preference arising from actual or potential personal gain.
4. Be objective in making decisions and advising the Financial Aid Director regarding relationships with any entity involved in any aspect of student financial aid.



## UNIVERSITY OF HOUSTON VICTORIA POLICIES

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E-7 Related Party

[<http://www.uhv.edu/fin/policy/e/e-7.htm>]

### **SECTION: PURCHASING INDEX: E-7**

### **SUBJECT: RELATED PARTY DISCLOSURES**

#### **POLICY**

Employees of the University of Houston-Victoria shall avoid using their positions for purposes that are, or give the appearance of being, motivated by a desire for private gain for themselves or others, such as those with whom they have family, business, or other ties. University employees shall exercise the utmost good faith in all transactions, activities, and behaviors related to their duties to the UH System, its property, and resources. Faculty and staff in a position to personally benefit from a transaction entered into by the University of Houston-Victoria or other UHS components shall annually complete a disclosure statement regarding related party interests as required by [UHS Administrative Memorandum 03.A.17](#).

#### **DEFINITION**

*Conflict of Interest:* A situation in which there is a divergence between the employee's private interests and professional obligations to the University, such that an independent observer might reasonably question whether the employee's actions or decisions are determined by considerations of private gain, whether financial or otherwise, to the University's detriment. Such a situation may result from consulting or other outside employment, a relationship defined as a related-party interest, or any other relationship that results in a gift or benefit to the employee.

*Related Party Interest:* A question of fact that results when an individual is in a position to personally benefit from transactions entered into by the University of Houston-Victoria or other System component. Transactions may include, but are not limited to (1) originating purchase requests, influencing purchasing decisions and/or consulting or professional relationships that are created or perceived as creating a conflict of interest.

#### **PROCEDURE**

The Related Party Disclosure will be completed annually online as part of UH System mandatory training and reporting process. In the event that online reporting is unavailable, Business Services will coordinate the reporting process using the [Related Party Disclosure Form \(Attachment A\)](#).

## UNIVERSITY OF HOUSTON VICTORIA POLICIES

Related Party Disclosures are to be completed by all faculty and staff employees within any of the following categories:

- (a) employees who have previously disclosed a related party interest;
- (b) employees who serve in a supervisory capacity at a department level or higher;
- (c) employees in a position to make final purchasing decisions. *This category includes all delegated departmental purchasers and ProCard users;*
- (d) employees having signature authority on any university cost center;
- (e) employees who could personally benefit from a relationship or business transaction.

The Business Services Department will initially review disclosure information and notify the Dean or Department head, appropriate Vice President and the President of those employees who may have a related party interest. The Dean or Department head shall inform any faculty or staff member whose outside activity is believed to represent a conflict of interest. Remedial action will be suggested when indicated. Disclosures which indicate potential conflicts of interest will also be forwarded to the UH System Chancellor.

Deans and department heads should, at least annually, discuss related party interests and potential conflict of interest with their employees. Employees are instructed to report in writing to their Dean or Department Head all facts about any activity or transaction and the potential conflicts of interest that may be involved before any such activity or transaction occurs.

Any purchase requisition, delegated departmental order form or ProCard that can be identified as a related party transaction must include the following information and be authorized by the Dean or Department Head, "*This is a Related Party Transaction. Reason for this purchase:\_\_\_\_\_*"

### REFERENCES

UHS Administrative Memorandum, [03.A.17](#)

Approved:

Tim Hudson, Ph.D.                      Date

President

Originating Department: Business Services Department

Next Review Date: November 2011

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

**COMMITTEE:**        Audit & Compliance

**ITEM:**                Annual Fraud Prevention and Awareness Report

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Audit & Compliance Committee Planner, Item 5.05, requires the Committee to evaluate management's identification of fraud risks, the implementation of antifraud prevention and detection measures, and the creation of the appropriate "tone at the top" by reviewing an annual report which summarizes the fraud risk analyses and related risk mitigation strategies.

**FISCAL NOTE:**

**SUPPORTING DOCUMENTATION:**                Annual Fraud Prevention and Awareness Report

**ACTION REQUESTED:**                Information

**COMPONENT:**                University of Houston System

\_\_\_\_\_  
**DIRECTOR, INTERNAL AUDITING**                *Don F. Guyton*                10/16/09  
Don F. Guyton                **DATE**

\_\_\_\_\_  
**INTERIM CHANCELLOR**                *Renu Khator*                10-21-09  
Renu Khator                **DATE**

**University of Houston System**  
**Annual Fraud Prevention and Awareness Report**  
**FY 2009**

The Audit Committee Planner, Item 5.05, requires the Committee to evaluate management's identification of fraud risks, the implementation of antifraud prevention and detection measures, and the creation of the appropriate "tone at the top" by reviewing an annual report which summarizes the fraud risk analyses and related risk mitigation strategies. Listed below are the reports from each component.

**University of Houston and UH System Administration**

In October 2009, UH and UHSA departments completed their fifth annual online Department Fraud Risk Survey for FY09 to identify internal controls within their department that need to be strengthened in order to prevent and detect fraud. In addition, processing units and other offices that have a far reaching effect on campus operations (Purchasing, Payroll, Information Technology, etc.) completed an Institutional Fraud Risk Survey to identify procedures within their unit that may need improvement. The fraud risk surveys are completed annually to remind administrators and unit heads of their responsibilities, so that they remain vigilant in fraud prevention and detection.

For the third year in a row, all UH System employees will complete online Fraud Prevention and Awareness training and Code of Ethics training. UH Finance created the content for these courses, and radio personalities from KUHF provided the narration. Fraud Prevention and Awareness training describes various types of fraud, steps to prevent it from occurring, and how to report suspected fraud. Code of Ethics training covers various topics related to employee behavior, such as consulting and other outside employment, conflicts of interest, and lobbying and politics. Both training programs are designed to raise awareness of appropriate and inappropriate behavior for UH System employees.

Procurement cards (P-Cards) reduce the time and effort required to make small-dollar purchases and decrease the number of employee reimbursements. However, P-Card transactions must be carefully reviewed to ensure all transactions are appropriate and documented. In addition to reviews within each department, Accounts Payable reviews selected P-Card transactions for appropriateness and documentation. All P-Card cardholders are required to complete online training prior to receiving a P-Card and annually thereafter, and administrators who review P-Card transactions are also required to complete annual training as well. P-Card applicants are also required to pass a criminal history investigation prior to receiving a P-Card.

Finally, UH Finance maintains a link to fraud and institutional compliance frequently asked questions on the Finance home page ([www.uh.edu/finance](http://www.uh.edu/finance)), which includes instructions for reporting suspected fraud and non-compliance through the MySafeCampus telephone hotline or web link.

## **University of Houston – Clear Lake**

The University of Houston Clear Lake continues to expand its fraud prevention and awareness activities with the formal establishment of the campus Institutional Compliance program on October 29, 2002. The Vice President of Administration and Finance is designated as the campus contact person for fraud and prevention.

Fraud prevention continues to be a top priority for the campus and is taken very seriously. Raising staff and student awareness of the risks of internal/external fraud and the importance of compliance with internal control procedures is vital in preventing fraud. In Fiscal Year 2009 all employees received online Fraud awareness training; Code of Ethics Training, and Information Security Awareness. The University continues to encourage and educate staff and students about the institutional compliance program, MySafeCampus hotline or MySafeCampus on-line reporting, or UHCL mailbox 373. All new employees receive this information during New Employee Orientation.

During Fiscal Year 2009 the University of Houston Compliance Committee led by Harry Stenvall, Director, Risk Management met on a quarterly basis to discuss the identification and documentation of the major risks associated with the operations of each individual department. The committee received Optimization Forms and Utilization Forms completed and presented by Contract Administration – Debbie Carpenter and Lydia Sonier; Employment – Katherine Justice; Financial Aid – Lynda McKendree, Gift Receipting – Kimberly Herhold, Student Travel – Dr. Darlene Biggers and Sponsored Programs – Lee Folk, recognizing their objective; risk and exposure; operating controls and risk assessment rating. The end result being an overall fraud risk assessment rating of “Very low” to “Low”. In the month of November 2008 the committee received a presentation on the topic of components of an Effective Compliance Program and Risk Assessment Strategies. In the month of March 2009, the committee also received a presentation on the topic of organizational ethics by L.T. Lafferty.

UH Board of Regents Policies Section V – Audit and Compliance 42.02 adheres to Federal Trade Commission’s Red Flag Rule under Sections 114 and 315 of the Federal Fair and Accurate Credit Transactions Act (FACT Act), required certain organizations to develop Identity Theft Prevention Programs on or before May 1, 2009. The University of Houston Clear Lake identified various departments/areas with covered accounts who have written procedures for detecting, preventing, and mitigating identity theft.

The University also reviewed the procurement card (P-card) program, the P-Card reporting and reconciliation in the month of April-May 2009 to more clearly understand and define the roles and responsibilities of card holder, business coordinator, accounts payable and, the general accounting area. The University continues to provide P-Card training prior to issuance of new cards or renewals of existing cards, in an effort to educate on the P-card policies and procedures and reduce risks of fraud or other unauthorized card usage.

In FY 2009 Fraud Risk Assessment was conducted in the area of General Accounting; Accounts Payable, Travel, Asset Management, Petty Cash and Cash Receipts, General Purchasing, Human

Resources, Payroll, and Computing and were confirmed with the University Business Coordinators as existing or not existing along with a fraud risk assessment rating system. Using the Fraud risk assessment rating system:

- 1 - Very low (Provides no apparent opportunity for fraudulent activity excluding the existence of collusion and requiring no action)
- 3 – Low (Provides a low level of opportunity for fraudulent activity and requires no action except for weakness awareness)
- 5 – Moderate (Provides a moderate opportunity for fraudulent activity and requires a design strategy for improvement)
- 7 – High (Provides a high opportunity for fraudulent activity and requires design and implementation of strategy for improvement in the near future)
- 9 – Very High (Provides a very high opportunity for fraudulent activity and requires design and implementation of strategy for improvement immediately)

**Fraud Risk Assessment Results**

<b>Fraud Risk Category</b>	<b>Number Control Measures Rated</b>	<b>Sum of Fraud Risk Assessment Ratings</b>	<b>Average Fraud Risk Assessment Rating</b>
Information	4	4	1.0
General Accounting	6	6	1.0
General Resources	6	6	1.0
Assets	5	5	1.0
Petty Cash and Cash			
Receipts	9	11	1.22
Inventory	7	7	1.0
Owned Vehicles	5	5	1.0
Accounts Payable and			
Travel	6	10	1.67
General Purchasing	5	7	1.40
Purchase of Services	9	9	1.0
Human Resources	8	12	1.5
Payroll	8	8	1.0
Computing	10	12	1.20
<b>Totals for the University</b>	<b>88</b>	<b>102</b>	<b>1.16</b>

Based on the fraud risk assessment results, the University as of February 28, 2009, continues to maintain an overall fraud risk assessment rating of 1.16 which is “Very Low”.

## **University of Houston-Downtown**

UHD departments are currently participating in the annual Department Fraud Prevention Survey which was changed from June to October in order to coincide with the end of the fiscal year. The primary purpose of the survey is to remind administrators and department heads of their responsibilities so that they remain vigilant in fraud prevention and detection throughout the upcoming year. Additionally, the results of the survey will be used to support the Fraud Prevention statements related to the FY2009 UH Downtown Financial Reports Certification Letter from the President to the UH System Board of Regents. Department administrators have now been included in the process for completing the annual survey which should be completed by the end of the month (October 2009).

UH System Fraud Awareness Training is scheduled for all new employees hired during the year as part of the mandatory training for all new hires. Additionally, all current employees are required to complete Fraud Awareness Training on an annual basis. During FY2009, 138 new hires and 938 current employees completed the training.

The volume of purchasing activity at UHD via procurement cards (P-Card) continues to increase dramatically, with current volume of approximately \$200,000 per month. Without adequate controls, a P-Card program can open the door to abuse, including fraud. UHD has two positions in its Purchasing department that are responsible for management of the P-Card program. P-Card transactions are subject to audits by the Internal Auditing Division and internal review by the Program Coordinator or Administrator. Questionable charges are forwarded to the Director of Budget & Procurement and, if warranted, to the VP for Administration & Finance. Disciplinary action may include but is not limited to e-mail or verbal warning, retraining, suspension of the card, cancellation of the card, reimbursement to the University and/or termination of employment from the University based upon the severity or repetition of the violation.

The UHD Institutional Compliance program continues to serve as a key means of heightening the awareness of potential fraud on campus. The Compliance website has been substantially completed and includes pages on the Hotline (MySafeCampus and State Auditor's Office), Policies (UHD, SAM, BOR and State of Texas) and FAQs (Fraud and Compliance). A UHD Employees Standards of Conduct Guide has been approved by OGC and will soon be posted to the Compliance website.

In March 2009 UHD hosted a presentation on "Organizational Ethics" by L.T. Lafferty, the Practice Leader for White Collar Crime, Government Investigations, and Corporate Compliance and Ethics practice at Fowler White Boggs Attorneys at Law. Lafferty is a former federal prosecutor and worked as an Assistant United States Attorney (AUSA) in Tampa for ten (10) years and represents organizational and individual clients in federal and state governmental investigations involving all aspects of regulatory enforcement and fraud, including securities, financial institution/bank, mortgage, healthcare, immigration, tax and related fraud investigations. The presentation was open to all UH System employees and attended by employees from UHS, UH, UHCL and UHD.

## University of Houston-Victoria

Risk mitigation measures used by UHV during FY09 to raise awareness and prevent fraud continue to include a number of strategies, all integrated within the Campus Compliance Program.

The campus new employee orientation program devotes a considerable segment of each orientation to fraud awareness. Time is devoted to explaining to new employees the importance of each person's role in compliance and fraud prevention and the detrimental effects of fraud at the personal level and at the workplace. Examples of work related fraud are always provided. By the time the orientation is completed, new employees have a better understanding of fraud and how they can report anonymously through MySafeCampus or other methods.

In FY09, across the board employee participation and completion of mandatory training could be considered exceptional. All employees, including staff, faculty, adjuncts and student workers were enrolled in the training. Certain modules, including Fraud Awareness, Code of Ethics, Secure Our Systems and Credit Card Data Security (job based module) focused in part on fraud prevention and awareness. At UHV, the Department of Training and Continuing Education managed the training program and in the end achieved a participation rate of over 99%. *(All employees, with the exception of one completed the training.)*

The most significant new program implemented in April 2009 to prevent fraud associated with identity theft was Policy A-27, Identity Theft Program, mandated by the Federal Trade Commission under the Red Flag Rule. Implementation of this policy was a system-wide effort. Identity theft is a fraud committed or attempted using the identifying information of another person without authority. There were no known incidents of identity theft.

As part of other awareness measures, employees and students are reminded monthly via the monthly Campus Incident Reports newsletter ([http://www.uhv.edu/fin/safety/manual/Incident\\_Log/Incidlog.htm](http://www.uhv.edu/fin/safety/manual/Incident_Log/Incidlog.htm)) to report suspected fraud or other non-compliance issues confidentially through MySafeCampus. In July, the State Auditors Website was linked to Fraud Reporting at the bottom of the UHV home page as well as other key web pages as another alternative for the reporting of fraud.

There were no known losses due to fraud during FY09. During the 12 month period ending 8/31/09, there were a total of two (2) hotline or other reports of non-compliance. This included one allegation of impropriety which after investigation was dismissed.

### Review of Select Managed Operations at Risk of Fraud -

- **Financial Aid Program** - A significant managed activity at UHV is the proper administration of federal, state and campus student financial aid grants, loans and scholarships. Financial Aid risk is managed by operating and monitoring controls enforced with frequent audit oversight. In 2009, approximately \$14.8 million of financial aid was disbursed through 7600 awards involving over 1900 students. There were no

known occurrences of financial aid related fraud. As part of ongoing awareness, annually each Financial Aid employee is required to sign a Standards of Conduct and Conflict of Interest Certification acknowledging awareness of prohibited activities and the responsibility to report any conflict of interest, violations of law, fraud, or other financial aid irregularities promptly. Also during FY09, the Financial Aid department worked to further tighten security access role rights to Financial Aid screen information within PeopleSoft.

- **Expenditures of State and Local Funds (including grant funds)** – The University Budget for 2009 included state appropriated and local funds (all ledgers) of \$42.2 million. Constant management of expenditure processes is required to protect against possible fraudulent payments. Primary voucher oversight is through operating controls in place in Accounts Payable in Finance. Primary campus payroll oversight is through the HR department. As confirmed by the Controller and the Director, Human Resources, there were no confirmed incidents of fraud in the expenditure of state and local funds for vendor voucher payments, employee reimbursements or payroll during the reporting period.
- **Procurement Card Program** – There were no known or reported allegations of employee fraud involving P-Card expenditures. The issuing bank did report “compromised” card activity outside the control of the University and as a precautionary measure, cancelled and reissued 15 cards; however, no losses to the University resulted. At UHV, only local funds are authorized for qualified Procurement Card Program expenditures. In FY09, \$791,000 of expenditures representing over 4500 transactions was processed by 88 active cardholders. During the fiscal year, annual mandatory refresher training was introduced. Additionally, each cardholder acknowledges by signature their responsibilities as delegated departmental purchasers. New P-Card applicants are now required to complete the required mandatory training and pass a criminal history investigation prior to acceptance of new card applications or issuance of a card.

The most recent Departmental Fraud Risk Survey was completed the first quarter of 2009 and all departments completed the survey. A benefit of the survey is to increase departmental awareness of university policies and procedures and help department heads become aware of weaknesses in their operations and internal controls. An updated departmental survey is planned for this fall for completion by December 2009.

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

**COMMITTEE:**        Audit & Compliance

**ITEM:**                Identity Theft Prevention Program – Executive Summary

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The system-wide compliance officer is required annually to prepare an executive summary of all activities of the Identity Theft Prevention Programs of the component institutions (Audit and Compliance Committee Planner, Item 5.06).

**FISCAL NOTE:**

**SUPPORTING DOCUMENTATION:**                Identity Theft Prevention Program – Executive Summary

**ACTION REQUESTED:**                Information

**COMPONENT:**                University of Houston System

\_\_\_\_\_  
**DIRECTOR, INTERNAL AUDITING**

*Don F. Guyton*  
\_\_\_\_\_  
Don F. Guyton

*10/16/09*  
\_\_\_\_\_  
**DATE**

*Renu Khator*  
\_\_\_\_\_  
**INTERIM CHANCELLOR**

Renu Khator

*10-21-09*  
\_\_\_\_\_  
**DATE**

**University of Houston System  
Identity Theft Prevention Program  
Executive Summary  
FY 2009**

The system-wide compliance officer is required annually to prepare an executive summary of all activities of the Identity Theft Prevention Programs of the component institutions (Audit and Compliance Committee Planner, Item 5.06). Listed below are the reports from each component.

**University of Houston and UH System Administration**

On December 8, 2008, the Audit and Compliance Committee approved the initial UH System Identity Theft Prevention Program and delegated oversight of the Program to the Chancellor, which resulted in Board of Regents policy 42.02, Identity Theft Prevention Program. The impetus for this policy was sections 114 and 315 of the Fair and Accurate Credit Transactions Act (FACT Act), which requires certain organizations to develop a program for preventing, detecting, and mitigating identity theft.

The Federal Trade Commission (FTC) and other federal agencies jointly issued rules and guidelines (Red Flag Rules) to help organizations implement their identity theft prevention program. The FTC extended the deadline for implementing these programs several times, and it is now November 1, 2009.

In December 2008, UH Finance surveyed all UH departments to determine if any had “covered accounts” as defined by the Red Flag Rules and would be required to develop departmental identity theft prevention procedures. UH also developed policies for UH System (SAM 01.C.14) and UH campus (MAPP 01.03.04) related to identity theft.

On February 26, 2009, UH hosted a Red Flag Rules Workshop, which was attended by UH department representatives with covered accounts and by representatives from other UH System components. The purpose of the Workshop was to explain the requirements of the Red Flag Rules and give departments tools for developing effective identity theft prevention procedures.

By May 1, 2009, all affected UH departments had submitted their written identity theft prevention procedures to UH Finance for review and approval.

In June 2009, UH Finance developed a web training for Red Flag Rules to provide appropriate department personnel with an overview of the requirements. Representatives from UH System departments with “covered accounts” will be required to complete this web training between October 1 and November 30, 2009.

**University of Houston – Clear Lake**

In December 2008, UHCL surveyed all departments to determine if any had covered accounts as defined by the Red Flag Rules. From the survey it was determined which departments would be required to develop identity theft procedures.

On February 29, 2009, several UHCL staff attended a Red Flag workshop hosted by UH. The workshop helped to explain the requirements of the Red Flag rules and provide suggestions on how to develop identity theft procedures.

In March UHCL sent out to all departments identified as having covered accounts a request and suggestions on how to develop identity theft procedures. By May 1, 2009 all departments had returned their procedures to UHCL Finance for review and approval.

In June 2009 UH developed web training for Red Flag rules. All UHCL departments having covered accounts have been scheduled for the required training to be completed between October 1 and November 30, 2009.

### **University of Houston-Downtown**

During FY09 the following activities took place in reference to the UHD Identity Theft Prevention Program. An Identity Theft Prevention (Red Flags) Policy Statement (PS) 03.A.27 was created. It will be posted as soon as SAM 01.C.14 is posted. As required in the PS, the IT department created a process that monitors student changes of their address in UHD's student record system (Banner). Whenever, a change occurs the student receives an email confirming that change. This has been operating since May 2009. Procedures have been developed for departments that have "covered" accounts as defined by the Red Flag Rules. Employees in positions that may encounter occurrences of attempts at identity theft have been identified and will be scheduled for the upcoming Red Flag Rules Mandatory Training to take place between October 1 and November 30, 2009.

### **University of Houston-Victoria**

The campus's introduction to Federal Trade Commission Red Flag Rules began in late 2008 as a collaborative effort with the UH System and other components to comply with Federal Trade Commission Red Flag Rules.

Staff from the Bursar's Office, Admissions, Financial Aid, Human Resources and the compliance officer attended a workshop in February, 2009, hosted by UH to better understand Red Flag rules and the new requirements which extended compliance to educational institutions.

In April, 2009, UHV Policy A-27, Identity Theft Program, was presented to the President's Cabinet for review and was subsequently approved. General program oversight including developing, implementing and updating the campus identity theft program is the responsibility of a Program Administrative Group comprised of the Campus Compliance Officer (Program Administrator), Bursar, Information Security Officer and the HR Director. Departments who oversee covered accounts or other operations where there is a reasonable likelihood that identify theft could occur are required to develop and practice reasonable procedures to detect, prevent and mitigate identity theft.

Awareness and Prevention Activities –

- Approximately 30 employees from key departments (*Admissions, Financial Aid, Student Solutions, Information Security, Human Resources, Bursar's Office*) that either have “covered accounts” or who routinely handle personal data or inquiries involving students and employees, have been scheduled for role based on-line Identity Theft Program training.
- Student Listserv E-mail notices are being sent by Admissions and Records at the start of the fall and spring semesters informing students of the UHV Identify Theft Program.
- Beginning May, 2009, employees and students began receiving automatic email notifications through HRMS database when changes were made to email or regular address, W-4 changes (employees), or changes to Direct Deposit (employees).
- The departments of Admissions, Financial Aid, Student Solutions, Human Resources and the Bursar's Office now have improved internal controls for verification of identity and prevention of any unauthorized release of financial or other privileged personal information.

Reported Incidents since Program Inception –

Since the Identity Theft Program was formally implemented in May, 2009, there have been no known reports of identity theft or the compromise of financial or other privileged information involving students or employees.