AGENDA

UNIVERSITY OF HOUSTON SYSTEM
AUDIT AND COMPLIANCE
COMMITTEE MEETING

DATE: Wednesday, November 17, 2010

TIME: 10:45 a.m.

PLACE: University of Houston-Downtown
Special Events Center
Academic Building, Third Floor
One Main Street
Houston, Texas 77002

Chair: Nandita V. Berry
Vice Chair: Jacob M. Monty
Members: Welcome W. Wilson, Sr.
             Carroll Robertson Ray, Ex Officio

AUDIT AND COMPLIANCE COMMITTEE

A. Call to Order

B. Approval of Committee Meeting Minutes
   - August 11, 2010, Audit and Compliance Committee Meeting

   Action: Approval

C. Review and Approval of Audit Report and Financial Statements,   AUDIT – 1
   University of Houston Charter School, FY 2010 – University of Houston
   System

   Action: Approval

D. UHS Internal Control Environment Presentation – University of Houston AUDIT – 2
   System

   Action: Information

E. Internal Audit Report – Briefing Booklet – University of Houston System

    Action: Information

                            AUDIT – 3

F. Institutional Compliance Status Report for the Three Months Ended – September 20, 2010 – University of Houston System

    Action: Information

    AUDIT – 4

G. External Audit Report – Veterans' Services at Selected Institutions of Higher Education and Survey Results Related to Veterans' Services at All Texas Public Higher Education Institutions – University of Houston System

    Action: Information

    AUDIT – 5

H. External Audit Report – Texas Comptroller of Public Accounts Post Payment Audit of the University of Houston – University of Houston

    Action: Information

    AUDIT – 6

I. External Audit Report – Texas Comptroller of Public Accounts Post Payment Audit of the University of Houston-Victoria – University of Houston System

    Action: Information

    AUDIT – 7

J. External Audit Report – Texas Comptroller of Public Accounts Post Payment Audit of American Recovery and Reinvestment Act (ARRA) Transactions of the University of Houston – University of Houston System

    Action: Information

    AUDIT – 8

K. Ethics and Conflict of Interest Policies of Board of Regents and Each of the Universities – University of Houston System

    Action: Information

    AUDIT – 9

L. Annual Fraud Prevention and Awareness Report – University of Houston System

    Action: Information

    AUDIT – 10

M. Identity Theft Prevention Program – Executive Summary – University   AUDIT – 11
   of Houston System

   Action: Information

N. University of Houston @ Sugar Land – Academic Building Construction   AUDIT – 12
   Audit – University of Houston System

   Action: Information

O. University of Houston System, Internal Auditing Department – Annual   AUDIT – 13
   Report, Fiscal Year 2010

   Action: Information

P. Adjourn

UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: Review and Approval of Audit Report and Financial Statements, University of Houston Charter School, FY 2010

DATE PREVIOUSLY SUBMITTED:

SUMMARY: Approval is requested for the Audit Report and Financial Statements of the University of Houston Charter School for Fiscal Year 2010. Certification of the audit and financial information by the Board is required by the Texas Education Code, Title 2, Chapter 44, Section 44.008(d).

SUPPORTING DOCUMENTATION: Audit Report and Financial Statements of the UH Charter School for FY 2010 and Texas Education Agency required Certification Form (under separate cover)
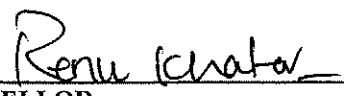
FISCAL NOTE:

RECOMMENDATION/ ACTION REQUESTED: Administration recommends approval of this item

COMPONENT: University of Houston System

CHIEF AUDIT EXECUTIVE	Don Guyton	10/29/10 DATE
CHANCELLOR	Renu Khator	11-3-10 DATE

AUDIT – 1

CERTIFICATE OF BOARD

University of Houston System
(Federal Employer Identification Number: 74-6001399)
Charter Holder for
University of Houston Charter School
(County – District Number: 101-807)

We, the undersigned, certify that the attached Annual Financial Report and Compliance Report of the University of Houston Charter School were reviewed and (check one) ___X___ approved _____ disapproved for the year ended August 31, 2010, at a meeting of the Board of Regents of the charter holder on the 17th day of November, 2010.

_____
Signature of Board Secretary

_____
Signature of Board President

Note:
If the governing body of the charter holder does not approve the independent auditors' report, the reason(s) for disapproving it is (are):
    (Attach list as necessary, including a written statement discussing the reason(s) for not approving the report)

AUDIT – 1.1.1

UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: UHS Internal Control Environment Presentation

DATE PREVIOUSLY SUBMITTED:

SUMMARY: Mike Glisson, Executive Director, Finance, will present a PowerPoint Presentation of the key points listed in the Internal Control Environment Summary

SUPPORTING DOCUMENTATION: UHS Internal Control Environment Summary and PowerPoint Presentation
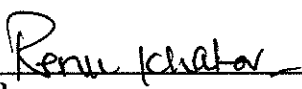
FISCAL NOTE:

RECOMMENDATION/ ACTION REQUESTED: Information

COMPONENT: University of Houston System

_____
CHIEF AUDIT EXECUTIVE   Don Guyton

10/29/10
_____
DATE

_____
CHANCELLOR   Renu Khator

11-3-10
_____
DATE

AUDIT – 2

University of Houston System
Internal Control Environment Summary

Policies
Board of Regents, University of Houston System Administrative Memoranda, Campus Policies, Service/Support Unit Guidelines, Department Policies and Procedures/Manuals
- These policies/guidelines help us comply with Federal/State statutes, and regulations and other external party requirements
- NOTE: We also have institutional compliance functions at each institution in accordance with Board of Regents policy

Risk Assessment
1. State Office of Risk Management
2. Board of Regents Strategic Plan
3. Institutional Fraud Risk Assessment
4. Internal Audit Risk Assessment
5. Annual Disaster Recovery/Business Continuity Risk Assessment
6. University of Houston Responsibility Matrix/Baseline Standards

Risk Mitigation
1. Annual on-line training (Conflict of Interest, Fraud, Secure our System, Ethics, EEO/AA. Outside Consulting)
2. New hire training
3. Role-based training
4. Classroom training for users of information systems (to obtain access)

Information and Communication
- System-wide finance and human resources PeopleSoft system and Student system (with exception of UHD who uses Banner)
- Standardized systems including base level controls
- Weekly electronic publications informing users of requirements for the week
- Monthly electronic finance newsletter
- Monthly meetings with finance and College Business Administrators
- Maintenance and publication of calendar of events/requirements
- Web-based policies and procedures
- System-wide mandatory chief accounting officer/chief financial officers meetings
- Human Resources Advisory Board
- Participation in professional organizations
- Professional certification requirements/licensure
- Monthly meetings of campus institutional compliance committee and quarterly meetings of all institutional compliance officers together with quarterly report to the Board of Regents
- Annual Fraud Prevention and Awareness report to Board of Regents
- Standard and ad hoc reports on demand from Information Systems
- Data warehouse

Control Activities
- Cost center verifications

Component	Active Cost Centers
UH	14,344
UHCL	2,569
UHD	1,856
UHSA	2,123
UHV	1,088
Total	21,980

- Payroll verification (including leave usage)
- Final review/approval of human resources/finance transactions
- Central bank account reconciliations
- Central reconciliation of subsystems to finance system
- Reconciliation of transfers and fee revenues to general ledger
- Transaction certifications
- Department Business Administrator and Unit Head annual fraud risk survey that includes performance of control activities
- Annual certification of financial statements by president/CFO's/accounting office
- Annual certification of financial statements by chancellor
- Segregation of duties for treasury/cashier/accounting functions
- Anonymous reporting mechanism for fraud/non-compliance
- Annual budgeting process/hearings
- Purchasing functions (bids/quotes)
- Authority of limitations/delegation of authority
- Electronic workflow for approvals and electronic documents
- Segregation of duties
- Access controls
- Monitoring of access
- Automated controls (access/termination, validity checks, budget checks)
- System-wide gate keepers provide final approval of transactions

Monitoring Activities
- On-line training – PeopleSoft monitoring mechanisms
- Surprise cash counts by general accounting and Internal Audit
- Departmental reviews by Internal Audit for compliance
- Other operational and compliance reviews by Internal Audit for compliance
- Annual consumable inventory counts and certifications
- Annual fixed assets inventory by property managers
- Annual accounts receivable reporting and certifications
- Annual review of cash handling procedures
- Accounts payable audits of procurement card and travel card and issuance of monthly suspicious/unusual transaction reports

- College Business Administrators/Department Business Administrators review requirements to help ensure that all business administrator requirements are performed
- Annual reports of write-off of accounts receivable and reduction of physical inventory to Board of Regents
- Financial reporting annual review – budget to actual, unusual balances, and account variation analyses
- External annual audits of KUHT, KUHF, Endowment, Athletics, Charter School
- Annual State Auditor's Office audit of federal financial aid programs and review of financial aid/research and development
- Sponsor audits of research spending
- Comptroller post-payment audits

University of Houston System Internal Control Environment

November 17, 2010

What is internal control?

Process put in place by the Board, executive management, and other personnel to provide reasonable assurance of achieving objectives:

Effective and efficient operations

- Strategic Plan goals , efficient payroll processing, etc.

Reliable financial reporting

- Internal and external reports

Compliance with laws and regulations

- Federal, state, sponsor, and donor requirements

Components of Internal Control
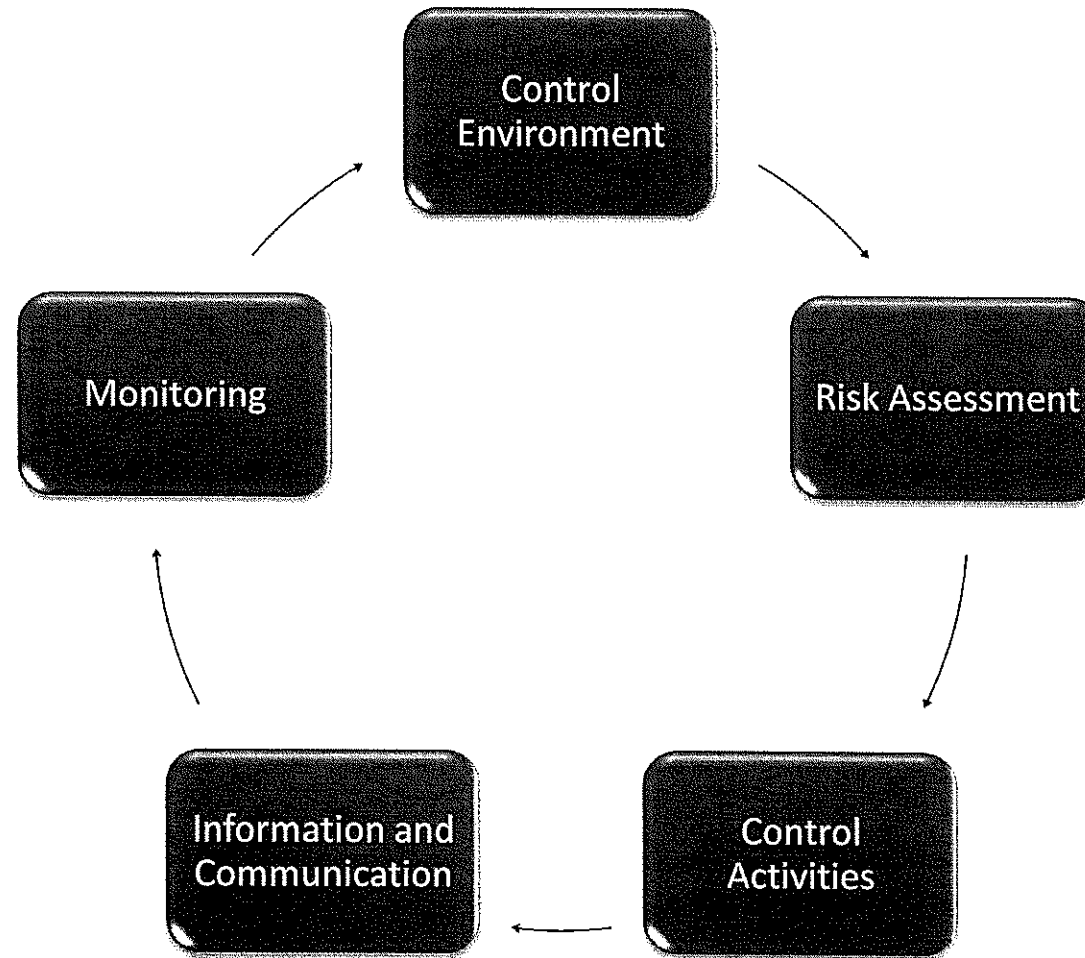
Control Environment

Tone at the Top

- Board, Chancellor, and Presidents set the standard
- Policies provide framework for controls

Organizational Structure

- Audit and Compliance Committee
- Internal Audit reports to the Board

Management Operating Style

- Hire and develop competent and ethical employees
- Assign appropriate authority and responsibility
- Lead by example

Control Environment: Policies

External Rules and Regulations

Board Policies

System Policies

Campus Policies and Procedures

Department Procedures

Risk Assessment

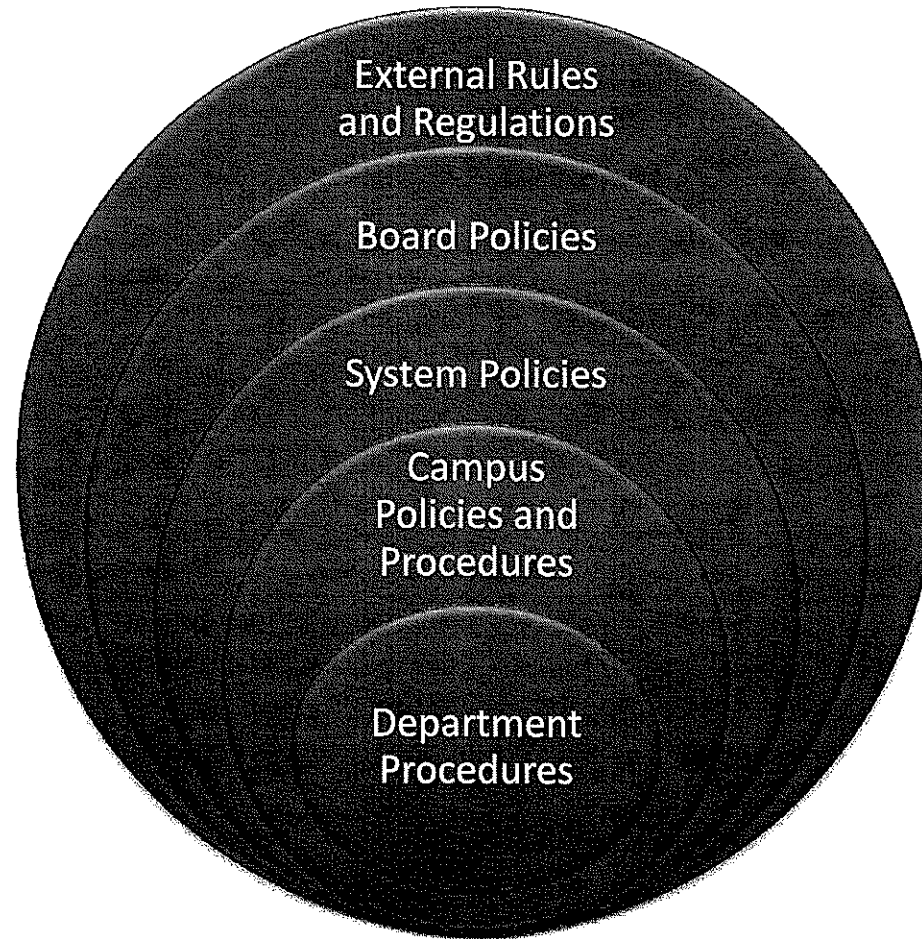| Type of Assessment	Conducted By	Frequency
Campus safety	Department of Public Safety (DPS)/State Office of Risk Management (SORM)	DPS = Continuous SORM = Every 3 to 4 years
Fraud risk survey	Departments/Finance	Annual
External compliance	Institutional Compliance Committee	Annual
Internal compliance	Internal Audit	Annual
Business continuity plan	Departments/DPS	Annual
Responsibility matrix	Departments/Finance	Annual
Campus information system security	University Information Technology	Annual

Control Activities
(1 of 2)

Training	• Mandatory, new hire, and role-based training • Web and classroom training
Data Security Controls	• Security roles only permit access needed for job • Automatic removal if employee leaves job
Transaction Processing Controls	• Electronic workflow and online documents • Final approval by Finance/Human Resources
Asset Management Controls	• Annual physical inventory • Annual review of cash handling procedures
Monthly Cost Center Verifications	• Identify and correct erroneous transactions

Control Activities
(2 of 2)

Purchasing Controls
- Public advertising
- Documented selection process

Budgetary Controls
- Annual budgetary process/hearings
- Sufficient budget required to process transactions

Segregation of Duties
- Separate groups deposit cash and reconcile bank statements, etc.

My Safe Campus Hotline
- Fraud reporting link on every campus home page
- Also used to report non-compliance

Balancing Risks and Internal Controls
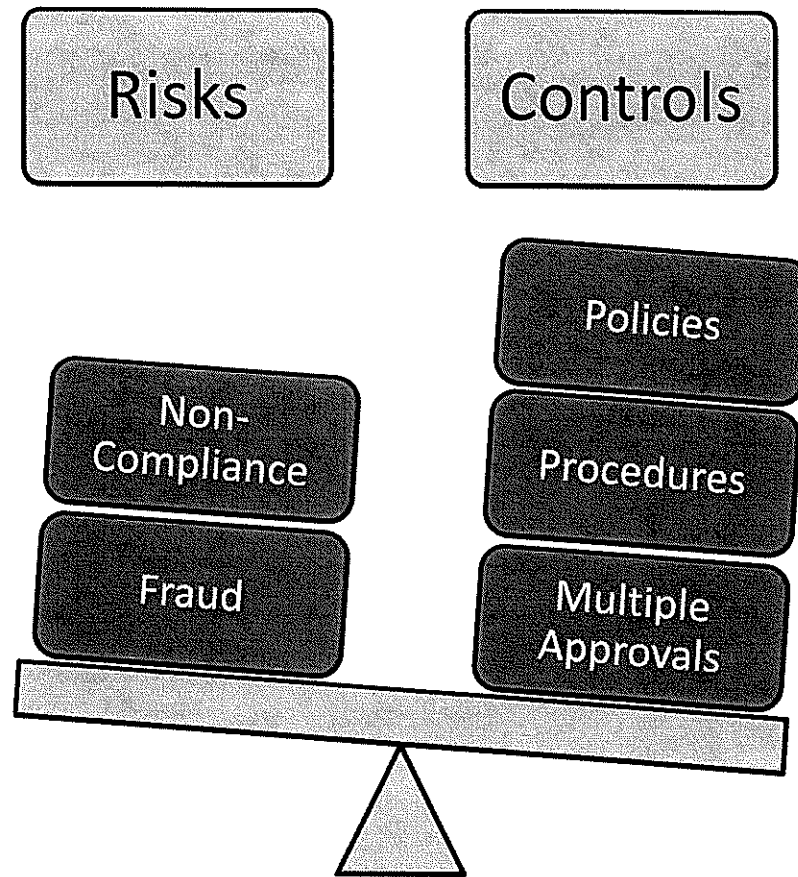
Information

System-Wide Information System	Standard and Ad Hoc Reports
• Standardized data • Data flows between finance, HR, and student systems • Data stored in tables (relational database) for faster reporting	• Real-time budget reports • Run all reports and queries at any time • Data warehouse

Communication: Notices

Policies and procedures are on the web

Weekly email notices of current deadlines to staff

Monthly e-newsletters to administrative staff

Communication: Meetings

Monthly/Quarterly Meetings

- Chief Financial Officers (Monthly)
- Chief Accounting Officers (Monthly)
- Human Resources Advisory Board (Monthly)
- College/Division Administrators with Finance (Monthly)
- Institutional Compliance Officers (Quarterly)

Communication: Reports
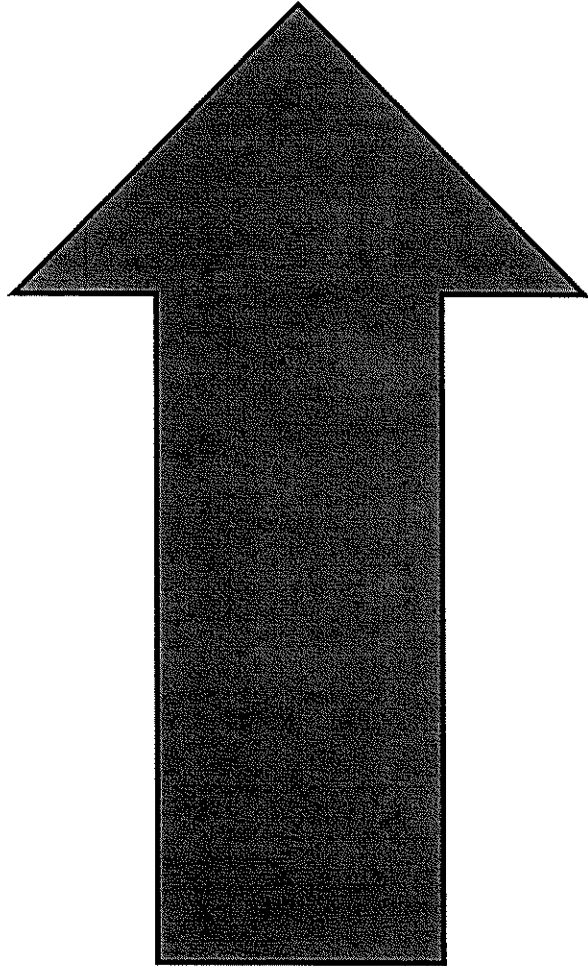
Internal Audit Reports to the Board

- Institutional Compliance (Quarterly)
- Fraud Awareness and Prevention (Annual)

Monitoring
(1 of 2)

Type of Monitoring	Conducted By	Frequency
Online training	PeopleSoft (automatic)	Continuous
Authorized system access	PeopleSoft (automatic)	Continuous
Surprise cash counts	Internal Audit and General Accounting	Throughout the year
Departmental reviews	Internal Audit	Throughout the year
Procurement card and travel card transactions	Accounts Payable	Monthly
Consumable retail inventory	General Accounting	Annual
Fixed asset inventory	Property Management	Annual
Accounts receivable certification	General Accounting	Annual
Cash handling procedures	General Accounting	Annual

Monitoring

(2 of 2)

Type of Monitoring	Conducted By	Frequency
Campus and System financial reports	Financial Reporting and Comptroller's Office	Annual
Financial audits of KUHT/KUHF, Charter School, Athletics, and Endowments	CPA Firm	Annual
Federal financial aid audit and review of sponsored research	State Auditor's Office	Annual
Sponsored research audits	Oversight agencies	Multiple times per year
Post-payment audit	Comptroller's Office	Every 3 to 5 years

Why Controls Don't Always Work

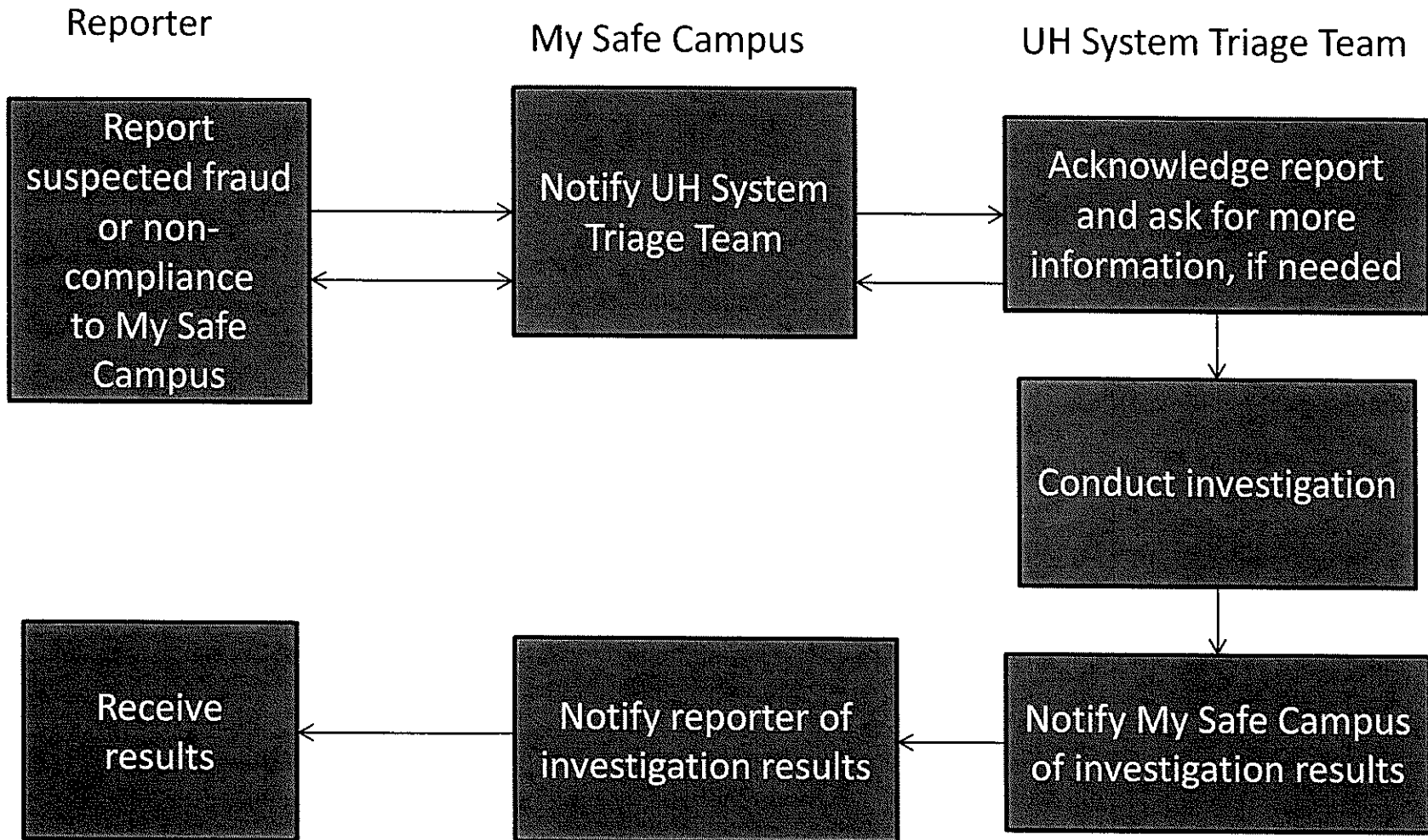| External Factors Beyond Control	Bad Management	Problem Employees
• Economy • Politics • State Legislature	• Don't care about controls • Intentionally override controls	• Errors in implementing controls • Collusion to bypass controls

My Safe Campus Report Life Cycle

Reporter

My Safe Campus

UH System Triage Team

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┌─────────────────┐         ┌─────────────────┐         ┌─────────────────┐
│     Report      │         │                 │         │ Acknowledge     │
│ suspected fraud │────────▶│ Notify UH System│────────▶│ report and ask  │
│   or non-       │         │  Triage Team    │         │ for more        │
│  compliance     │◀───────▶│                 │◀────────│ information, if  │
│  to My Safe     │         │                 │         │ needed          │
│    Campus       │         │                 │         │                 │
└─────────────────┘         └─────────────────┘         └─────────────────┘
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                                                        ┌─────────────────┐
                                                        │     Conduct     │
                                                        │  investigation  │
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                                                                 ▼
┌─────────────────┐         ┌─────────────────┐         ┌─────────────────┐
│    Receive      │◀────────│ Notify reporter │◀────────│ Notify My Safe  │
│    results      │         │ of investigation│         │ Campus of       │
│                 │         │     results     │         │ investigation   │
│                 │         │                 │         │ results         │
└─────────────────┘         └─────────────────┘         └─────────────────┘
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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, 2010, Audit & Compliance Committee Meeting of the Board of Regents. This booklet includes Activity Outline/Audit Plan Status and the Executive Summaries, Summary of Recommendations by Area, and Management Action Plans of the following Internal Audit Reports with risk levels ranked High/Medium/Low:

- AR2011-01   Follow-up Status Report
  - Identifies two high risk items that are partially implemented in UHD College of Sciences and Technology and UHS Facilities Development Project, and one high risk item that has not been implemented in UHS Facilities Development Project
- AR2011-02   UH Athletics, Departmental Review
- AR2011-03   Board of Regents' Travel, FY 2010
- AR2011-04   Chancellor/President's Travel, FY 2010
- AR2011-05   UH Division of Student Affairs, Departmental Reviews
  - The Division of Student affairs needs to implement a monitoring mechanism to help ensure all business functions are adequately performed, in accordance with university procedures
- AR2011-06   Annual Non-Compliance Reports, FY 2010
- AR2011-07   UHD JAMP, FY 2009-2010
- AR2011-08   UH JAMP, FY 2009-2010

The Internal Audit Reports included in this booklet will be filed with the Governor's Office of Budget and Planning, the Legislative Budget Board, the State Auditor, and the Sunset Advisory Committee within the next 30 days, as required by the Texas Government Code, Section 2102.0091. I shall be pleased to discuss the contents of the booklet with you at the upcoming Board of Regents meetings.

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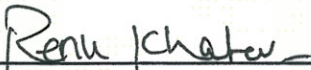**DOCUMENTATION:**   Internal Audit Briefing Booklet (under separate cover)

FISCAL NOTE:

RECOMMENDATION/   Information
ACTION REQUESTED:

COMPONENT: University of Houston System

(signature)		10/29/10
CHIEF AUDIT EXECUTIVE	Don Guyton	**DATE**
(signature)		11-3-10
CHANCELLOR	Renu Khator	**DATE**

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

BOARD OF REGENTS
AUDIT & COMPLIANCE COMMITTEE
MEETING

INTERNAL AUDIT BRIEFING
MATERIALS

November 17, 2010

University of Houston System
Internal Auditing Department

Board of Regents
Audit & Compliance Committee Meeting

Internal Audit Briefing Materials

November 17, 2010

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University of Houston System
Internal Auditing Department

Board of Regents
Audit & Compliance Committee Meeting

ACTIVITY OUTLINE
November 17, 2010

1. Audit Reports Issued since August 11, 2010, Board of Regents Meeting
   - AR2011-01   Follow-up Status Report
   - AR2011-02   UH Athletics, Departmental Review
   - AR2011-03   Board of Regents' Travel, FY 2010
   - AR2011-04   Chancellor/President's Travel, FY 2010
   - AR2011-05   UH Division of Student Affairs, Departmental Reviews
   - AR2011-06   Annual Non-Compliance Report, FY 2010
   - AR2011-07   UHD JAMP, FY 2009-2010
   - AR2011-08   UH JAMP, FY 2009-2010

2. Reports in Progress *(scheduled distribution date to Board of Regents)*
   - Financial Aid, Pell Grants (UHV, UHCL, UHD) *(February 2011)*
   - UH Education, Endowment Income Expenditures *(February 2011)*
   - UH Financial Aid, Scholarships *(February 2011)*
   - UH Optometry, Departmental Review *(February 2011)*
   - UHV Finance and Administration, Departmental Reviews *(February 2011)*
   - UHV Provost Office, Departmental Reviews *(February 2011)*
   - UHS Executive & Foreign Travel *(February 2011)*

3. Fieldwork in Progress *(scheduled distribution date to Board of Regents)*
   - UH Athletics, Football Attendance Audit, 2010 Season (February 2011)
   - UH Athletics, Endowment Income Expenditures *(February 2011)*
   - UH Natural Sciences & Mathematics, Endowment Income Expenditures
   - UH Optometry, Endowment Income Expenditures
   - UH Research Administration *(February 2011)*
   - UHD Academic Affairs & Provost, Departmental Reviews *(February 2011)*
   - UHD University College, Departmental Reviews *(February 2011)*

4. Planning in Progress
   - Student Accounting & Receivables (UH, UHCL, UHD, UHV)
   - UH Financial Reporting
   - UH Optometry, Operational Review
   - UH Texas Learning Computation Center
   - UH Center for Advanced Materials
   - UHS Privacy Issues

5. Special Projects in Progress:
   - Assistance to External Auditors – State Auditor's Office Annual Statewide Audit, FY 2010
   - Assistance to Management – Various Special Projects

AUDIT PLAN STATUS, FY 2011
AS OF OCTOBER 22, 2010

AUDIT AREA	STATUS (See Note)	AUDIT AREA	STATUS (See Note)
ANNUAL AUDIT ACTIVITY		DEPARTMENTAL REVIEWS	
Annual External Audits - Liaison		UH Academic Affairs/Provost Division	
Athletics - Football Attendance Audit	2	UH Education	
Athletics - NCAA Rules-Compliance		UH Graduate School of Social Work	
Board of Regents Travel, FY 2010		UH Hotel & Restaurant Management	
Chancellor/President's Travel, FY 2010		UHCL Provost Office	
Follow-up Reviews	2	UHD Academic Affairs & Provost	2
Special Projects/Police Investigations	2	UHD University College	2
State Auditor's Office Liaison:		UHV Nursing	
Audit Assistance - General	2		
Follow-up Reports		CARRYFORWARD AUDITS	
		Board of Regents Travel, FY 2009	4
		Chancellor/President's Travel, FY 2009	4
ALL COMPONENTS		Endowments (UH):	
Contracts & Grants Admin. (UHCL, UHD, and UHV)		UH Education	3
Endowments (UHS and UH):		UH Athletics	2
UH Engineering		UH Natural Sciences & Mathematics	2
UH Library		UH Optometry	2
UH Non College Specific		Financial Aid, Pell Grants (UHCL, UHD, and UHV)	3
UH Provost		Financial Reporting (all components)	1
UH System Administration		Privacy Issues (all components)	1
Financial Aid, Direct Loans (UHCL, UHD, and UHV)		Student Accounting & Receivables (all components)	1
Formula Funding (all components)		UH Athletics, Departmental Review	4
JAMP Grants (UH and UHD)	4	UH Center for Advanced Materials	1
		UH Information Security	
RESEARCH CENTERS		UH Optometry, Departmental Review	3
UHCL/UH Environmental Institute of Houston		UH Research, Contracts & Grants Administration	2
UH Texas Inst for Measurement, Evaluation & Statistics		UH Scholarships	3
UH Texas Learing & Computation Ctr.	1	UH Student Affairs, Departmental Reviews	4
		UHV Administrative & Finance, Departmental Reviews	3
INFORMATION TECHNOLOGY		UHV Provost Office, Departmental Reviews	3
IT - Review and Monitor of IT Systems		UHS Executive and Foreign Travel	3
UH Desktop Computing Support, User Suppport			
Services, Training, Computer Store			
UH Web Support Services			
TAC 202 (UHCL, UHD, and UHV)			

Notes:
1 Planning in progress.
2 Fieldwork in progress.
3 Reporting in progress.
4 Completed.

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDITING DEPARTMENT

INTERNAL AUDIT REPORTS

EXECUTIVE SUMMARIES

REPORT NOS. AR2011-01 through AR2011-08

INTERNAL AUDIT REPORTS - EXECUTIVE SUMMARIES

Internal Audit Report – Follow-up Status Report
The <u>Standards for the Professional Practice of Internal Auditing</u> 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, 2010, to September 30, 2010, in all audit reports with open recommendations. This status report addresses 83 management actions in 18 individual reports. In ascertaining whether appropriate action was taken, we interviewed personnel, reviewed documentation and performed other audit procedures as necessary. We determined that 50 of these management actions have been completed, 25 partially implemented and 8 not implemented.

Internal Audit Report – UH Athletics, 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 one departmental review in the Athletics Department. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the Athletics Department was not in compliance with certain policies. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

Internal Audit Report – Board of Regents' Travel, FY 2010
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 2010. It should be noted that in some cases, travel and entertainment expenditures for regents may 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, 2010, were appropriately documented and were allowable under university policies.

Internal Audit Report – Chancellor/President's Travel, FY 2010
As part of our annual audit plan, we reviewed all travel and entertainment expenditures of the Chancellor/President and spouse for fiscal year 2010 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 may 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, 2010, were appropriately documented and were allowable under university policies.

Internal Audit Report – UH Division of Student Affairs, 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 14 departmental reviews in the Division of Student Affairs. 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 engagement observation: lack of financial and administrative oversight. We determined that the Division did not have a mechanism in place to help ensure that all business functions are adequately performed throughout the Division. Division management plans to review the business processes and Division and departmental responsibilities to help ensure that appropriate oversight and monitoring is in place and functioning as intended. In addition, we noted that the departments reviewed were not in compliance with certain policies. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

Internal Audit Report – Annual Non-Compliance Report, FY 2010
During FY 2010, the Internal Audit Department issued 9 audit reports that contained the results of 46 departmental reviews. Departmental reviews were performed in 34 UH departments, 11 UHCL departments, and 1 UHD department. 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. We noted that the most frequent instances of non-compliance by audited units occurred in the areas of payroll/human resources, cash handling, contract administration, cost center management, and procurement cards. Management conducted role-based training, surveyed departments to determine fraud risk, reduced cash handling risk by reducing petty cash funds, reviewed credit card transactions for compliance, implemented procedures to protect confidential information and improve compliance with hiring procedures, updated departmental responsibilities for maintaining internal controls, and issued weekly updates to departments to remind them of their deadlines and responsibilities to help reduce instances of non-compliance and enhance the internal control environment.

Internal Audit Report – UHD JAMP, FY 2009-2010
The University of Houston - Downtown (UHD) has entered into an agreement with the Joint Admission Medical Program Council, which administers the Joint Admission Medical Program (JAMP) that provides funding for programs in support of economically disadvantaged students interested in attending medical school. During fiscal years 2009 and 2010, UHD received $30,000 of JAMP funding. The Internal Auditing department reviewed grant activities for fiscal years 2009 and 2010 to meet audit requirements set forth in the JAMP agreement. The objective of our review was to determine whether grant activities complied with JAMP Program guidelines and university policies. We noted no findings of non-compliance with the JAMP agreement or JAMP expenditure guidelines.

Internal Audit Report – UH JAMP, FY 2009-2010

The University of Houston (UH) has entered into an agreement with the Joint Admission Medical Program Council, which administers the Joint Admission Medical Program (JAMP) that provides funding for programs in support of economically disadvantaged students interested in attending medical school. During fiscal years 2009 and 2010, UH received $30,000 of JAMP funding. The Internal Auditing department reviewed grant activities for fiscal years 2009 and 2010 to meet audit requirements set forth in the JAMP agreement. The objective of our review was to determine whether grant activities complied with JAMP Program guidelines and university policies. We noted no findings of non-compliance with the JAMP agreement or JAMP expenditure guidelines.

University of Houston System
Internal Auditing Department
Internal Audit Report Recommendations - Summarized by Area
November 17, 2010

REPORT NAME	Rpt. No.	Modify Policies and Procedures — UHS	Campus	Dept.	Noncompliance with Guidelines — Fed./Other	State	UHS	Efficiency of Resources	Contracts / Agreements	EDP / System Issues — Modif.	Security	Other	Basic Internal Controls — Segreg. Reconcil. of Duties	Cash Handling	Safeguard Assets	Other	Human Resources — Job Descr.	Training	Other
Follow-up Status Report	AR2011-01																		
UH Athletics, Departmental Review	AR2011-02						X						X	X		X			X
Board of Regent's Travel, FY 2010	AR2011-03																		
Chancellor/President's Travel, FY 2010	AR2011-04																		
UH Division of Student Affairs, Departmental Reviews	AR2011-05			X			X		X	X	X	X	X	X	X	X	X		X
Annual Non-Compliance Report, FY 2010	AR2011-06																		
UHD JAMP, FY 2009-2010	AR2011-07																		
UH JAMP, FY 2009-2010	AR2011-08																		

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. AR2011-01 through AR2011-08
(If Applicable)

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

University of Houston System
Internal Auditing Department

UH, Division of Student Affairs - Departmental Reviews - AR2011-05
Action Plan

Est. Compl. Date	Responsibility for Action Name/Title	Action To Be Taken
Risk Level: High Medium Low		
August 31, 2011	Diane Murphy Associate VP, Student Affairs Administration VPSA	Implement a monitoring mechanism to help ensure all business functions are adequately performed, in accordance with university procedures.

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.

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UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

INTERNAL AUDIT REPORTS

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, 2010 to September 30, 2010

REPORT NO. AR2011-01

UNIVERSITY OF HOUSTON SYSTEM
FOLLOW-UP STATUS REPORT
(Actions Scheduled from July 1, 2010, to September 30, 2010)

Board of Regents Audit Committee Meeting
November 17, 2010

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University of Houston System
Internal Auditing Department

Follow-up Status Report
(Actions scheduled from July 1, 2010, to September 30, 2010)

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, 2010, to September 30, 2010, in all audit reports with open recommendations. This status report addresses 83 management actions in 18 individual reports. In ascertaining whether appropriate action was taken, we interviewed personnel, reviewed documentation and performed other audit procedures as necessary. We determined that 50 of these management actions have been completed, 25 partially implemented and 8 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.

Don F. Guyton
Chief Audit Executive
October 14, 2010

Attachment

UNIVERSITY OF HOUSTON SYSTEM
AUDIT REPORTS CONTAINING MANAGEMENT ACTION PLANS
FOLLOW-UP STATUS
FY 2011

Report Number	Report Date	REPORT TITLE	**All Actions Complete** Final Disposition Rept. No.	Some Actions Addressed in this Report
INTERNAL AUDIT REPORTS WITH OPEN RECOMMENDATIONS:				
AR1999-08	02/18/99	UH, Physical Plant Department, 3rd FU		
AR 2005-25	08/03/05	Departmental Reviews		
AR2006-20	05/02/06	Departmental Reviews		
AR2008-08	11/15/07	UH Residential Life & Housing, Operational Review		
AR2008-17	04/28/08	College of Engineering, Departmental Reviews		
AR2009-02	12/09/08	UH College of Technology - Departmental Reviews		X
AR2009-12	02/10/09	UH NSM - Departmental Reviews		X
AR2009-17	04/14/09	UHD College of Sciences &Technology- Dept. Reviews		X
AR2009-18	04/14/09	UH Division of Administration & Finance - Dept. Reviews		X
AR2009-20	04/14/09	UHD Information Securities Standards		X
AR2009-22	08/11/09	UHS Facilities Development Project		X
AR2010-02	11/05/09	UHCL TAC 202		X
AR2010-03	11/05/09	UH TAC 202		X
AR2010-07	11/05/09	UH, CLASS - Departmental Reviews		X
AR2010-10	02/10/10	UH Foundation Review	**AR2011-01**	X
AR2010-13	02/10/10	UHCL School of Business, Departmental Review		
AR2010-14	02/10/10	UHCL School of Science and Computer Engineering, Dept. Rev.		
AR2010-15	02/10/10	UHD College of Sciences & Technology Dept. Rev. - Follow-up		
AR2010-17	05/12/10	UH Law Center, Departmental Reviews	**AR2011-01**	X
AR2010-18	05/12/10	UH College of Architecture, Departmental Reviews		X
AR2010-21	05/12/10	UHCL School of Human Sciences & Humanities		X
AR2010-25	08/11/10	UHCL Administration & Finance, Departmental Reviews	**AR2011-01**	X
AR2010-26	08/11/10	UH Athletics, NCAA Rules-Compliance		
AR2010-28	08/11/10	UH/UHD ARP Grants, 2007 Awards	**AR2011-01**	X
SP2009-05	08/11/09	Job Order Contracts		X
EXTERNAL AUDIT REPORTS WITH OPEN RECOMMENDATIONS:				
SAO Report #05-010	11/02/04	UH - The Protection of Confidential Information and Critical Systems		X
SAO Report #10-328	03/01/10	Federal Portion of the Statewide Single Audit Report For the Fiscal Year Ended August 31, 2009		
CCM #0901	01/31/09	Calhoun Lofts Residence Hall Interim Construction Audit		X

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
					Risk Level: High Medium Low			
AR2009-02	UH College of Technology Departmental Reviews	4a	6	8/31/2010	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.	*Partially Implemented* – **Updated Management's Response**: The department has developed a plan to restore the deficit fund group balance to a positive amount within 3 years. The plan was approved by the Assistant VP for Academic Operations, and submitted to Academic Affairs. New estimated completion date: August 31, 2013.
AR2009-12	College of Natural Sciences & Mathematics Departmental Reviews	21d	48	8/31/2010	Jennifer Chin-Davis Department Business Administrator Physics Department	UH	Restore deficit grant cost center budgetary balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.	*Partially Implemented* - **Updated Management's Response:** The department is working with the Office of Contracts and Grants to clear negative budgetary balances on grant cost centers. Estimated completion date: October 31, 2010.
AR2009-12	College of Natural Sciences & Mathematics Departmental Reviews	22d	48	8/31/2010	Jennifer Chin-Davis Department Business Administrator Physics Department	UH	Work with the Office of Contracts and Grants to close expired project cost centers and with the Budget Office to close expired HEAF cost centers.	*Partially Implemented* - **Updated Management's Response:** The department is working with the Office of Contracts and Grants to close out expired project/grant cost centers. Estimated completion date: October 31, 2010.
AR2009-12	College of Natural Sciences & Mathematics Departmental Reviews	41b	48	8/31/2010	Lilia Canas Department Business Administrator Biology and Biochemistry Department	UH	Restore negative fund balance to zero or positive amounts and implement procedures to prevent spending funds that are unavailable, or obtain an exception from the Chief Financial Officer for the planned negative fund balance.	*Action Complete*
AR2009-17	Departmental Reviews UHD College of Sciences and Technology	2b	20	8/1/2010	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.	*Partially Implemented* – **Updated Management's Response:** NSF responded to the Provost Office and requested documentation and repayment in the amount of $32, 772.14. NSF has given the Provost Office a deadline of October 15, 2010 to provide the requested documentation and provide repayment. The Provost Office is working to obtain and provide the requested documentation and repayment to NSF by the deadline. Estimated completion date: October 15, 2010.

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action Name / Title	Entity	Action To Be Taken	Status
					Risk Level: High Medium Low			
AR2009-18	Departmental Reviews UH Division of Administration and Finance	1a	21	8/31/2010	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.	*Partially Implemented* - **Updated Management's Response:** The department has restored 1 deficit fund group balance to a positive amount; and expects to restore the other deficit fund group to a positive amount by February 1, 2011.
AR2009-18	Departmental Reviews UH Division of Administration and Finance	2b	21	8/31/2010	Deborah Marks Manager One Card Program	UH	Modify departmental procedures to help ensure the timely completion of all cost center verifications, in accordance with university policies.	*Action Complete*
AR2009-18	Departmental Reviews UH Division of Administration and Finance	3b	21	8/31/2010	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.	*Partially Implemented* – **Updated Management's Response**: The department has restored 1 of 2 deficit fund group balances to a positive amount; and expects to have the other deficit fund group balance restored to a positive amount by February 28, 2011.
AR2009-18	Departmental Reviews UH Division of Administration and Finance	15	21	8/31/2010	Lisa Castro Department Business Administrator Plant Operations	UH	Restore deficit budgetary balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.	*Not Implemented*- **Updated Management's Response:** The department is in the process of awaiting funding from other departments. Estimated completion date: October 31, 2010.
AR2009-18	Departmental Reviews UH Division of Administration and Finance	16	21	8/31/2010	Lisa Castro Department Business Administrator Plant Operations	UH	Notify the appropriate office of expired project/grant cost centers that remain in the financial system.	*Not Implemented*- **Updated Management's Response:** The department is in the process of awaiting the final project reconciliation and close out from another department. Estimated completion date: November 1, 2010.
AR2009-20	Information Security Standards	5a	7	8/31/2010	Erin Mayer Executive Director Information Technology	UHD	Develop password standards based on industry best practices and update policies and procedures accordingly.	*Action Complete*

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action Name / Title	Entity	Action To Be Taken	Status
							Risk Level: **High** **Medium** **Low**	
AR2009-22	UHS Facilities Development Project	1a	24	8/31/2010	Melissa Rockwell Exec. Director of Facilities Management Spencer Moore, Executive Director, FP&C	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.	*Not Implemented* – **Updated Management's Response:** The Department has been reorganized and the Consultant has been hired to assist with Project Delivery Process and Policy development. Project is targeted for completion December 2010. Estimated completion date: December 31, 2010.
AR2009-22	UHS Facilities Development Project	2a	24	8/31/2010	Melissa Rockwell Exec. Director of Facilities Management Spencer Moore, Executive Director, FP&C	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.	*Partially Implemented* - **Updated Management's Response:** The Consultant has been hired to assist with Project Delivery Process and Policy development. Project is targeted for completion December 2010. Estimated completion date: December 31, 2010.
AR2009-22 (PRT)	UHS Facilities Development Project	17b	24	8/31/2010	Lillian Wanjagi Director, Facilities Information	UH	Perform institutional audit of room number signage and incorporate a completion schedule for room signage in the space inventory control system documentation.	*Partially Implemented* – **Updated Management's Response:** This is an ongoing project whereby a process was developed and implemented in the office of facilities information that requires a check of all the signage as updates are made to the facilities database. Estimated completion date: August 31, 2011.
AR2009-22 (PRT)	UHS Facilities Development Project	18b	24	8/31/2010	Lillian Wanjagi Director, Facilities Information	UH	Perform walkthroughs to verify room use codes accurately reflect actual use and update changes as necessary.	*Partially Implemented* – **Updated Management's Response:** This is an ongoing project. The initial phase of this project include a verification of the E&G spaces in the largest 25 academic buildings on campus. This project is now in the second phase which involves the validation of each building in its entirely. The process also includes the creation of AutoCAD floor plans, PeopleSoft Data updates, and the creation of polylines for use in the new space management software. So far, walkthroughs have been completed in 37 buildings and the effort will continue through Summer 2011. Estimated completion date: August 31, 2011.

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action Name / Title	Entity	Action To Be Taken	Status
					Risk Level: High Medium Low			
AR2009-22 (PRT)	UHS Facilities Development Project	19b	24	8/31/2010	Lillian Wanjagi Director, Facilities Information	UH	Perform walkthroughs to verify room type codes accurately reflect actual use and update changes as necessary.	*Partially Implemented* – **Updated Management's Response:** This is an ongoing project. The initial phase of this project include a verification of the E&G spaces in the largest 25 academic buildings on campus. This project is now in the second phase which involves the validation of each building in its entirely. The process also includes the creation of AutoCAD floor plans, PeopleSoft Data updates, and the creation of polylines for use in the new space management software. So far, walkthroughs have been completed in 37 buildings and the effort will continue through Summer 2011. Estimated completion date: August 31, 2011.
AR2010-02	Information Security Standards	1	8	9/1/2010	Margaret Lampton Director of Information Security and Administration	UHCL	Review and update University policies relating to information technology to help maintain an up-to-date information security program.	*Action Complete*
AR2010-02	Information Security Standards	5	8	9/1/2010	Margaret Lampton Director of Information Security and Administration	UHCL	Update Information Security Policies and Procedures to prohibit sending of individual's name and restricted personal information via email unless the data is encrypted.	*Partially Implemented* - **Updated Management's Response:** The policy prohibiting sending of individual's name and restricted personal information via email unless the data is encrypted has been drafted and is awaiting approval of the Facilities and Support Services Committee. Estimated completion date: November 1, 2010.
AR2010-02	Information Security Standards	6	8	9/1/2010	Margaret Lampton Director of Information Security and Administration	UHCL	Update the Information Security Policies and Procedures to include requirements related to wireless access, in accordance with TAC 202.	*Action Complete*
AR2010-02	Information Security Standards	7	8	9/1/2010	Margaret Lampton Director of Information Security and Administration	UHCL	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.	*Action Complete*

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action Name / Title	Entity	Action To Be Taken	Status
					Risk Level: High Medium Low			
AR2010-02	Information Security Standards	2c	8	9/1/2010	Margaret Lampton Director of Information Security and Administration	UHCL	Develop and implement procedures to annually review, update, test, and approve the written emergency procedures.	*Action Complete*
AR2010-03	Information Security Standards	1b	11	8/31/2010	Mary Dickerson Interim Executive Director, IT Security	UH	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.	*Partially Implemented* **- Updated Management's Response:** SAM 07.B.02 has been signed by the Chancellor. Updates to SAM 07.B.01 are being reviewed by executive management. Estimated completion date: January 1, 2011.
AR2010-03	Information Security Standards	3	11	7/1/2010	Mary Dickerson Interim Executive Director, IT Security	UH	Review and update the Information Security Manual, SAMs, and MAPPs, as appropriate, to help ensure that the policies are aligned with current information security practices and are in compliance with TAC 202.	*Partially Implemented* **- Updated Management's Response:** The review and update of all IT security policies is in progress. Estimated completion date: February 1, 2011.
AR2010-03	Information Security Standards	5a	11	8/31/2010	Jim Bradley Interim Executive Director, Technology Support Services Mary Dickerson Interim Executive Director, IT Security	UH	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.	*Partially Implemented* **- Updated Management's Response:** University Information Technology (UIT) has provided both classroom and on-line training to staff responsible for management of IT resources in the colleges/divisions. However, UIT management is still in the process of working with some colleges/divisions to identify the staff responsible for management of IT resources. Also, UIT management has begun to coordinate meetings with college/division information resource managers to help ensure IT resources are adequately managed at the college/division level, including compliance with TAC 202. We expect to have all staff responsible for management of IT resources within the colleges/divisions identified and provide with training and resources by December 31, 2010.
AR2010-03	Information Security Standards	6a	11	8/31/2010	Mary Dickerson Interim Executive Director, IT Security	UH	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).	*Partially Implemented* **- Updated Management's Response:** A risk analysis has been conducted and documented for enterprise mission critical systems. A security risk analysis for all information resources along with a management plan are in progress. The risk management plan will be incorporated into the FY 2010 annual information security report to the President. Estimated completion date: December 31 , 2010.

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
					Risk Level: High Medium Low			
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	4b	114	7/1/2010	Pat Sayles Director, Budget and Administration Dean's Office	UH	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.	*Partially Implemented* - **Updated Management's Response:** A new Communication Director will begin with the college on October 7. The Director of Budget and Administration will work with her to publicize all college and departments scholarships on the college website. Posting of scholarships on website will be completed no later than November 30, 2010. See attached policy for reducing excess equity balances in scholarship centers. Estimated completion date: November 30, 2010.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	6	114	8/31/2010	Pat Sayles Director, Budget and Administration Dean's Office	UH	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*
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	12c	114	8/31/2010	Steven Wallace Director Theater Department	UH	Restore deficit balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.	*Partially Implemented* - **Updated Management's Response:** The CLASS Dean's Office has taken on the financial responsibility of the School of Theatre and Dance. A budget has been agreed upon and monthly meetings will be held with the CLASS DBA and the Director of SOTD. Revenue and expenses will be closely monitored and the budget will be reduced if necessary. Estimated completion date: January 31, 2011.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	13c	114	8/31/2010	Steven Wallace Director Theater Department	UH	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.	*Partially Implemented* - **Updated Management's Response:** 2 of 4 grant cost centers with deficit balances have been closed; 6 of 15 expired grant cost centers have been closed out. The department will work with OCG to close the remaining 2 cost centers with deficit balances and the remaining 9 expired cost centers by January 31, 2011.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	19c	114	8/31/2010	Angela Parrish Department Business Administrator Theater Department	UH	Develop and implement departmental procedures to help ensure that travel reimbursements are properly authorized and approved, in accordance with university policies.	*Action Complete*

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
							Risk Level: High Medium Low	
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	21c	114	8/31/2010	Steven Wallace Director Theater Department	UH	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.	*Action Complete*
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	22c	114	8/31/2010	Steven Wallace Director Theater Department	UH	Develop and implement departmental procedures to help ensure that students meet eligibility requirements, in accordance with scholarship criteria.	*Action Complete*
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	23c	114	8/31/2010	Steven Wallace Director Theater Department	UH	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*
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	26b	114	8/31/2010	Geoffrey Pierce Department Business Administrator Communication Sciences & Disorders	UH	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.	*Partially Implemented* - **Updated Management's Response:** 21 of 21 expired grant cost centers (6 of which have negative budgetary balances) have not been closed out. The DBA will work with OCG to clear the deficits and will review the cost centers for potential overruns. Estimated completion date: January 31, 2011.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	33b	114	8/31/2010	Geoffrey Pierce Department Business Administrator Communication Sciences & Disorders	UH	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.	*Partially Implemented* - **Updated Management's Response:** The department is in the process of implementing many procedural changes including better information storage and retrieval and better coordination with faculty researchers. These generic improvements combined with the normal, step by step checks in the procurement-payment process, will guard against unauthorized or improper purchases or purchasing procedures. Some of these improved procedures are in place now and are reviewed on an ongoing basis. Estimated completion date: January 31, 2011.

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action Name / Title	Entity	Action To Be Taken	Status
					Risk Level: High Medium Low			
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	39	114	8/31/2010	Barry Brown Department Business Administrator Moores School of Music	UH	Restore deficit balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.	*Partially Completed -* **Updated Management's Response:** 1 of 2 fund groups have been restored to a positive fund equity balance. The department expects to restore the other fund group by November 30, 2010. Estimated completion date: November 30, 2010.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	45b	114	7/1/2010	Barry Brown Department Business Administrator Moores School of Music	UH	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.	*Not Implemented* - **Updated Management's Response:** CLASS CBA is working with Asst. Vice President for Academic Operations to determine appropriateness of reimbursement. Issue will be resolved no later than November 30, 2010. Estimated completion date: November, 30, 2010.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	51	114	8/31/2010	Barry Brown Department Business Administrator Moores School of Music	UH	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*
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	59a	114	8/31/2010	Nicolas Kanellos Director Arte Publico Press	UH	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.	*Action Complete*
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	65	114	9/1/2010	James Conyers Director African American Studies	UH	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*
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	67	114	9/1/2010	Lynn Smith Department Business Administrator Anthropology Department	UH	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.	*Not Implemented* - **Updated Management's Response:** The department/CLASS Dean's Office are working with OCG to clear the deficit and close out the expired cost center. The department/CLASS Dean's Office will review the cost center for potential cost overruns. Estimated completion date: January 31, 2011.

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
					Risk Level: High Medium Low			
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	75	114	8/31/2010	Jennifer McCullough Department Business Administrator Political Science Department	UH	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.	*Action Complete*
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	78b	114	8/31/2010	Isaac Davis Department Business Administrator Psychology Department	UH	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.	*Partially Implemented* - **Updated Management's Response:** The department has closed 24 of 102 expired cost centers. The department expects to close out the remaining 78 expired cost centers (18 of which have negative budgetary balances) and clear negative budgetary balances for 4 grant cost centers by January 30, 2011. The department will work with OCG to clear negative balances and close out expired cost centers. The department will also review the cost centers for potential overruns. Estimated completion date: January 31, 2011.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	83	114	9/30/2010	Lauren Neely Department Business Administrator Center for Public Policy	UH	Restore deficit fund balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.	*Not Implemented* - **Updated Management's Response:** The CLASS CDA will be working with CPP Director to set up procedures for reducing deficit and set up budgets to prevent overspending. Estimated completion date: November 30, 2010.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	89	114	8/31/2010	Pat Sayles Director, Budget and Administration Dean's Office	UH	Restore deficit balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted. (Religious Studies)	*Not Implemented* - **Updated Management's Response:** The CLASS CBA will work with AVP for Academic Operations to clear Religious Studies deficit. The CLASS Dean's Business Office closely monitors the budget for Religious Studies to ensure additional deficit is not forthcoming. Estimated completion date: January 31, 2011.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	100a	114	8/31/2010	Carol Risinger Office Coordinator Band Department	UH	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.	*Action Complete*
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	106c	114	8/31/2010	Carol Risinger Office Coordinator Band Department	UH	Reconcile scholarship awards to the student administration and financial systems, in accordance with university policies.	*Action Complete*

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action Name / Title	Entity	Action To Be Taken	Status
					Risk Level: High Medium Low			
AR2010-10	University of Houston Foundation Review	1	2	8/31/2010	Elia Cipriano Associate Vice Chancellor University Advancement	UH	Modify SAM 08.A.02 to require the implementation of policies and procedures to help ensure that all reported support provided to the System by the support organization's are properly accounted for in the System's financial records.	*Action Complete*
AR2010-10	University of Houston Foundation Review	2	2	8/31/2010	Karin Livingston Director General Accounting	UH	Implement guidelines for proper accounting for all support from support organizations.	*Action Complete*
AR2010-17	Departmental Reviews UH Law Center	3a	13	8/31/2010	Mybao Nguyen Director of College Business Operations	UH	Implement a monitoring mechanism to help ensure that cost center verifications are approved by the cost center manager and completed in a timely manner, in accordance with university policies.	*Action Complete*
AR2010-17	Departmental Reviews UH Law Center	7	13	7/30/2010	Scott Smith Assistant Dean Information Technology	UH	Finalize and implement policies and procedures for the management of the College's information technology resources, in accordance with university policies and the Texas Administrative Code, Section 202.	*Action Complete*
AR2010-17	Departmental Reviews UH Law Center	8	13	7/30/2010	Scott Smith Assistant Dean Information Technology	UH	Work with owners of information resources to identify and classify data stored in network folders and to determine that access to data is appropriate based on the individual's position, including modifying the access of Law Center IT student workers.	*Action Complete*
AR2010-17	Departmental Reviews UH Law Center	9	13	7/30/2010	Scott Smith Assistant Dean Information Technology	UH	Conduct and document a security risk assessment of its information resources to identify the risks associated with its information resources and to implement controls, as appropriate, to help ensure that assets and information is safeguarded according to its value/sensitivity.	*Action Complete*
AR2010-17	Departmental Reviews UH Law Center	10	13	7/30/2010	Scott Smith Assistant Dean Information Technology	UH	Perform an inventory of software being used in the Law Center to determine that there are valid licenses for the software on its computers and, if appropriate, obtain the necessary software licenses.	*Action Complete*

University of Houston System
Internal Auditing Department

Follow-up Status Report
as of September 30, 2010

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action Name / Title	Entity	Action To Be Taken	Status
					Risk Level: High Medium Low			
AR2010-17	Departmental Reviews UH Law Center	11	13	7/30/2010	Scott Smith Assistant Dean Information Technology	UH	Maintain an up-to-date inventory of the Law Center's information technology resources (software and hardware) to help ensure resources are accounted for and to help determine software and hardware upgrade/replacement needs.	*Action Complete*
AR2010-17	Departmental Reviews UH Law Center	12	13	7/30/2010	Mybao Nguyen Director of College Business Operations	UH	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*
AR2010-18	Departmental Review College of Architecture	2	7	9/30/2010	Mary Benham College Business Administrator	UH	Restore deficit budgetary balance to zero or positive amount, and implement procedures to prevent spending funds that are not available.	*Partially Implemented* - **Updated Management's Response:** The department has implemented procedures and cleared some balances. Management is working to clear the remaining deficit balance. Estimated completion date: November 30, 2010.
AR2010-18	Departmental Review College of Architecture	4	7	9/1/2010	David Brashear Manager, Information Systems and Services	UH	Modify policies and procedures for the management of the College's information technology resources, in accordance with university policies and the Texas Administrative Code, Section 202.	*Not Implemented* - **Updated Management's Response:** The department is in the process of modifying policies and procedures. Estimated completion date: November 30, 2010.
AR2010-18	Departmental Review College of Architecture	7	7	8/1/2010	David Brashear Manager, Information Systems and Services	UH	Monitor the use of Adobe Acrobat using the licensing server management program to help ensure that the College is in compliance with software licensing requirements.	*Action Complete*
AR2010-21	Departmental Review School of Human Sciences and Humanities	1	3	8/30/2010	Susanne Clark Senior Business Coordinator	UHCL	Obtain approval for Foreign Language Program courses and fees from the President or his designee, in accordance with university policies.	*Action Complete*
AR2010-21	Departmental Review School of Human Sciences and Humanities	2	3	8/30/2010	Susanne Clark Senior Business Coordinator	UHCL	Submit annual report for Foreign Language Program courses to the President, in accordance with university policies.	*Action Complete*

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action Name / Title	Entity	Action To Be Taken	Status
					Risk Level: High Medium Low			
AR2010-25	Administration and Finance, Departmental Reviews	1	16	8/31/10	John Cordary Associate Vice President for Finance	UHCL	Discontinue the use of the department Procurement Card and issue cards in individual names, or modify the UHCL guidelines to allow for issuance of Procurement Cards in the department's name knowing that many dispute and all fraud rights are forfeited and accountability and tracking ability are reduced. (Office of the Vice President for Administration and Finance & Human Resources)	*Action Complete*
AR2010-25	Administration and Finance, Departmental Reviews	2	16	8/31/10	Michelle Dotter Vice President for Administration and Finance	UHCL	Require that Procurement Card expense reports are reconciled and signed by the cardholder within three business days from the end of the billing cycle, and are approved by the supervisor by the 20th of the month, in accordance with university policies.	*Action Complete*
AR2010-25	Departmental Reviews UHCL Division of Administration and Finance	3	16	8/1/10	Harry Stenvall Director Risk Management Office	UHCL	Approve Procurement Card expense reports by the 20th of the month, and require cardholders to complete transaction logs and sign expense reports, in accordance with university policies.	*Action Complete*
AR2010-25	Departmental Reviews UHCL Division of Administration and Finance	4	16	8/1/10	Harry Stenvall Director Risk Management Office	UHCL	Obtain all required signatures on contract coversheets and contracts by all parties prior to commencement of services, in accordance with university policies.	*Action Complete*
AR2010-25	Administration and Finance, Departmental Reviews	5	16	7/31/10	John Cordary Associate Vice President for Finance	UHCL	Require the timely completion of all cost center verifications, in accordance with university policies.	*Action Complete*
AR2010-25	Administration and Finance, Departmental Reviews	6	16	7/31/10	John Cordary Associate Vice President for Finance	UHCL	Require Procurement Cardholders to complete Procurement Card Transaction Logs to keep track of expenditures made, in accordance with university policies.	*Action Complete*
AR2010-25	Administration and Finance, Departmental Reviews	7	16	7/31/10	John Cordary Associate Vice President for Finance	UHCL	Review and sign Procurement Card expense reports and forward them to the supervisor for approval by the 20th of the month, in accordance with university policies.	*Action Complete*
AR2010-25	Administration and Finance, Departmental Reviews	8	16	7/31/10	Margaret Thomas Senior Business Coordinator Administration and Finance	UHCL	Require travelers to sign and date travel expense logs, in accordance with university policies. (Finance, Accounting, & Cashier's Office)	*Action Complete*

University of Houston System
Internal Auditing Department

Follow-up Status Report
as of September 30, 2010

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action Name / Title	Entity	Action To Be Taken	Status
					Risk Level: High Medium Low			
AR2010-25	Division of Administration and Finance, Departmental Reviews	9	16	8/1/10	Katherine Justice Executive Director Human Resources	UHCL	Date all non-exempt time and effort reports upon approval, in accordance with university policies.	*Action Complete*
AR2010-25	Administration and Finance, Departmental Reviews	10	16	8/31/10	Katherine Justice Executive Director Human Resources	UHCL	Require that Procurement Card expense reports are signed by the cardholder within three business days from the end of the billing cycle, and are approved by the supervisor by the 20th of the month, in accordance with university policies.	*Action Complete*
AR2010-25	Administration and Finance, Departmental Reviews	11	16	7/16/10	Janet Earle Assistant to Chief of Police University Police	UHCL	Communicate to supervisors and employees to date and properly complete all time and effort reports, in accordance with university policies.	*Action Complete*
AR2010-25	Administration and Finance, Departmental Reviews	12	16	7/31/10	Richard Adams Director Operations Support	UHCL	Approve cost center verifications in a timely manner, in accordance with university policies.	*Action Complete*
AR2010-25	Administration and Finance, Departmental Reviews	13	16	7/31/10	Margaret Thomas Senior Business Coordinator Administration and Finance	UHCL	Communicate to employees handling cash that all cash receipts are to be deposited in a timely manner, in accordance with university policies. (Operations Support)	*Action Complete*
AR2010-25	Administration & Finance, Departmental Reviews	14	16	7/31/10	Margaret Thomas Senior Business Coordinator Administration and Finance	UHCL	Approve PARs within 5 working days of the employee's effective termination date, in accordance with university policies. (Procurement & Payables)	*Action Complete*
AR2010-25	Administration & Finance, Departmental Reviews	15	16	7/31/10	Debra Carpenter Executive Director Procurement & Payables	UHCL	Approve Procurement Card expense reports by the 20th of the month, in accordance with university policies.	*Action Complete*
AR2010-25	Administration and Finance, Departmental Reviews	16	16	8/31/10	Ward Martaindale Associate Vice President Facilities, Management, Construction	UHCL	Require Procurement cardholders to complete transaction logs and sign expense reports, and require supervisors to approve/sign expense reports and transaction logs, in accordance with university policies.	*Action Complete*
AR2010-28	ARP Grants, 2007 Awards	1	2	8/31/10	Robert Honeyman Associate Director for Research Administration Texas Learning Computation Center	UH	Implement procedures to help ensure that all financial records, supporting documents, statistical records and other material pertinent to ARP grants are retained for three years following submission of the final project report.	*Action Complete*

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action Name / Title	Entity	Action To Be Taken	Status
					Risk Level: High Medium Low			
AR2010-28	ARP Grants, 2007 Awards	2	2	8/31/10	Robert Honeyman Associate Director for Research Administration Texas Learning Computation Center	UH	Discuss the questioned costs with THECB personnel and determine the appropriate actions to take regarding the allowability of these costs.	*Action Complete*
SP2009-05	Job Order Contracts	1b	4	9/1/2010	Melissa Rockwell Exec. Director of Facilities Management Spencer Moore, Executive Director, FP&C	UHS	Modify SAM 03.C.03, Repair and Construction Funds, to require the AVC/AVP for Plant Operations to promulgate rules and procedures for repair and construction projects that comply with the Texas Education Code.	*Partially Implemented* **– Updated Management's Response:** New policies, guidelines, training and contracts were initiated and rolled out on 9/10/10. The SAM will be complete December 2010. Estimated completion date: December 31, 2010.
SAO Report #05-010	The Protection of Confidential Information and Critical Systems	20l	25	8/31/2010	Malcolm Davis Executive Director for Public Safety - Chief of Police	UH	Review and modify, as necessary, the existing comprehensive emergency plan/business continuity plan to ensure that it adequately addresses the requirements in Texas Administrative Code, Section 202, Business Continuity Plan Elements.	*Partially Implemented* **- Updated Management's Response:** A comprehensive emergency plan/business continuity plan has been developed. The testing and implementation of this plan is expected to be completed by March 1, 2011.
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	12b	15	8/31/2010	Mei Chang Sr. Project Mgr., FP&C Spencer Moore Executive Director, FP&C	UH	Ensure that payment for anticipated premium refund for $232,743 is received.	*Action Complete* Note: Final negotiations yielded a refund of $17,495.
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	3a	15	8/31/2010	Spencer Moore, Executive Director, FP&C,	UH	Review contracts for the time frame specified by General Counsel and request refunds of bond premium returns.	*Action Complete* Note: The contract language in the Calhoun Lofts construction contract and previous contracts was not strong enough to request bond premium refunds. The standard contract language has been modified to explicitly provide for such refunds.

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

ATHLETICS, DEPARTMENTAL REVIEW

REPORT NO. AR2011-02

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UNIVERSITY OF HOUSTON
ATHLETICS
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 one departmental review in the Athletics Department. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the Athletics Department was not in compliance with certain policies. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

       The attachments listed below contain additional information related to the departmental reviews and the College:
- Compliance Matrix
- Instances of Non-Compliance
- Background
- Financial Summary of Transactions

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Don F. Guyton
Chief Audit Executive
September 27, 2010

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UH ATHLETICS
DEPARTMENTAL REVIEW

Compliance Area	
Management Oversight	✔
Operational Activities	**N/A**
Policies, Procedures, Required Training, And Reporting	✔
Cost Center Management	✔
Payroll	**(2)**
Human Resources	**(1)**
Change Funds And Cash Receipts	**(2)**
Procurement And Travel Cards	**(2)**
Departmental Expenses	**(1)**
Contract Administration	✔
Property Management	✔
Departmental Computing	✔
Scholarships	**N/A**
Incidental And Lab Fees	**N/A**
Research	**N/A**

✔   **Fully Complies**
Ө   **Opportunity for Improvement**
( )   **Number of instances non-compliance**
N/A   Not Applicable

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UH ATHLETICS
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

PAYROLL
- Time and effort reports were not properly completed.
- Leave use was not reconciled to leave accruals reported in the payroll system.

HUMAN RESOURCES
- A terminating ePAR was not processed within 5 working days of the employee's termination date.

CHANGE FUNDS AND CASH RECEIPTS
- Checks were not made payable to the university.
- Receipts totaling $100 or more were not deposited within one working day after receipt.

PROCUREMENT AND TRAVEL CARDS
- A procurement card was used for an unauthorized purpose.
- Travel card liability accounts with balances were not timely researched and cleared.

DEPARTMENTAL EXPENSES
- Direct reimbursements for travel expenses exceeded the allowable per diem.

University of Houston System
Internal Auditing Department

University of Houston
Athletics
Background Information

We performed a review of the responsibilities of the Director of the UH Athletics Department at the University of Houston to assess his effectiveness in performing his financial and administrative responsibilities.

The Director provided the following background on UH Athletics:

The University of Houston Department of Intercollegiate Athletics Department enjoyed an extraordinary year of success in 2009-10. Under the new leadership of Mack Rhoades, Director of Athletics, the program achieved exceptional benchmarks in aspects of operation from athletics and academics success to substantial increase in revenue generation. The merits of such performance indicate a realistic approach to advancing our relevance in the national collegiate sports culture as well as value to the University of Houston.

Academically, our program earned the highest single semester grade point average with a 2.80 GPA, a program composite cumulative GPA of a 2.74 and an average of 13.5 hours earned per student-athlete. Also, we saw our Federal Graduation Success Rate soar to 79%, which is an accurate indicator measuring academic success of our student-athletes.

In the field of competition, our football program was ranked as high as 12th in the national polls, earned a spot in the Conference USA Championship Game and competed in its fifth consecutive bowl appearance. Men's Basketball qualified for the NCAA Championship Tournament for the first time in over two decades by capturing the Conference USA Championship Basketball Tournament. Conference USA Championships were also won by the Men's Outdoor Track and Field Program as well as the Men's Indoor Track and Field Program. And Anastasia Pozdniakova of Women's Swimming and Diving became a repeat NCAA Champion in the one-meter diving event and runner-up in the three-meter event.

In fiscal management, the department exceeded mid-year revenue projections by 12% with notable gains of 38% in contributions and 41% in royalty, ads & sponsorships. We also successfully implemented a painstakingly detailed organizational chart for our department which serves as a platform for all future personnel configurations. Lastly, in response to the University's mandatory one-day furlough, 100% of our contract employees, who were not subject to the furlough, voluntarily ceded the day of pay in support of the university's objective to reduce expenses in fiscal year 2010.

Budget/Financial Summary:

During Fiscal Year 2010, with a total FTE of 146, the Athletics Department had an operating M&O budget of $30,995,679 million. This includes the administration of 129 cost centers.

The following table presents the fund balance reconciliation for the Division for FY 2010:

Beginning Fund Balance (9/1/09)	$ 100,107
Revenues	15,332,487
Expenditures	(30,665,941)
Transfers/Other	2,848,094
Ending Balance (8/31/10)	$ (12,385,253)

UNIVERSITY OF HOUSTON
ATHLETICS
SUMMARY OF REVENUES AND EXPENDITURES

Account	Description	FY 2010	FY 2009
Revenue			
40700-40999	Other Fees	$ (10)	$ 0
55500-55999;56700-57999	Waivers & Expenses	6,266	15
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	(3,643,000)	(2,786,121)
43500-43599	Endowment Income Distribution	(208,384)	(213,956)
43600-43630; 43634-43999	Sales & Services - E & G	(107,284)	(608,777)
43631-43633; 44000-44399	Sales & Services - Auxiliary	(11,380,075)	(7,916,365)
Total Revenue		$ (15,332,487)	$ (11,525,204)
Cost of Goods Sold			
50000-50049	Cost of Goods Sold	$ 378,970	$ 190,344
Total Cost of Goods Sold		$ 378,970	$ 190,344
Payroll			
50100-50999	Salaries & Wages	$ 9,995,676	$ 9,763,191
51000-51399	Fringe Benefits	1,781,610	1,698,943
Total Payroll		$ 11,777,286	$ 11,462,134
M & O			
52000-52199	Professional Services	$ 162,061	$ 223,111
52200-52399	General Services	1,349,535	1,608,010
52400-52499	Academic Service	316,036	302,939
52500-52599	Printing, Copying, & Reproduction	185,112	177,967
52600-52799	Utilities & Sanitation	1,210,610	1,403,488
52800-52999	Communication & Transportation	530,307	549,378
53000-53499	Advertising Promotion &Public	201,193	257,334
53500-53599	Rental Lease & Royalties	390,789	420,275
53700-53799	Routine Repair	852,045	522,906
53850-53899	Contracting Services	115,557	97,371
53900-53999	General Supplies	1,037,513	973,536
54100-54199	Health & Clinical Support	150,432	129,137
54200-54299	Construction Expenses	0	379
54300-54349	Facilities & Ground Support	71,212	99,628
54350-54449	Parts & Furnishing	671,773	293,422
54450-54549	Misc Supplies & Material	89,076	15,021
54550-54699	Legal Services	0	320
54700-54799	Financial Tax & License Cost	758,387	528,517
54800-54899	Other Recurring Expenses	1,224,290	1,206,631
54900-54999	Employee Expenses	31,341	19,019
55000-55199	Special Program & Events	580,280	544,359
55200-55299	Interscholastic Events	1,363,512	901,683
55300-55499	Financial Aid	4,232,744	4,589,545
56000-56499	Travel	2,912,359	2,884,786
Total M&O		$ 18,436,162	$ 17,748,764
Capital Outlay			
58000-58999	Capital Outlay	$ 73,524	$ 0
Total Capital Outlay		$ 73,524	$ 0
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		$ 30,665,941	$ 29,401,241

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

BOARD OF REGENTS' TRAVEL, FY 2010

REPORT NO. AR2011-03

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS' TRAVEL
FY 2010

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 fiscal year 2010 vendor histories for direct payments to regents and found that four regents received fourteen direct reimbursements for travel-related incidental expenses in the amount of $3,786. In addition to the direct reimbursements, we determined that the BOR cost center also funded other travel-related charges of $13,309.

It should be noted that in some cases, travel and entertainment expenditures for regents may 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, 2010, were appropriately documented and were allowable under university policies.

Don F. Guyton
Chief Audit Executive
October 12, 2010

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

CHANCELLOR/PRESIDENT'S TRAVEL
FY 2010

REPORT NO. AR2011-04

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UNIVERSITY OF HOUSTON SYSTEM
CHANCELLOR/PRESIDENT'S TRAVEL
FY 2010

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 for fiscal year 2010 funded by the Chancellor/President's Office. We reviewed the Chancellor/President's cost centers and determined that there were $15,584 of travel-related charges.

It should be noted that in some cases, travel and entertainment expenditures for the Chancellor/President may be funded by accounts other than the Chancellor/President's 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, 2010, were appropriately documented and were allowable under university policies.

Don F. Guyton
Chief Audit Executive
October 12, 2010

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

DIVISION OF STUDENT AFFAIRS
DEPARTMENTAL REVIEWS

REPORT NO. AR2011-05

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UNIVERSITY OF HOUSTON
DIVISION OF STUDENT AFFAIRS
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 14 departmental reviews in the Division of Student Affairs. 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 engagement observation: lack of financial and administrative oversight. We determined that the Division did not have a mechanism in place to help ensure that all business functions are adequately performed throughout the Division. Division management plans to review the business processes and Division and departmental responsibilities to help ensure that appropriate oversight and monitoring is in place and functioning as intended. In addition, we noted that the departments reviewed were not in compliance with certain policies. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

The attachments listed below contain additional information related to the departmental reviews and the Division:
- Significant Engagement Observation
- Compliance Matrix
- Action Plan
- Instances of Non-Compliance
- Division Background
- Financial Summary of Transactions

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Don F. Guyton
Chief Audit Executive
October 13, 2010

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UNIVERSITY OF HOUSTON
DIVISION OF STUDENT AFFAIRS
SIGNIFICANT ENGAGEMENT OBSERVATION

Financial and Administrative Oversight

The Division manages and administers it business, financial, and non-academic operations at the Division and Departmental levels.

MAPP 01.02.01, Business Administration, states that division business managers are charged with ensuring the adherence to university policies and procedures within their division. MAPP 1.03.01, Baseline Standards, states that in a decentralized organizational structure the division 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 Division 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 Division Business Administrator is ultimately responsible for the control procedures in place at each department. In order to help ensure compliance with University business processes and policies, dual reporting relationships are established by MAPP 01.02.01, such that the Division Business Administrators report to the Executive Vice President for Administration and Finance in addition to their respective Division head. MAPP 01.02.01 also requires the Executive Vice President of Administration and Finance to be involved in hiring, terminating, evaluating, and compensating Division Business Administrators. Although the Executive Vice President for Administration and Finance has not been involved with hiring, terminating, evaluating and compensating Division Business Administrators, he informed us that he would make sure that the Executive Director of Human Resources ensures that this happens in the future.

During our departmental compliance reviews, we noted that the Division does not have a mechanism in place to help ensure that all business functions are adequately performed throughout the division. We noted numerous non-compliance issues in the Division's departments. Listed below are examples of certain instances of non-compliance with the university policies we noted during the departmental reviews.

- Cost center verifications are not being reviewed and approved by department heads/cost center managers.
- Cost center managers are not listed in the University's financial system.
- Cost centers were also not being deactivated, have deficit budget balances, and have negative fund group equity balances.

- Time and effort reports were not properly completed, including being signed and dated by employees and supervisors prior to the end of the payroll period.
- Procurement and travel cards are being shared and procurement card expense reports are not being approved in a timely manner.
- Required training and disclosures are not completed in a timely manner.
- Cash receipts are not being deposited in a timely manner.
- Contracts and contract cover sheets were not approved prior to the contract effective date.
- Access to departmental information systems is not being adequately controlled.

We noted in our reviews of certain colleges that the College Business Administrators did not have mechanisms in place to help ensure that all Department Business Administrators were performing all required business administration functions. As a result, the Provost Business Administrator implemented a monthly checklist to be completed by all College Business Administrators acknowledging that specific tasks had or had not been performed. We consider this a best practice.

Recommendation: The Division should clearly define its oversight and monitoring responsibilities for business and administrative tasks. The primary duties of the Associate Vice President of Student Affairs Administration and the Vice Chancellor/Vice President of Student Affairs should be to help ensure that their oversight responsibilities are being fulfilled for requiring these tasks to be performed. The Division should implement a mechanism, similar to the Provost Office, to help ensure all business functions are adequately performed, in accordance with university procedures.

Management's Response: The Division of Student Affairs provides services to students through 22 departments and 154 cost centers, with a total budget of $63.5 million and 323 FTE benefits-eligible staff and 800 student staff. The turn-over from one semester to the next is understandably much higher for student staff than for regular staff. While we strive for full compliance, the instances of non-compliance represent a small percentage of transactions, actions and tasks in the business areas. For example, during the period of this audit the Division had a 98.7% completion rate for benefits-eligible staff and a 95.6% completion rate for student staff for the mandatory training required. Nonetheless, we are committed to making the necessary changes to ensure we are in full compliance with university policies. The Associate Vice President for Student Affairs will review the Division's business processes and responsibilities of Division personnel at the Division and departmental levels to help ensure that appropriate oversight, including written procedures and monitoring mechanisms, is in place and functioning as intended by August 31, 2011. This will be supplemental to the current policies and procedures that are in place and that require adherence to all SAMs and MAPPs. (See Divisional policies at http://uh.edu/dsa/divisionpolicies.php). In order to monitor these responsibilities, we will develop a monthly checklist that will be completed by division and departmental staff to help ensure these tasks are being performed in compliance with university policies and procedures.

Compliance Area	VPSA (CBO II)	UNIVERSITY CENTER (CBO I)	CAMPUS ACTIVITIES	CAMPUS RECREATION	CAPS	CHILD CARE CENTER
Management Oversight	(1)	N/A	N/A	N/A	N/A	N/A
Operational Activities	N/A	N/A	N/A	N/A	✔	N/A
Policies, Procedures, Required Training, And Reporting	(1)	✔	(1)	✔	✔	(1)
Cost Center Management	(7)	(2)	N/A	N/A	N/A	✔
Payroll	(2)	(3)	(1)	(2)	✔	(1)
Human Resources	✔	✔	✔	(1)	✔	(1)
Change Funds And Cash Receipts	✔	✔	✔	✔	✔	✔
Procurement And Travel Cards	✔	(1)	(1)	✔	✔	✔
Departmental Expenses	✔	✔	✔	✔	✔	✔
Contract Administration	(1)	(1)	✔	✔	✔	✔
Property Management	✔	✔	✔	✔	✔	(1)
Departmental Computing	✔	✔	✔	✔	(1)	✔
Scholarships	✔	✔	✔	N/A	N/A	(1)
Incidental And Lab Fees	✔	(1)	N/A	✔	N/A	✔
Research	N/A	N/A	N/A	N/A	N/A	(1)

✔ **Fully Complies**

Ө **Opportunity for Improvement**

( ) **Number of instances of non-compliance**

N/A **Not Applicable**

Compliance Area	CSWD	DEAN OF STUDENTS	HEALTH CENTER	ISSSO	LEARNING AND ASSESSMENT SERVICES
Management Oversight	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)	(1)
Cost Center Management	N/A	N/A	N/A	N/A	N/A
Payroll	(1)	(1)	(1)	(1)	(1)
Human Resources	✓	(1)	✓	✓	✓
Change Funds And Cash Receipts	N/A	N/A	(1)	(4)	(2)
Procurement And Travel Cards	N/A	(1)	(1)	(1)	(1)
Departmental Expenses	✓	✓	✓	✓	✓
Contract Administration	(1)	(1)	✓	✓	(2)
Property Management	✓	✓	✓	✓	✓
Departmental Computing	✓	✓	(4)	✓	(1)
Scholarships	N/A	N/A	N/A	(2)	✓
Incidental And Lab Fees	N/A	N/A	✓	✓	N/A
Research	N/A	N/A	N/A	N/A	(1)

✓   **Fully Complies**
Ѳ   **Opportunity for Improvement**
( )   **Number of instances of non-compliance**
N/A   **Not Applicable**

Compliance Area	RESIDENTIAL LIFE & HOUSING	STUDENT PUBLICATIONS	UNIVERSITY CAREER SERVICES & VETERAN'S SERVICES
Management Oversight	N/A	N/A	N/A
Operational Activities	N/A	✓	N/A
Policies, Procedures, Required Training, And Reporting	(1)	(1)	✓
Cost Center Management	N/A	N/A	N/A
Payroll	(2)	(2)	(1)
Human Resources	✓	✓	(1)
Change Funds And Cash Receipts	(1)	✓	(2)
Procurement And Travel Cards	(2)	(1)	✓
Departmental Expenses	(1)	✓	✓
Contract Administration	✓	✓	(1)
Property Management	✓	✓	✓
Departmental Computing	(1)	✓	✓
Scholarships	N/A	✓	✓
Incidental And Lab Fees	N/A	✓	N/A
Research	N/A	N/A	N/A

✓   **Fully Complies**
Ө   **Opportunity for Improvement**
( )   **Number of instances of non-compliance**
N/A   **Not Applicable**

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UH DIVISION OF STUDENT AFFAIRS
VICE PRESIDENT FOR STUDENT AFFAIRS/CENTRAL BUSINESS OFFICE II
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

MANAGEMENT OVERSIGHT
- Several instances of non-compliance were noted throughout the Division.

POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING
- Required annual training was not completed by all employees.

COST CENTER MANAGEMENT
- Cost center verifications are not being reviewed and approved by department heads/cost center managers.
- Cost center managers are not listed in the University's financial system for the departments under the responsibility of the CBO II.
- Cost center verifications are not always prepared timely.
- Fund group equity balances were not all positive at year-end.
- Project/grant cost centers had deficit budgetary balances.
- Inactive cost centers were not deactivated.
- Cost centers were not properly accounted for.

PAYROLL
- Time and effort reports were signed and dated by employees prior to the end of the payroll period.
- An employee's salary was not funded according to the actual effort.

CONTRACT ADMINISTRATION
- Contracts and cover sheets were not approved prior to the contract effective date.

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UH DIVISION OF STUDENT AFFAIRS
UNIVERSITY CENTER / CENTRAL BUSINESS OFFICE I
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

COST CENTER MANAGEMENT
- Cost center verifications were not approved timely by one department under the responsibility of the CBO I.
- Cost center managers are not listed in the University's financial system for the departments under the responsibility of the CBO I.

PAYROLL
- Time and effort reports were signed by employees prior to the end of the payroll period.
- Available leave was not always verified prior to approving leave.
- Leave use did not reconcile to leave accruals recorded in the payroll system for one employee.

PROCUREMENT AND TRAVEL CARDS
- Travel Request forms were not approved timely.

CONTRACT ADMINISTRATION
- A non-standard contract was not reviewed and approved as to form by Contract Administration before execution and was signed by an employee who did not have delegated contractual signatory authority.

FEES
- Fees were not expended for its intended purpose.

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UH DIVISION OF STUDENT AFFAIRS
CAMPUS ACTIVITIES
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING
- Annual mandatory training was not completed by all employees.

PAYROLL
- Time and effort reports were signed and dated by employees prior to the end of the payroll period.

PROCUREMENT AND TRAVEL CARDS
- Procurement card account number was included on information uploaded in PeopleSoft.

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UH DIVISION OF STUDENT AFFAIRS
CAMPUS RECREATION
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

PAYROLL
- Leave forms were not completed for all leave taken.
- Time and effort reports were not signed and dated by employees and supervisors prior to the end of the payroll period.

HUMAN RESOURCES
- An ePAR was not prepared and submitted to Human Resources timely.

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UH DIVISION OF STUDENT AFFAIRS
COUNSELING AND PSYCHOLOGICAL SERVICES
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE

We brought the following instance of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

DEPARTMENTAL COMPUTING
- Terminated employees' access to the department's Titanium System was not removed in a timely manner.

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UH DIVISION OF STUDENT AFFAIRS
CHILD CARE CENTER
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING
- Disclosure of Conflict of Interest forms were not completed for all required employees.

PAYROLL
- Time and effort reports are signed and dated by employees and supervisors prior the end of the payroll period.

HUMAN RESOURCES
- Termination clearance forms were not prepared timely.

PROPERTY MANAGEMENT
- An inventory tag with a unique identification number was not affixed to a computer.

SCHOLARSHIPS
- The Office of Scholarships of Financial Aid was not notified of financial assistance provided to students for child care tuition discounts.

RESEARCH
- Expenditures charged to a grant were not approved by the Office of Contracts and Grants.

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UH DIVISION OF STUDENT AFFAIRS
CENTER FOR STUDENTS WITH DISABILITIES
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING
- Related Party Disclosure forms were not completed by all required employees.

PAYROLL
- Time and effort reports were not properly completed.

CONTRACT ADMINISTRATION
- Contracts were not fully executed prior to the start date.

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UH DIVISION OF STUDENT AFFAIRS
DEAN OF STUDENTS
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

PAYROLL
- Time and effort reports were not properly completed.

HUMAN RESOURCES
- A terminating PAR was not submitted timely.

PROCUREMENT AND TRAVEL CARDS
- Procurement and travel card expense reports are not approved by the certifying signatory by the 20th of the month.

CONTRACT ADMINISTRATION
- A contract that exceeded the "not to exceed" amount was not amended.

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UH DIVISION OF STUDENT AFFAIRS
HEALTH CENTER & PHARMACY
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

PAYROLL
- Time and effort reports were not properly completed.

CHANGE FUNDS AND CASH RECEIPTS
- Checks were not restrictively endorsed immediately upon receipt.

PROCUREMENT AND TRAVEL CARDS
- A procurement cardholder allowed another employee to use their card.

DEPARTMENTAL COMPUTING
- Terminated employee access to Medical and Pharmacy systems was not removed timely.
- Password controls are weak for the Medical and Pharmacy systems.
- Backup copies of data are not stored off-site for the Medical and Pharmacy systems.
- Disaster Recovery Plans have not been developed for the Medical and Pharmacy systems.

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UH DIVISION OF STUDENT AFFAIRS
INTERNATIONAL STUDENT AND SCHOLAR SERVICES OFFICE
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING
- Required annual training was not completed by all employees.

PAYROLL
- Payroll suspense items are not corrected in a timely manner.

CHANGE FUNDS AND CASH RECEIPTS
- Checks were not restrictively endorsed immediately upon receipt.
- Cash receipts greater than $100 were not deposited within one working day of receipt.
- Bank routing and account numbers were not removed/obliterated prior to the documents being uploaded to PeopleSoft.
- Departmental copies of deposit documentation were not destroyed/discarded after six months.

PROCURMENT AND TRAVEL CARDS
- The travel card is shared with employees who are not authorized cardholders.

SCHOLARSHIPS
- Scholarship awards were not reconciled to amounts per the university's student administration and financial system.
- Scholarship cost centers had excessive year-end equity balances.

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UH DIVISION OF STUDENT AFFAIRS
LEARNING AND ASSESSMENT SERVICES
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING
- Disclosure of Conflict of Interest forms were not completed for all required employees.

PAYROLL
- Time and effort reports were signed and dated by employees prior to the end of the payroll period and an employee did not date their time and effort report.

CHANGE FUNDS AND CASH RECEIPTS
- Cash receipts greater than $100 were not deposited within one working day of receipt.
- Gift checks are not always placed in tamper proof bags and delivered to the Treasurer's Office by the Police.

PROCUREMENT AND TRAVEL CARDS
- Procurement card expense reports are not reviewed and approved by the 20th of the month.

CONTRACT ADMINISTRATION
- Alternative Dispute Resolution Clause forms were not signed by the vendor.
- Contracts and contract cover sheets were not approved prior to the contract effective date.

DEPARTMENTAL COMPUTING
- Security devices were not installed on computers in computer labs and one computer lab was not being monitored during the day, but is locked at the end of the day.

RESEARCH
- Expenditures charged to a grant were not approved by the Office of Contracts and Grants.

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UH DIVISION OF STUDENT AFFAIRS
RESIDENTIAL LIFE AND HOUSING
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING
- Required annual training was not completed by all employees.

PAYROLL
- Time and effort reports were signed and dated by employees and supervisors prior to the end of the payroll period and a supervisor did not sign and date a time and effort report timely.
- Payroll suspense items are not corrected in a timely manner.

CHANGE FUNDS AND CASH RECEIPTS
- Cash receipts greater than $100 were not deposited within one working day of receipt.

PROCUREMENT AND TRAVEL CARDS
- Procurement card expense reports are not reviewed and approved by the 20th of the month.
- Procurement card liability accounts with balances were not timely reviewed and cleared.

DEPARTMENTAL EXPENSES
- Travel Request form was not completed prior to an employee's travel.

DEPARTMENTAL COMPUTING
- Terminated employees' access to the department's Residential Management System was not removed in a timely manner.

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UH DIVISION OF STUDENT AFFAIRS
STUDENT PUBLICATIONS
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

POLICIES, PROCEDURES, REQUIRED TRAINING, and REPORTING
- Required annual training was not completed by all employees.

PAYROLL
- Employees receiving commissions for ad sales were not paid through the payroll system.
- Time and effort reports were signed and dated by employees prior to the end of the payroll period.

PROCUREMENT AND TRAVEL CARDS
- Procurement cards were not used by the authorized cardholder.

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UH DIVISION OF STUDENT AFFAIRS
UNIVERSITY CAREER SERVICES & VETERAN'S SERVICES
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

PAYROLL
- Time and effort reports were not properly completed.

HUMAN RESOURCES
- A termination clearance form was not prepared timely.

CHANGE FUNDS AND CASH RECEIPTS
- Checks were not made payable to the University of Houston.
- Cash receipts greater than $100 were not deposited within one working day of receipt.

CONTRACT ADMINISTRATION
- A non-standard contract for $500 was not submitted to Contract Administration for review and approval as to form.

University of Houston System
Internal Auditing Department

University of Houston
Division of Student Affairs
Background Information

We performed a review of the responsibilities of the Vice Chancellor/Vice President for the Division of Student Affairs at the University of Houston to assess his effectiveness in performing his financial and administrative responsibilities.

The Vice Chancellor/Vice President provided the following background on the Division of Student Affairs:

The mission of the Division of Student Affairs is to support student success: to develop great alumni, individuals who achieved their academic and personal goals at the University of Houston and had a great time doing it. This is accomplished through a comprehensive array of services, programs and organizational activities that enhance the living and learning environment in ways that foster pride in the University of Houston and facilitate the intellectual, social, civic, psychological, career and leadership development of students.

Recent accomplishments include:
- Opening and successfully operating for FY 2010 the 984-bed graduate and professional student housing project Calhoun Lofts, which currently has an occupancy of over 90%.
- Finalizing the new 1,132-bed freshman housing facility Cougar Village which opened in August 2010.
- Working with several academic colleges to establish a learning center, interest wings, and Freshmen Interest Groups (FIGs) at Cougar Village. Additionally, three new Faculty-in-Residence were appointed to serve the freshman compound, which includes Moody Towers and Cougar Village.
- The Division collaborated closely with Admissions in recruitment by ensuring a successful mandatory orientation for incoming freshmen.
- Working with Academic Affairs, Administration and Finance (A&F), Faculty Senate, Staff Council and Student Government Association in assessing needs for and the ultimate expansion of child care services at the Cameron Building, scheduled to open in October 2010.
- Working with student government to bring the UC Transformation project to the State Legislature and to the Board of Regents for approval. Currently working with A&F for development of the best project for the money.
- Learning Support Services (LSS) provides tutoring and learning counseling to both undergraduates and graduates through certified tutors and learning specialists. Over 1,000 unique clients are served each semester.

- Counseling and Psychological Services (CAPS) contributes to student success through counseling services, with 85% of clients indicating the services helped them attend to their academic learning.
- University Career Services (UCS) established a Job Shadowing Program and continues to use the internet to efficiently connect UH students with employers via JobBank. There were 3,900 individual career counseling meetings with students.
- Advise and work with hundreds of student organizations.
- Major Projects and Activities include:
  - Housing move-in for over 5,400 students
  - Homecoming
  - Cat's Back Welcome Week
  - Special orientation for international students
  - Testing services for faculty and students
  - Student Fees Advisory Committee (SFAC)
  - Frontier Fiesta, UH's oldest tradition entertained more than 20,000 visitors
  - Debate and Forensics Society hosted events that attracted thousands of students to campus
  - Health & wellness services for students and staff
  - Publications
    - *The Daily Cougar* student newspaper, 12,000 daily, 165 times a year
    - *The Houstonian* yearbook
    - *Transitions* magazine
  - Campus Recreation and Wellness Center
    - Over 50,000 member visits per month
    - 400+ outside events hosted annually
    - 1,800+ students participate in group exercise classes on a regular basis
    - 1,200+ students participate in intramural events (flag football, basketball, soccer, softball, and other dual and individual sports) annually
  - The Center for Students with DisAbilities (CSD) provided counseling and services for over 400 students
  - Veterans' Awareness Week
  - DisAbility Awareness Week
  - University Centers (UC)
    - UC and UC Satellite – provides service to over 23,000 members of the UH community per day (15,000 in the UC and 8,000 in the UC Satellite during the fall and spring semesters
    - UC Event Services – provides planning and management of more than 8,000 bookings/events in the UC and UC Satellite annually. These events equate to over 35,000 of actual "event hours," with an estimated attendance figure of over 320,000 annually.
    - UC Programs – plans monthly large-scale/theme-based events with an annual attendance of over 15,000 guests

- UC Games Room – annual user statistics include over 80,000 games of bowling; 22,000 hours of billiards time; 3,300 hours of table tennis time; and 195,000 games played on amusement games.
- Shasta's Cones & More – sells more than 20,000 ice cream cones and cups annually through our student-managed ice cream retail store
- UH Child Care Center – provides accredited child care services for children of parents who are UH students, faculty or staff
- Coordinated March for Babies (WalkAmerica)
- Coordinated State Employee Charitable Campaign (SECC)
- 130 Weddings hosted annually
- Hosting summer conferences in residence halls
- Student and Exchange Visitor Information System (SEVIS) compliance

Budget/Financial Summary:

During Fiscal Year 2010, with a total FTE of 323, the Division of Student Affairs had an operating M&O budget of $20.9 million. This includes the administration of 154 cost centers.

The following table presents the fund balance reconciliation for the Division for FY 2010:

Beginning Fund Balance (9/1/09)	$ 10,250,795
Revenues	52,493,271
Expenditures	(34,914,626)
Transfers/Other	(14,052,573)
Ending Balance (8/31/10)	$ 13,776,867

Of the $13.8 million fund equity[1] reflected on our 8/31/10 report, a reallocation from Student Service Fees fund equity will be used for:

1. Salary & benefits of 4 staff members in Dean of Students Office formerly paid from Ledger 1, utilized as part of the $1,487,696 divisional budget reduction for FY 2011 — $365,647
2. Replacement salaries, Dean of Students, Orientation move to Academic Affairs; 2 staff, 2 students & M&O — $191,130
3. FY 2011 Merit and Personnel Adjustments to be reallocated — $167,361
4. Additional Central Administrative Charge, 2.9% to 6%, for FY'11 — $219,163

Sub-Total — **$943,301**

Additional Administrative Charge in Other Cost Centers — $837,034

Sub-Total   **$837,034**

Projects [2] within the Division for FY 2011 will utilize fund equity as follows:

1. Residential Life and Housing (RLH) planned projects $370,000
2. University Centers (UC) planned projects [3] $650,000
3. Campus Recreation (CR) planned projects $732,000

   Sub-Total   **$1,752,000**

Debt Service for Housing projects will utilize fund equity: $525,630

   Sub-Total   **$525,630**

   TOTAL Funds Designated for FY 2011 Expenditure   **$4,057,965**

In addition, we have directed that certain funds be set aside for anticipated needs, as follows:

1. Campus Recreation set-aside for foundation repair $2,000,000
    (We are awaiting the facility assessment from Plant Operations
    to determine the exact amount that will be needed)
2. Health Center Upgrade to Physicians' Salaries $240,000
3. Staffing for Third Party Billing Implementation (3), Start Up $150,000
4. Health Center Facility Assessment $75,000
5. Health Center funds set aside for new facility and/or renovation $600,000

   Sub-Total   **$3,065,000**

   TOTAL FY 2011 Expenditures and Set Asides   **$7,122,965**

As an auxiliary operation, we endeavor to maintain a fund equity in each major cost center, especially those related to major physical buildings. This fund equity is to cover emergencies that may arise throughout the year; e.g., failed elevators, major mechanical failure, etc. Additionally, we try to accumulate funds annually to be used for deferred maintenance.

Fund Equity for Emergencies and Deferred Maintenance   **$4,000,000**

Increased enrollment for FY 2009 and FY 2010 resulted in additional revenue in all fee cost centers amounting to $1.2 million for FY 2009 and $1.5 million in FY 2010, since the SFAC authorized budgeted enrollment at 34,000 for FY 2009 and at 35,000 for FY 2010. This amounted to generated revenue in excess of budget of $2,700,000.

[1] Includes $3.5 M Student Service Fees
                        $2.6 M University Center Fees
                        $1.2 M Health Center Fee (includes $222,489 Pharmacy Income)
                        $2.9 M Campus Recreation Fee
                        $ .9 M   Residential Life and Housing
                        $1.2 M FY 2009 increased enrollment
                        <u>$1.5 M</u> FY 2010 increased enrollment
                        $13.8 M Fund Equity, 8/31/2010 Report

[2] RLH Projects include $100,000 for Towers flooring; $150,000 for Quadrangle exterior sealing, and $120,000 for Quadrangle Lounge. Other projects are funded within current operating budget. UC Projects are detailed on the attachment. CR Projects include $22,000 for the intramural field repair; $60,000 for the field and track; $250,000 for Fitness Equipment lease; $300,000 for the natatorium; $100,000 for grounds elevator.

[3] The HVAC system at the UC needs work as well and early estimates indicate the cost will be several million dollars. Although the Legislature, the Student Government Association and the Board of Regents all approved a $50 single fee increase effective Fall 2010, the proposed scope of work of the UC Transformation Project requires contributions from UC fund equity.

UNIVERSITY OF HOUSTON
STUDENT AFFAIRS
SUMMARY OF REVENUES AND EXPENDITURES

Account	Description	FY 2010	FY 2009
Revenue			
40500-40699	Student Service Fees	$ (15,682,352)	$ (15,106,394)
40700-40999	Other Fees	(11,293,842)	(10,991,816)
55500-55999;56700-57999	Waivers & Expenses	277,757	338,532
41600-41899	Federal Grants & Contracts	(648,078)	(635,699)
41900-42099	Federal Pass Through Grants/Contracts	104	(29,330)
42100-42299	State Grants & Contracts	(129,747)	(127,599)
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	(415,997)	(404,866)
43500-43599	Endowment Income Distribution	(27,123)	(29,541)
43600-43630; 43634-43999	Sales & Services - E & G	(578,699)	(601,414)
43631-43633; 44000-44399	Sales & Services - Auxiliary	(23,988,391)	(17,207,614)
44429-44439; 44441-45999; 49504	Other Revenue Sources	(3,840)	(7,751)
50050-50099	Recovered Costs	(12,653)	(37,634)
	Total Revenue	$ (52,502,861)	$ (44,841,125)
Cost of Goods Sold			
50000-50049	Cost of Goods Sold	$ 478,406	$ 469,292
	Total Cost of Goods Sold	$ 478,406	$ 469,292
Payroll			
50100-50999	Salaries & Wages	$ 16,381,142	$ 15,878,781
51000-51399	Fringe Benefits	3,420,294	3,219,925
	Total Payroll	$ 19,801,437	$ 19,098,706
M & O			
52000-52199	Professional Services	$ 13,030	$ 153,366
52200-52399	General Services	1,254,181	1,549,776
52400-52499	Academic Service	32,667	86,842
52500-52599	Printing, Copying, & Reproduction	420,151	449,666
52600-52799	Utilities & Sanitation	4,690,990	4,301,086
52800-52999	Communication & Transportation	1,770,952	1,730,260
53000-53499	Advertising Promotion &Public	403,286	385,341
53500-53599	Rental Lease & Royalties	323,208	361,932
53600-53699	Maintenance	774	0
53700-53799	Routine Repair	509,731	491,690
53800-53849	Pass Through	28,298	0
53850-53899	Contracting Services	667,707	788,412
53900-53999	General Supplies	696,085	911,960
54000-54099	Lab Research Supplies	48,209	61,090
54100-54199	Health & Clinical Support	199,714	194,122
54200-54299	Construction Expenses	2,159	7,931
54300-54349	Facilities & Ground Support	321,797	271,437
54350-54449	Parts & Furnishing	836,997	884,066
54450-54549	Misc Supplies & Material	65,449	116,121
54550-54699	Legal Services	4,556	0
54700-54799	Financial Tax & License Cost	123,549	120,642
54800-54899	Other Recurring Expenses	1,282,296	1,570,350
54900-54999	Employee Expenses	100,251	133,288
55000-55199	Special Program & Events	343,172	361,255
55200-55299	Interscholastic Events	0	100
55300-55499	Financial Aid	182,247	6,612,427
56000-56499	Travel	259,766	236,784
56500-56599	Contracts & Grants	56,993	75,466
	Total M&O	$ 14,638,216	$ 21,855,411
Capital Outlay			
58000-58999	Capital Outlay	$ 9,221	$ 181,715
	Total Capital Outlay	$ 9,221	$ 181,715
	Total Cost of Goods Sold, Payroll, M&O and Capital Outlay	$ 34,927,280	$ 41,605,124

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

ANNUAL NON-COMPLIANCE REPORT FY 2010

REPORT NO. AR2011-06

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

ANNUAL NON-COMPLIANCE REPORT
FY 2010

During FY 2010, the Internal Audit Department issued 9 audit reports that contained the results of 46 departmental reviews. Departmental reviews were performed in 34 UH departments, 11 UHCL departments, and 1 UHD department. 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.

We noted that the most frequent instances of non-compliance by audited units occurred in the areas of payroll/human resources, cash handling, contract administration, cost center management, departmental computing, and procurement cards. Management conducted role-based training, surveyed departments to determine fraud risk, reduced cash handling risk by reducing petty cash funds, reviewed credit card transactions for compliance, implemented procedures to protect confidential information and improve compliance with hiring procedures, updated departmental responsibilities for maintaining internal controls, and issued weekly updates to departments to remind them of their deadlines and responsibilities to help reduce instances of non-compliance and enhance the internal control environment.

Attached is a summary of action items required to address areas of non-compliance and a table containing areas of non-compliance for the University of Houston.

Don F. Guyton
Chief Audit Executive
October 15, 2010

Summary of Management Action Items Required to Address Areas of Non-Compliance FY 2010			
Non-Compliance Area	UH (34 Departments)	UHCL (11 Departments)	UHD (1 Departments)
Accounts Receivables	1	-	-
Cash Handling	20	3	-
Conflict of Interests	9	-	1
Contract Administration	13	2	-
Cost Center Management	30	3	-
Departmental Computing	13	4	-
Entertainment Reimbursements	4	-	-
Fees	5	-	-
Fixed Assets	4	-	-
Long Distance/Cell Phones	2	-	-
Management Oversight	1	-	-
Operating Activities	2	3	-
Payroll/HR	24	5	-
Policies, Procedures, Training	13	-	-
Procurement Cards	21	11	-
Research	4	-	-
Scholarships	15	2	-
Travel Reimbursements	6	1	-

Areas of Non-Compliance University of Houston	
	Total
Accounts Receivables	
• Accounts receivable were not recognized in the university's financial records system.	1
• Departmental records of the accounts receivable were not maintained and reconciled to the university's financial system monthly.	1
• Aging schedules for all accounts receivable were not maintained.	1
• Procedures were not developed to help ensure that the agreed upon payment was received.	1
• No process was in place to help ensure that any requested extension of credit is done in a prudent manner and is not a prohibited transaction.	2
Cash Handling	
• Checks were not made payable to the University of Houston.	3
• Cash receipts greater than $100 were not deposited within one working day of receipt.	13
• Cash receipts less than $100 were not deposited within five working days of receipt.	3
• Bank routing and account numbers and credit card numbers were not removed/obliterated prior to the document's upload to PeopleSoft.	1
• No reconciliation process was in place to help ensure that all cash and checks received are deposited and recorded in the University's Financial System.	1
• The same employee was responsible for cash receipts and monthly reconciliations.	1
• Two authorized employees did not sign the Journal Voucher indicating that they reconciled the deposit.	2
• The petty cash fund custodian was the same person responsible for preparing and approving petty cash disbursements and replenishing the petty cash fund.	1
Conflict of Interest	
• Related Party Disclosure, Consulting and Professional Services, or Disclosure of Conflict of Interest forms were not completed for all required employees.	9
Contract Administration	
• Contract cover sheets were not completed and/or approved timely.	7
• Contracts were not reviewed and approved as to form by the Office of General Counsel before execution.	2

Areas of Non-Compliance University of Houston	
	Total
• Contracts were not fully executed prior to the start date.	9
• Contracts were not executed/signed by the university official with delegated contractual signatory authority.	3
• A copy of the executed contracts was not on file within the department.	1
• Responsibility for monitoring contract performance was not assigned.	1
• The responsible person did not sign a statement acknowledging responsibility for ensuring that the terms and conditions of the contract are met.	1
• Substantive changes were made to standard contracts and the changes were not sent to the Office of General Counsel for review and approval.	2
• All contracts and agreements did not identify the name of the contracting party as the University of Houston.	1
• All revenue generating contracts were not reviewed by the Office of Contract Administration, the Office of Tax Compliance, and the AVP for Finance or the AVP for Administration.	2
Cost Center Management	
• Cost center verifications were not done monthly.	9
• Cost Center Managers were not reviewing and approving verifications.	10
• Cost centers had deficit equity balances at fiscal year-end.	6
• Project/grant cost centers had deficit budgetary balances.	9
• Inactive cost centers were not deactivated.	5
• All entries and manually entered asset and liability transactions were not verified.	1
• Transactions recorded in error were not reported to the appropriate office for correction within 90 days.	1
Departmental Computing	
• Procedures for the management of the College's information technology resources required revisions.	2
• A security risk assessment was not performed on the College's information resources.	2
• Access to data on the shared network folders was not reviewed for appropriateness based on the individual's position.	2
• A current inventory of the College's software, including licenses, and hardware was not maintained.	2
• The latest version of anti-virus software was not installed on all computers.	1
• Strong passwords are not required to be used to access departmental systems.	1

Areas of Non-Compliance University of Houston	
	Total
• Backup copies of data were not stored off-site.	1
• Computer servers are located in room that does not have adequate environmental controls.	1
Entertainment Reimbursements	
• Entertainment expenses were not allowable, appropriately authorized, or documented.	4
Fees	
• Annual fee reports were not submitted timely to the Office of Academic Budgets and Administration.	1
• Procedures were not in place to verify whether: fees are charged accurately; all revenues were collected; and revenues were posted to the correct cost center.	1
• Fees were not used for intended purposes.	3
Fixed Assets	
• Annual inventory was not performed.	2
• Request for Authority to Remove Equipment from Campus forms were not completed prior to removal and/or updated when equipment was located off-campus past the end of the fiscal year.	1
• A tag with a unique identification number was not affixed to each item of capital equipment.	3
Long Distance/Cell Phones	
• Users were not required to review and certify long distance expenses.	2
Management Oversight	
• Management did not have adequate oversight over financial and administrative activities.	1
Operating Activities	
• Camp revenues were not reconciled to the university's financial system.	1
• Resale inventory was overstated on the university's financial statements, due to excess/obsolete inventory not being written-off.	1
Payroll/HR	
• Leave use was not reconciled to leave accruals recorded in the payroll system on a monthly basis.	2
• Time and effort reports were not submitted to Payroll in a timely manner.	5

	Total
Areas of Non-Compliance **University of Houston**	
• A check-off sheet or similar device was not used to help ensure that all time records have been submitted to the Payroll Department.	2
• All employees were not properly preparing and certifying time and effort reports.	13
• Time and effort reports were not approved by the employee's supervisor (or designee).	7
• PARs were not submitted timely.	6
• Termination clearance forms were not prepared timely.	9
Policies, Procedures, Training	
• Personnel did not complete the required annual training.	13
Procurement Cards	
• All applicants did not complete online training that included an acknowledgement of responsibility for proper use of the card.	1
• Procurement card was used for an unauthorized purpose.	1
• Card information, including account numbers and the physical card, were not kept secure and only used by the authorized cardholder.	4
• Travel requests were not used for travel card expenses.	2
• Certifying signatories were not approving expense reports.	1
• Departments were not reviewing expense reports by the 20th of the month.	16
Research	
• Expenses requiring the approval of the Office of Contracts and Grants were not submitted to that Office for approval.	4
• Principal Investigators did not approve all expenditures to indicate that they were reasonable, allocable, and allowable for the project.	1
Scholarships	
• Scholarship guidelines required updating.	1
• All students were not eligible to receive amounts awarded.	1
• Scholarship awards were not reconciled to amounts per the university's student administration and financial system.	3
• Year-end equity balances in scholarship cost centers were not reviewed to help ensure they did not exceed total award commitments plus a reserve of 25% of the funds received in the previous fiscal year.	8

Areas of Non-Compliance University of Houston	
	Total
Travel Reimbursements	
• Travel expenses were not allowable, appropriately authorized, or documented.	6

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 noncompliance. 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.

During FY10, the Treasurer's Office worked with UH departments to reduce the number of petty cash funds, due to their inherent high risk. As a result, the dollar value of UH petty cash funds decreased from $96,950 at the end of FY09 to $200 by the end of FY10.

UH IT Security took several steps in FY10 to improve data security, including deployment of Identity Finder software. Identity Finder is used to identify any computer files that contain sensitive or confidential information, such as Social Security Numbers, bank account numbers, credit card numbers, or passwords. Once identified, the user has the option of

destroying that information or encrypting it, so others cannot access it. This will help prevent confidential information from falling into the wrong hands.

In August 2010, UH entered into a multi-year copier contract with Xerox following a competitive process. Under the new contract, Xerox agreed to configure all of its copiers to automatically delete any images stored on the copier hard drive immediately after each job is completed. This will prevent access to sensitive or confidential information that may have been copied or scanned. In addition, UH IT Security worked with departments to ensure that the hard drive on existing copiers is erased or destroyed before the copier is returned to the vendor.

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. Non-compliance with university procedures requires additional training or may result in cancellation of the credit card. Any non-compliance that appears to involve fraudulent activity is reported to Internal Audit for investigation.

All UH colleges and divisions annually review and update their Baseline Standards and Cash Handling Procedures and send these to Finance for review and posting on the Finance website. Baseline Standards indicate who is responsible within a department, college, or division for accomplishing key tasks in order to maintain internal controls. Cash Handling Procedures indicate how each college and division will securely handle and deposit cash or checks received by their departments.

In addition, all UH departments perform an annual verification of Finance and HR System access for their employees to ensure the access was necessary and appropriate for their job. Finance and HR System access is automatically removed when an employee leaves UH or transfers to another department within UH. UH departments also verified that employees who were issued P-Cards and Travel Cards should continue to have these cards.

Human Resources implemented additional procedures in July 2010 to increase compliance with hiring procedures. Departments are required to submit a Hiring Compliance Checklist to Human Resources through the Online Job System (OJS) and obtain HR approval prior to making a job offer. In addition, departments must use template offer letters available on the HR website to ensure that they contain the correct and necessary information.

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.

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON DOWNTOWN

JOINT ADMISSIONS MEDICAL PROGRAM (JAMP), FY 2009-2010

REPORT NO. AR2011-07

UNIVERSITY OF HOUSTON SYSTEMS
INTERNAL AUDITING DEPARTMENT

UNIVERSITY OF HOUSTON - DOWNTOWN
JOINT ADMISSIONS MEDICAL PROGRAM
FY 2009-FY 2010

BACKGROUND:

The University of Houston-Downtown (UHD) has entered into an agreement with the Joint Admission Medical Program Council, which administers the Joint Admission Medical Program (JAMP) that provides funding for programs in support of economically disadvantaged students interested in attending medical school. During fiscal years 2009 and 2010, UHD received $30,000 of JAMP funding. The Internal Auditing department reviewed grant activities for fiscal years 2009 and 2010 to meet audit requirements set forth in the JAMP agreement. Total program expenditures during fiscal years 2009 and 2010 were $19,309 and $14,640, respectively.

Senate Bill 940 of the 77th Legislative Session (2001) of the State of Texas established the JAMP program to, "(1) provide services to support and encourage highly qualified, economically disadvantaged students pursuing a medical education; (2) award undergraduate and graduate scholarships and summer stipends to those students; and (3) guarantee the admission of those students to at least one participating medical school" (Texas Education Code, §51.822).

UHD, as a participating school in the JAMP program, is required to select a faculty member to serve as a Faculty Director, recruit and matriculate eligible undergraduate students for admission to the program, provide academic counseling to participating students enrolled at UHD, and assist with the student's application to and participation in the program.

The JAMP grants are funded by the Texas Higher Education Coordinating Board and distributed by the Joint Admissions Medical Program at the Texas Medical and Dental Schools Application Service.

OBJECTIVE:

The objective of our review was to determine whether grant activities complied with JAMP program guidelines and university policies.

SCOPE OF WORK:

We performed the audit procedures listed in the audit work program provided by JAMP. These procedures included obtaining an understanding of campus oversight and monitoring of expenditures and reporting, verifying expenditure and payroll compliance, reviewing budgets, and verifying the return of unexpended funds at the end of FY 2009 agreement period.

CONCLUSION:

We noted no findings of non-compliance with the JAMP agreement or JAMP expenditure guidelines.

Don F. Guyton
Chief Audit Executive
October 20, 2010

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

JOINT ADMISSIONS MEDICAL PROGRAM (JAMP), FY 2009-2010

REPORT NO. AR2011-08

UNIVERSITY OF HOUSTON SYSTEMS
INTERNAL AUDITING DEPARTMENT

UNIVERSITY OF HOUSTON
JOINT ADMISSIONS MEDICAL PROGRAM
FY 2009-FY 2010

BACKGROUND:

The University of Houston (UH) has entered into an agreement with the Joint Admission Medical Program Council, which administers the Joint Admission Medical Program (JAMP) that provides funding for programs in support of economically disadvantaged students interested in attending medical school. During fiscal years 2009 and 2010, UH received $30,000 of JAMP funding. The Internal Auditing department reviewed grant activities for fiscal years 2009 and 2010 to meet audit requirements set forth in the JAMP agreement. Total program expenditures during fiscal years 2009 and 2010 were $8,600 and $5,692, respectively.

Senate Bill 940 of the 77th Legislative Session (2001) of the State of Texas established the JAMP program to, "(1) provide services to support and encourage highly qualified, economically disadvantaged students pursuing a medical education; (2) award undergraduate and graduate scholarships and summer stipends to those students; and (3) guarantee the admission of those students to at least one participating medical school" (Texas Education Code, §51.822).

UH, as a participating school in the JAMP program, is required to select a faculty member to serve as a Faculty Director, recruit and matriculate eligible undergraduate students for admission to the program, provide academic counseling to participating students enrolled at UH, and assist with the student's application to and participation in the program.

The JAMP grants are funded by the Texas Higher Education Coordinating Board and distributed by the Joint Admissions Medical Program at the Texas Medical and Dental Schools Application Service.

OBJECTIVE:

The objective of our review was to determine whether grant activities complied with JAMP program guidelines and university policies.

SCOPE OF WORK:

We performed the audit procedures listed in the audit work program provided by JAMP. These procedures included obtaining an understanding of campus oversight and monitoring of expenditures and reporting, verifying expenditure and payroll compliance, reviewing budgets, and verifying the return of unexpended funds at the end of FY 2009 agreement period.

CONCLUSION:

We noted no findings of non-compliance with the JAMP agreement or JAMP expenditure guidelines.

Don F. Guyton
Chief Audit Executive
October 15, 2010

COMMITTEE: Audit & Compliance

ITEM: Institutional Compliance Status Report for the Three Months Ended
September 30, 2010

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

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

- Summary of Activities: risk assessment, audits, meetings, risk mitigation, and hot-line reports (page 1)
- University of Houston System: summary of July 14, 2010, meeting of Institutional Compliance Officers (page 1)
- University of Houston: compliance activities of Finance Department, Environmental Health and Safety Department, Division of Research, and Information Technology Department (pages 2-3)
- University of Houston Clear Lake: summary of two compliance meetings held on July 15, 2010, and September 16, 2010 (pages 3-4)
- University of Houston Downtown: summary of compliance meeting held on September 15, 2010, and Information Technology compliance activities (pages 4-5)
- University of Houston Victoria: summary of compliance meeting held August 19, 2010 (pages 5-6)

**SUPPORTING
DOCUMENTATION:**   Institutional Compliance Status Report
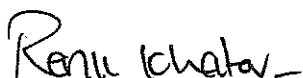
FISCAL NOTE:

RECOMMENDATION/   Information
ACTION REQUESTED:

COMPONENT: University of Houston System

(signature)		_10/29/10_
CHIEF AUDIT EXECUTIVE	Don Guyton	**DATE**
(signature)		_11-3-10_
CHANCELLOR	Renu Khator	**DATE**

AUDIT – 4

UNIVERSITY OF HOUSTON SYSTEM
INSTITUTIONAL COMPLIANCE STATUS REPORT
For the three months ended September 30, 2010

Institutional compliance activities at each university during the three months ended September 30, 2010, are as follows:

Activity	UH/UHS	UHCL	UHD	UHV
Risk Assessments Completed	0	0	0	0
Risk Assessments Updated	2	0	0	1
Compliance Audits Conducted	195	0	1[1]	1
Compliance Committee Meetings Held	1	2	1	1
Risk Mitigation Implemented:				
Specific Control Activities (pol. & proc.)	21	1	2[2]	28
New Training Program / Activities	17	0	1[3]	11
Hot-line Reports:				
Number Received during last 3 months	10	0	0	3
Reports Resolved during last 3 months	15	0	0	3
Unresolved Reports as of Sept. 30, 2010	6	0	1	1

[1] Financial Aid Office audit by State Auditor's Office complete. Findings expected in December, 2010.

[2] Financial Aid and Registrar developed report to identify degrees posted for students with federal awards. Implemented RD2K (software developed by UH for research administration).

[3] In-house training on Sponsored Programs Administration.

UHS:

- A system-wide meeting of the Institutional Compliance officers was held on July 14, 2010, to discuss institutional compliance activities. Included on the meeting agenda were the following:
  - Open points from previous meeting
  - Review of reports to be presented to the Audit and Compliance Committee on August 11, 2010
  - Cooperative Problem Solving – Sharing of Ideas (discussion by all compliance officers of major concerns / accomplishments)
  - Presentation by Mary Cook – UHD Compliance and Ethics Website
  - Presentation by Mike Glisson
    - o Draft Changes to SAM 03.A.02, Entertainment Expenditures
    - o Post-Payment and ARRA audit
  - Presentation by Joan Nelson – Update on HR Hot Topics
  - Presentation by Rosemary Grimmet – Update on Research Hot Topics

UH:

Finance

All UH colleges and divisions submitted FY2011 Baseline Standards and Cash Handling Procedures to Finance for review and posting on the Finance website. Baseline Standards indicate who is responsible within a department, college, or division for accomplishing key tasks in order to maintain internal controls. In addition, all UH departments performed the annual verification of Finance and HR System access for their employees to ensure the access was necessary and appropriate for their job. UH departments also verified that employees who were issued P-Cards and Travel Cards should continue to have these cards.

Environmental Health and Safety

Training
General Laboratory Safety (3 Times)
Hazard Communication (11 Times)
Biological Safety (4 Times)
Bloodborne Pathogens (11 Times)
N95 Respirator Fit-test (2 Times)
Radioactive Material Safety (2 Times)
Hydrofluoric Acid (2 Times)
Radiation Survey and Wipes
Chemical Standard Operating Procedures
Online Hazardous Waste Procedures
Online Annual X-ray Safety Refresher
Online Annual Laser Safety Refresher
Online Radioactive Material Safety Refresher
Online Bloodborne Pathogens Refresher

Significant Regulatory Activities
Responded Texas Commission on Environmental Quality's (TCEQ) concerns about the
    University's 2009 Mass Emissions Cap and Trade Annual Compliance
Prepared Pollution Prevention (P2) Plan for main campus for submission to the TCEQ
X-ray Registration Amendment submitted to State Radiation Agency

Compliance Audits

General and Chemical Safety	64
Biosafety	32
Radioactive Material Safety	16
Animal Care	83

Regulatory Inspections
City of Houston concerning grease traps in July

Division of Research
- The Division of Research conducted a Research Administrator Certification training session entitled "Human Subjects" on July 13, 2010.

- The Division of Research hosted a video workshop entitled "Critical Issues for Departmental Administrators" July 16, 2010.
- The Division of Research conducted a Research Administrator Certification training session entitled "Basic Training and Welcome to the Program on September 14, 2010.

University Information Technology
> *Red Flag Rule Notices*
> Total – 10 reports – 0 verified incidents of inappropriate record modifications, 1 investigation in progress
> UH – 9 reports
> UHV – 0 reports
> UHCL – 1 report
> UHD – 0 reports
>
> Breakdown by campus/type:
> UH –
>> 5 email update reports
>> 1 address update report
>> 2 direct deposit reports
>> 1 investigation pending
> UHCL – 1
>> 1 address update report

> *Identification of Sensitive Data* –
> - Identity Finder Deployment – Continued work with campus departments on deployment and remediation.
> - Copier data review – Continued work with Mike Glisson regarding identification and remediation of data on leased copiers – Over 65% of copiers with leases ending prior to January 2011 have been completed.

TAC 202 Audit – Continued work on completion of action items identified by Internal Audit
- Documentation of Comprehensive Risk Assessment Framework – in progress
- Review of IT policies and procedures – in progress
- MAPP 10.03.06 implementation – Technology Partners Program hosted summer workshop series on IT Resource Management Plan documentation and continues regular meetings of identified groups. UIT is working with colleges on comprehensive technology reviews.

UHCL:
- The University of Houston Clear Lake Compliance Committee met on July 15, 2010, and the action passed included:
  - A quorum existed so the meeting was official business and brought to order.
  - The minutes of the May 20, 2010 meeting were approved.
  - UHCL Optimization Forms Utilization – Student Travel – Provost – Dr. Mugdh with Committee members Dr. Biggers, John Cordary, and Harry Stenvall – deleted as a goal.

- Web pages without reported changes in past year approved to be posted; closing out Compliance Manual revision goal
- UHCL FY 2011 Goals:
  o Meet quarterly with Compliance Committee and review reports on risks
  o Conduct risk assessments and initiate work toward management of risks
  o Promote My Safe Campus and promote Risk Management Compliance Manual website
  o Investigate all MySafeCampus reports of non-compliance
- The University of Houston Clear Lake Compliance Committee met on September 16, 2010, and the informational items included:
  - A quorum did not exist so the meeting was informational and brought to order
  - The minutes of the May 20, 2010 meeting were read and will be approved at the next meeting
  - Brainstorming on conduct risk assessments for 2011 on:
    o Chemical Handling Safety
    o Assessment of employee knowledge of Compliance Manual
    o Survey Administrative team on any issues due to recession which creates high compliance risk for UHCL
    o A discussion that Study Abroad was not a compliance matter
  - Promote My Safe Campus:
    o Determine bulletin board locations for posters
    o Poster material to TV monitors
  - Promote Compliance Manual:
    o First complete assessment of employee knowledge of Compliance Manual
- The next University of Houston Clear Lake Compliance Committee meeting is scheduled for November 18, 2010.

UHD:
<u>Quarterly Compliance Committee Meeting</u>: (September 15, 2010)
- Reviewed:
  - Actual performance versus FY10 goals reported to the BOR
  - FY10 versus FY11 goals reported to the BOR. (Components of an Effective Compliance Program virtually completed and in place. UT nonresponsive to peer team review inquiries.)
  - Plans to promote the Compliance and Ethics Website
- Provided an update of ERM questionnaire and data sheet. Test of risk assessment questions with one UHD Executive Manager ongoing.
- Subject Matter Experts gave reports on identified institutional risk areas
- Open discussion
- Reviewed historical drivers and specific consequences of non compliance that contributed to the development of Compliance Programs in higher education in general and specifically at UHD. Purpose was to equip committee members with information needed to respond to questions from the UHD Community regarding why they will be asked to sign an Acknowledgement Form. Streaming video also developed to accomplish the same regarding the Compliance Program Acknowledgement Form.

<u>Information Technology</u>
- TAC 202 Security and Compliance Activities
  - Completed and submitted monthly security reports required by DIR
- Audit Report 2009-20 Activities
  - Action Item 3b, Work with university leadership to update UHD's Business Continuity Plan to include all business functions of the University
    STATUS
    > UHD's University-wide business continuity plans were signed by UHD President, Dr. William Flores, on April 15, 2010, but a subsequent review by UH System Audit resulted in a request for UHD to prepare a Business Impact Analysis, Security Risk Assessment, and Recovery Strategy, as well as develop an implementation, testing, and maintenance program at the university level. The estimated completion date for these additional activities related to UHD's Business Continuity Plan is August 31, 2011.
  - Action Item 5a, Develop password standards based on industry best practices and update policies and procedures accordingly
    STATUS
    > Completed August 30, 2010
- Annual Risk Assessment
  - The annual IT Risk Assessment process started in June 2010. The risk assessment process was started in July 2010. UHD completed initial assessments for 38 systems by September 30, 2010, and is currently in the process of receiving final approval on a limited number of assessments in October. Presidential review and approval of the Risk Assessment results and FY11 Risk Management Plan is scheduled for October.
- Other
  - UHD IT participated in compliance activities associated with HB2504, including development, training, and implementation of online syllabus and curriculum vitae posting, search, and display tools, as well as informational web page – completed August 2010

UHV:
- The quarterly campus compliance meeting was held August 19th, 2010. FY11 Compliance Goals were reviewed, as well as useful information from the UHS Compliance Officer's meeting in July and the previous quarter's UHS status report. Other activities for the quarter included:
  - Two hotline reports were received, the first alleging tampering with a student's account (no fraud found) and the second reporting an insect complaint (student was relocated). A third non-hotline report was received through the campus Institutional Compliance Mailbox reporting unauthorized use of an employee's e-mail account to send unsolicited email (report still open).
  - New policy D-11, Missing Student Notification, was released to comply with Higher Education Opportunity Act requirements.
  - Campus Safety and Risk electronically distributed the federally mandated Annual Security Report and the new Annual Fire Safety Report required for institutions that have student housing.

■ The excerpts in this summary are taken from the comprehensive campus report of compliance activities. To view the full report, see: www.uhv.edu/Compliance/manual/reports.aspx , scroll to UHV Campus Reports; open Quarterly Report, Period Ending September 30, 2010.

Don F. Guyton
System-wide Compliance Officer
October 13, 2010

COMMITTEE: Audit & Compliance

ITEM: External Audit Report – Veterans' Services at Selected Institutions of Higher Education and Survey Results Related to Veterans' Services at All Texas Public Higher Education Institutions

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 or outside expertise.

The State Auditor's Office visited seven institutions of higher education and identified areas in which the institutions should consider providing additional services and support to help student veterans maximize available state and federal educational benefits.

The attached report discusses the University of Houston in the following areas:

Page	Description
7-8	Table – Veteran-friendly Best Practices
9-10	Statutory Requirements
9	UH – Military Training for Degree Course Credit
10	UH – Withdrawal due to military deployment – policy did not address all requirements
11	Recommendations
12	Recommendations – UH Specific
17	UH Management's Response to Recommendations
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SUPPORTING DOCUMENTATION: External Audit Report – Veterans' Services at Selected Institutions of Higher Education and Survey Results Related to Veterans' Services at All Texas Public Higher Education Institutions

FISCAL NOTE:

RECOMMENDATION/ ACTION REQUESTED: Information

COMPONENT: University of Houston System

(signature)		10/29/10
CHIEF AUDIT EXECUTIVE	Don Guyton	**DATE**
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CHANCELLOR	Renu Khator	**DATE**

AUDIT – 5

John Keel, CPA
State Auditor

An Audit Report on

Veterans' Services at Selected Institutions of Higher Education and Survey Results Related to Veterans' Services at All Texas Public Higher Education Institutions

September 2010
Report No. 11-004

An Audit Report on

Veterans' Services at Selected Institutions of Higher Education and Survey Results Related to Veterans' Services at All Texas Public Higher Education Institutions

John Keel, CPA
State Auditor

Overall Conclusion

The seven institutions of higher education (institutions) that auditors visited either fully or partially complied with statutory requirements related to students who are veterans or current military service members and their dependents (student veterans). Each also had in place several nationally recognized best practices to help make the institutions "veteran friendly."

However, auditors identified several areas in which the institutions should consider providing additional services and support to help student veterans maximize available state and federal educational benefits. These include:

> Sending targeted communications about financial assistance and resources available to student veterans prior to their arrival on campus.

> Enhancing their Web sites to ensure that they provide easily located and comprehensive information about the educational benefits available to student veterans, including a link to those resources on the Web site's home page.

> Offering student veterans one central location on campus where they can obtain information about both the federal and state education-related financial assistance available to student veterans.

> Establishing a veterans advisory committee that includes representation from all stakeholders.

> Offering early class registration to student veterans.

Additionally, auditors reviewed the Web sites of 20 Texas public institutions. While most of the Web sites contained information about the benefits and services available to student veterans, that information was not always comprehensive or easily located. For example, 11 of the 20 Web sites did not have a link to veteran-related information on their home pages, and many of the Web sites presented information about federal and state financial assistance in separate locations that were often difficult to locate and/or did not clearly identify the financial assistance offered by the State's Hazlewood Act.

Background Information
Texas has the second largest population of military service members and veterans in the nation and is projected to have 90,954 people transition out of military service through federal fiscal year 2015, according to the National Center for Veteran Analysis and Statistics.
Based on the results of a survey that auditors conducted, most higher education institutions expect the population of student veterans to grow. The 101 Texas public higher education institutions that responded to the survey auditors conducted reported that 42,312 veterans, current military service members, and their dependents were enrolled as students in the Fall 2009 semester. This is a 31 percent increase from the reported enrollment in Fall 2008.

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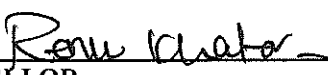*SAO Report No. 11-004*

An institution's Web site is typically the first resource used by current or prospective student veterans to access information on available benefits and resources. If these Web sites do not provide clear, direct access to information about all the benefits available to student veterans, eligible students may be unaware of the benefits and may not take advantage of the financial assistance available to them.

Auditors also conducted a survey of all 111 public two-year, four-year, and health-related institutions in Texas that were approved providers of veteran education programs by the Texas Veterans Commission. All four-year and health-related institutions and 85 percent of two-year institutions responded to the survey.

The 101 responding institutions reported an increase in the number of student veterans using federal and state benefits during the Fall 2009 semester, after the expansion of federal and state benefits became effective (see text box). The institutions also anticipated an increase in the number of military dependents receiving financial assistance through the State's Hazlewood Act, which exempts eligible recipients from tuition, dues, and selected fees.

Overall, the majority of responding institutions stated that they provide programs and services specifically designed for student veterans, offer some form of counseling services for student veterans, and are considering implementing "veteran-friendly" changes in the next five years.

Expansion of Federal and State Benefits

Expanded federal and state benefits became available to veterans, military service members, and their dependents in 2009. These include:

- The federal Post-9/11 GI Bill, which became effective August 1, 2009. New education benefits include:
  - Up to 100 percent tuition and fee coverage.
  - A monthly living (housing) stipend.
  - Up to $1,000 a year for books and supplies.
  - A one-time relocation allowance.
  - The option to transfer benefits to family members.

The State's Hazlewood Act exemption provides education benefits to honorably discharged or separated Texas veterans. Eligible veterans who declare Texas as their home of record are exempt from the payment of all tuition, dues, and selected fees for up to 150 semester credit hours at Texas public higher education institutions. Senate Bill 93 (81st Legislature) expanded Hazlewood Act exemption benefits to include:

- Removal of certain residency restrictions.
- Extension of eligibility to spouses.
- The option for eligible veterans to assign their unused hours to their children.
- Allowing the use of state financial aid to pay tuition that is not covered by federal financial assistance for veterans.

Summary of Management's Response

The higher education institutions responding to the audit report agreed with the findings and recommendations in this report. The higher education institutions' management responses are presented immediately following each set of recommendations in the Detailed Results section of this report.

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Summary of Objectives, Scope, and Methodology

The objectives of this audit were to determine whether selected institutions:

➤ Inform service members and veterans about education opportunities.

➤ Provide support while these individuals attend the institution.

➤ Have implemented other practices to assist these individuals.

The scope of this audit covered all functions related to student veterans who were enrolled in a Texas institution between September 1, 2007, and December 31, 2009. Auditors also reviewed the services that the institutions offered student veterans after December 31, 2009, to determine compliance with applicable state laws and rules.

The audit methodology included gaining an understanding of processes and controls related to the services offered to student veterans. This included collecting information and documentation, performing selected tests of credit awarded, analyzing the results of tests, and conducting interviews with staff at seven institutions that auditors visited. Those institutions were:

➤ Texas A&M University.

➤ Texas State University - San Marcos.

➤ Texas Tech University.

➤ University of Houston.

➤ University of North Texas.

➤ The University of Texas at El Paso.

➤ The University of Texas at San Antonio.

Auditors also surveyed all Texas public higher education institutions that were approved providers of veteran education programs by the Texas Veterans Commission about the services they offer student veterans, analyzed selected institutions' Web sites for student veteran-related information, and conducted focus groups with student veterans at the seven institutions visited.

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Detailed Results

Institutions Generally Complied with Statutory Requirements Related to Student Veterans; However, the Institutions Should Provide Additional Services and Support to Student Veterans

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> ### Seven Institutions Visited
>
> Auditors visited seven institutions to determine whether they informed student veterans about education opportunities, provided support while the student veteran attended the institution, and had implemented other practices to assist student veterans. Those institutions were:
>
> - Texas A&M University.
> - Texas State University - San Marcos.
> - Texas Tech University.
> - University of Houston.
> - University of North Texas.
> - The University of Texas at El Paso.
> - The University of Texas at San Antonio.

The seven institutions of higher education (institutions) that auditors visited (see text box) had in place several nationally recognized best practices to help make the institutions "veteran-friendly." However, auditors identified several areas in which the institutions should provide additional services and support to help students who are veterans/current military service members and their dependents (student veterans) maximize available state and federal educational benefits. These include:

- Sending targeted communications about financial assistance and resources available to student veterans prior to their arrival on campus.

- Enhancing their Web sites to ensure that they provide easily located and comprehensive information about the educational benefits available to student veterans, including a link to those resources on the Web site's home page.

- Offering student veterans one central location on campus where they can obtain information on both federal and state education-related benefits available.

- Establishing a veterans advisory committee that includes representation from all stakeholders.

- Offering early class registration to student veterans.

In addition, all of the institutions visited either fully or partially complied with statutory requirements related to providing services to student veterans.

Chapter 1-A
Institutions Should Improve Their Communication with Student Veterans to Help the Students More Effectively Navigate and Maximize Federal and State Benefits and Available Resources

While many of the institutions visited offered a range of services to student veterans, the institutions' efforts to communicate this information to student veterans varied. To better help student veterans navigate the benefits and resources available to them, the institutions should improve the student veterans' access to information about the benefits and resources, enhance their

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Web presence, and provide more timely communication about the locations and contact information for veteran benefits contacts.

Institutions should ensure that they provide sufficient, easily located information about federal and state financial assistance and support services available to student veterans.

Each of seven institutions that auditors visited had at least one staff member who was knowledgeable about federal and state financial assistance available to student veterans, as required by the Texas Education Code (see text box for information about veteran benefits contacts). While most institutions place the certifying official who is knowledgeable about federal financial assistance in the veteran services office, individuals knowledgeable about state financial assistance, such as the Hazlewood Act, are often located in other offices. During focus groups with auditors, student veterans noted that it was difficult to locate the offices or contact persons needed to obtain information on federal and state financial assistance. Not having a single individual or office that can advise student veterans about all the assistance available can make it more difficult for student veterans to gather information and gain an understanding about how to maximize their federal and state benefits. For example, student veterans in Texas who have not served enough time in the U.S. armed forces to qualify for full federal financial assistance may still be eligible to use the State's Hazlewood Act exemption to cover the remaining costs of tuition, dues, and selected fees.

> **Veteran Benefits Contact**
>
> Texas Education Code, Section 56.006, requires each institution as of January 1, 2010, to have at least one employee trained in (1) understanding state and federal student financial assistance programs specifically applicable to and available to student veterans and (2) assisting student veterans in understanding and obtaining those available benefits.

In addition, during focus groups with auditors, students at four of the seven institutions visited stated that they were not aware of either (1) the financial assistance provided by the Hazlewood Act, which exempts tuition, dues, and selected fees at Texas public institutions not only for eligible students who are veterans, but also for their dependents or (2) the fact that Hazlewood Act financial assistance may be used in conjunction with federal benefits. Student veterans at four of the seven institutions visited also indicated that it was difficult to obtain information about other support services available.

Institutions should improve their communication with student veterans by sending targeted information, such as letters and brochures, to students who self-identify as student veterans on the ApplyTexas Application, which is the common application used by most public institutions in Texas.[1]

Of the seven institutions visited, only Texas State University - San Marcos sent targeted information during the application process to inform student veterans about the veterans services office on campus, federal and state benefits available, and contact information for support services. In addition to

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[1] Effective July 2009, the ApplyTexas application began capturing veteran demographic data. Some institutions indicated they were capturing veteran-related information during their application process prior to it being identified in the ApplyTexas application.

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printed letters and brochures, the institutions could use lower cost electronic methods to communicate to student veterans, such as e-mail. This targeted communication should minimally include information related to:

- The location of veteran services offices and contacts for federal and state educational benefits available to student veterans.

- The transition and health services available at the institution, such as tutoring and counseling.

- Local veteran resources and community services available for student veterans.

- Updates regarding changes to state and federal education benefits for student veterans.

- Institution procedures and contacts for submitting military transcripts for course credit consideration.

- Other student veteran-related news.

Institutions should develop a strong Web presence that provides comprehensive information about educational benefits available to their student veterans.

Auditors reviewed the Web sites of the 20 institutions in Texas (10 four-year institutions and 10 two-year institutions) with the highest number of student veterans. While most of the Web sites contained information about benefits and services available to student veterans, this information was often difficult to find, incomplete, and not clearly presented. For example, 11 (55 percent) of the 20 institutions did not have a direct link to veteran-related education benefits on their Web sites' home pages (see Appendix 3 for a list of the institutions' Web sites reviewed). Many of the Web sites also presented information about federal and state financial assistance in separate locations that were often difficult to locate and/or did not clearly identify the Hazlewood Act as a state benefit that offers an exemption from tuition, dues, and select fees. In addition, 10 (50 percent) of the 20 institutions' Web sites did not contain information regarding the support services available on campus or include links to direct student veterans to those services.

An institution's Web site is typically the first resource used by current or prospective student veterans to access information on available benefits and resources. According to nationally identified best practices[2] of "veteran friendly" schools, an institution's home page should provide easily accessible information on veteran-specific benefits and resources. For example, Texas A&M University's Web site had many of the elements of a veteran-friendly

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[2] The information regarding best practices for an institution's website was obtained from the American Council on Education and the Education Advisory Board.

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Web site (see Appendix 4 for screen shot of Texas A&M's Web site). These included:

- A separate veteran services page that serves as a portal for information on federal and state benefits and services available to student veterans.

- A link on the Web site's home page to the veteran services page (see Appendix 5 for more information and screen shots for El Paso Community College and Texas A&M University).

- Clear descriptions of state benefits, including the Hazlewood Act exemption.

- Clear information on and links to both institutional and local support services.

- Copies of or links to applications and other forms needed to apply for benefits.

- Information about veteran benefits contact(s) on campus.

In addition, several institutions' Web sites directed student veterans to the Higher Education Coordinating Board's College for All Texans Web site to obtain information about the Hazlewood Act exemption because the Higher Education Coordinating Board is the state agency that administers the Hazlewood program. However, the Higher Education Coordinating Board's College for All Texans Web site does not include a clearly identified link on its home page to information about state benefits for student veterans; instead, the link is presented on a drop-down menu under "Make a Plan." In addition, the Web page about the Hazlewood Act exemption requires users to scroll down through several sections to find information about the financial assistance offered by the Hazlewood Act.

If clear, direct access to information about education-related benefits available to student veterans is not available on the institutions' or the College for All Texans Web sites, eligible student veterans may be uninformed or unaware of the financial assistance offered by the State of Texas and therefore, might not take advantage of the benefits available to them.

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Texas Higher Education Institutions Should Consider Additional Opportunities to Implement Nationally Recognized Best Practices for Creating Student Veteran-Friendly Institutions

Several national organizations[3] have documented best practices of institutions that are veteran-friendly. On average, the institutions auditors visited had implemented 7 (64 percent) of 11 best practices that auditors judgmentally selected for testing. The best practices tested could be classified into two areas: (1) admissions and registration and (2) support services.

Admissions and Registration

The institutions visited had, on average, three of the five best practices tested related to admissions and registration. Specifically:

- **Identifying student veterans during the application process.** All institutions can now identify student veterans for those who self-identify on the ApplyTexas Application. However, not all institutions visited were utilizing that information to identify student veterans during the application process and directing targeted information about available resources to those students (see Chapter 1-A for additional details).

- **Factoring military service into the admissions process.** Five (71 percent) of 7 institutions visited do not factor military service into its admissions process. Only Texas A&M University and the University of North Texas consider military training and experience as an additional factor for consideration for admission.

- **Offering early registration for student veterans.** Six (86 percent) of the 7 institutions visited do not provide early registration for student veterans. Student veterans must maintain a full course load to receive their full federal benefits; therefore, having the option to register early would help to ensure student veterans' access to the courses needed in their degree programs. Early registration also is important to student veterans who are still on active or reserve duty because they typically have a deadline for completion of their degree plan. During focus groups with auditors, some student veterans stated that they had to change to a different degree plan because they could not get the classes they needed for their original degree programs.

- **Deferring tuition for student veterans who do not receive federal financial assistance in a timely manner.** All seven institutions visited had procedures for deferring tuition for student veterans who experience delays in receiving federal financial assistance. In addition, 86 (85 percent) of the

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[3] These organizations include the American Council on Education, Servicemembers Opportunity Colleges, Student Veterans of America, and the Education Advisory Board.

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101 higher education institutions responding to the auditors' survey reported they provide tuition and fee deferment options for student veterans experiencing delays in registration due to the backlog in processing GI Bill claims (see Appendix 2 for survey results).

■ **Reducing or eliminating application fees for student veterans.** Six (86 percent) of the 7 institutions visited do not reduce or eliminate application fees for student veterans. The University of Texas at El Paso does not require an application fee for any potential student unless the application is received after a priority deadline.

Support Services

The institutions visited had, on average, four of the six best practices tested related to support services. Having comprehensive support services can help student veterans make the transition to college life and may improve the success and retention rates of student veterans throughout their college career. Specifically:

■ **Offering veteran-specific orientation or content.** Having a veteran-specific orientation can help ease the initial transition for student veterans to campus and facilitate their interaction with peers, faculty, and staff. Four (57 percent) of the 7 institutions visited had some form of veteran-specific orientation or content available to student veterans. For example, the University of Texas at San Antonio provides general information about the veterans services office at the institution during orientation, and the University of North Texas offers break-out sessions to student veterans regarding their education benefits as part of its orientation. Texas A&M University offered a separate veteran orientation in the Fall 2009 semester. Additionally, Texas State University - San Marcos offers a separate orientation and a seminar course with student veteran-specific content for both new and transfer student veterans.

■ **Having a veteran services office.** All seven institutions visited had a designated office at which student veterans could obtain information about the services available to them; however, the veteran services office at the University of Texas at San Antonio is not easily accessible to disabled veteran students and is difficult to locate.

■ **Connecting veteran students to local veteran resources and community services.** The veteran services offices at the institutions visited generally identified and compiled lists of local veteran resources and community services available to student veterans.

■ **Offering faculty and staff sensitivity training about the issues faced by student veterans.** Only 1 (14 percent) of the 7 institutions visited offered this type of sensitivity training for all faculty and staff. Ensuring that faculty and staff complete sensitivity training on the issues faced by student veterans

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was cited by the American Council on Education (ACE) as one of the best ways to create a supportive environment for student veterans. Texas State University - San Marcos began offering training to its faculty and staff in 2007 to raise awareness and understanding about the needs of student veterans for higher education institutions. This training was initially offered as an online course; however, in the fall of 2009, Texas State University - San Marcos developed and began offering the internally taught course Transitioning from Combat to Classroom: Helping Student Veterans Succeed at Texas State. In addition, Texas State University - San Marcos created a program to provide placards to offices on campus that had achieved "veteran-friendly" status. To receive a placard, a department must meet several criteria, including assigning a primary point of contact for student veterans, having at least 25 percent of its staff complete the sensitivity training offered, and agreeing to utilize and provide a list of key offices at the institution that offer student veterans assistance and resources.

- **Connecting student veterans to transition and health services.** All seven institutions visited had some form of general transition and health services available to all students. For example, all of the institutions visited had general counseling services and tutorial assistance available to all students.

- **Having a student organization on campus for student veterans.** Six (86 percent) of the 7 institutions visited had a student organization on campus for student veterans. The University of Texas at El Paso did not have a student organization for student veterans.

Table 1 lists the best practices implemented at each institution visited.

Table 1

Veteran-friendly Best Practices Implemented at the Seven Institutions that Auditors Visited As of June 2010									
Best Practice	Texas A&M University	Texas State University-San Marcos	Texas Tech University	University of Houston	The University of North Texas	The University of Texas at El Paso	The University of Texas at San Antonio	Percentage That Implemented Best Practice	Percentage That Had Not Implemented Best Practice
Admissions and Registration									
Reduction or elimination of application fees for student veterans	No	No	No	No	No	Yes	No	14%	86%
Military service factored into admissions process	Yes	No	No	No	Yes	No	No	29%	71%
Student veterans are identified in the application process	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	0%

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Veteran-friendly Best Practices Implemented at the Seven Institutions that Auditors Visited As of June 2010									
Best Practice	Texas A&M University	Texas State University-San Marcos	Texas Tech University	University of Houston	The University of North Texas	The University of Texas at El Paso	The University of Texas at San Antonio	Percentage That Implemented Best Practice	Percentage That Had Not Implemented Best Practice
Tuition deferments for student veterans who do not receive federal financial assistance timely	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	0%
Advance registration for student veterans	No	No	No	Yes	No	No	No	14%	86%
Support Services									
Connection to local veteran resources and community services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	0%
Veteran-specific orientation or content	Yes	Yes	No	No	Yes	No	Yes	57%	43%
Sensitivity training for faculty and staff	No	Yes	No	No	No	No	No	14%	86%
Transition and health services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	0%
Student veterans organization	Yes	Yes	Yes	Yes	Yes	No	Yes	86%	14%
Veteran services office	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	0%
Totals -Yes	8	8	6	7	8	6	7		
Totals - No	3	3	5	4	3	5	4		

Veterans Advisory Committee

Four of the seven institutions visited had standing veterans advisory committees; however, not all included representation from all stakeholders related to student veterans. Two of the seven institutions visited had a veterans advisory committee that included representation from all stakeholders. These two were Texas State University - San Marcos and Texas A&M University. Texas A&M University's committee also includes representation from local community resource offices offering veteran support services. According to ACE, institutions can make a big impact on addressing student veterans' issues with limited resources by establishing a diverse veterans advisory committee. Ideally, the committee should (1) meet more than once per semester; (2) have members representing key offices, such as veteran services office, admission and registration, financial aid, academic affairs, counseling, and disability services; and (3) include a faculty and a student veteran representative.

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Awarding Credit for Military Training and Experience

Feedback received from student veterans during focus groups, as well as issues raised in a national forum by ACE in May 2010[4], indicate that there is a gap between the training and experience that student veterans anticipate will be accepted as credit and what institutions actually accept as credit for military training and experience. Each institution's admissions office generally conducts the initial screening of a student veteran's application and military transcript, and the academic departments make the final determination about what credits will be awarded.

> **American Council on Education Credit Recommendations**
>
> The American Council on Education (ACE) has teams of teaching faculty that travel to military installations to evaluate military academic courses, vocational and leadership training programs, and experience. ACE then publishes recommendations for credit that should be awarded in *A Transfer Guide: Understanding Your Military Transcript and ACE Credit Recommendations*, which is made available to all academic institutions.

The student veteran's military transcript includes credit recommendations from ACE (see text box); however, not all of the admissions offices at the institutions visited provided those recommendations to the department advisors for consideration. For example, Texas State University - San Marcos provides only the military transcript course title to the department without the associated course detail. In addition, a vice president at one institution stated that some college advisors or deans responsible for evaluating military credit and experience question the academic rigor of the classes provided by the military and suggested that this may be related to faculty not participating in and understanding the ACE review process.

The awarding of eligible military credits toward core degree requirements, whenever appropriate, is important to student veterans to ensure that they complete their degrees before they exhaust financial assistance benefits.

Chapter 1-C
All Institutions Visited Had Policies and Procedures That Fully or Partially Addressed Statutory Requirements Related to Student Veterans

Overall, the seven institutions visited had policies and procedures in place that either fully or partially addressed statutory requirements related to student veterans. However, the University of Houston did not consistently document that it had considered military training for degree course credit as required by Texas Education Code, Section 51.3041. Six of 30 student veterans' files selected for testing at the University of Houston had submitted military

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[4] The American Council on Education (ACE) hosted a national three-day online virtual forum on May 3-6, 2010, for nearly 3,000 participants, including student veterans, campus leaders, nonprofit organization and government agencies, to discuss the challenges and opportunities facing veterans in higher education. A summary of the event was released by ACE on July 8, 2010.

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transcripts for consideration. In 4 (67 percent) of the 6 transcripts, there was no evidence in the institution's system that showed the institution had evaluated the military transcripts and considered awarding credit.

Texas Tech University's and the University of Houston's policies and procedures partially complied with statutory requirements in other areas. Specifically, Texas Tech University's policy for degree programs that require physical education credits restricted the number of military credit hours that would be accepted. Texas Tech University amended its policy at the end of June 2010 so that credit would be awarded for all physical education courses after auditors completed site visit fieldwork in May 2010. The University of Houston's policies and procedures related to withdrawals due to deployment addressed only student veterans who are in the reserves of a branch of the U.S. armed forces, and they did not include all military service members as required by Texas Education Code, Section 54.006.

Table 2 lists the implementation status of policies and procedures addressing statutory requirements related to student veterans at the seven institutions visited.

Table 2

Implementation Status of Policies and Procedures Addressing Statutory Requirements at the Seven Institutions Visited										
Statutory Requirement	Texas A&M University	Texas State University - San Marcos	Texas Tech University	University of Houston	The University of North Texas	The University of Texas at El Paso	The University of Texas at San Antonio	Implementation Status		
								Full	Partial	Not
Award credit for all physical education courses for degree and up to 12 electives outside major or minor for military services.	●	●	◉ a	●	●	●	●	6	1	0
Consider military training for degree course credit.	●	●	●	◉	●	●	●	6	1	0
Refund tuition and fees, or award incomplete or final grade for withdrawal due to deployment.	●	●	●	◉	●	●	●	6	1	0
Excuse from required exams and up to 25 percent of total classes for withdrawal due to deployment.	●	●	●	◉	●	●	●	6	1	0
Readmit students performing active military service.	●	●	●	●	●	●	●	7	0	0

Note: ● = Fully Implemented; ◉ = Partially Implemented; O = Not Implemented

a Texas Tech University, subsequent to the auditors' completion of fieldwork in May 2010, updated its online and print catalog to comply with the statutory requirements for awarding physical education credits.

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Recommendations

The seven Texas public higher education institutions should review their current processes, Web sites, and other practices to identify additional opportunities to improve their services to student veterans. These could include:

- Improving the timeliness of and access to information on the resources and services available to student veterans.

- Using student veteran enrollment data to send targeted communications to student veterans during the application process, including mailings, messages on listservs, and messages sent using other methods of electronic communications.

- Providing a central location or a single point of contact for student veterans to obtain information related to state and federal education benefits.

- Enhancing the content and improving the accessibility of veteran-specific information on institution Web sites. These improvements should include:

  - A separate veteran services page that serves as a portal for information on federal and state benefits and services available to student veterans.

  - A link on the institution's home page to the veteran services page.

  - Clear descriptions of state benefits, including the Hazlewood Act exemption.

  - Clear information on and links to both institutional and local support services.

  - Copies of or links to applications and other forms needed to apply for benefits.

  - Information about veteran benefits contact(s) on campus.

- Considering the implementation of additional veteran-friendly best practices. This could include, but is not limited to:

  - Offering early registration to student veterans to help those students be able to register for a full course load in their degree plan.

  - Implementing orientations designed specifically for student veterans.

  - Offering sensitivity training related to the issues faced by student veterans for all faculty and staff members.

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- Ensuring that appropriate consideration is given to ACE credit recommendations by:

  - Reviewing admissions office and academic department procedures for evaluating credit for military training and experience and determining whether they appropriately consider credit recommendations from the ACE's guide for the evaluation of military transcripts.

  - Encouraging faculty participation on an ACE team that evaluates military courses to increase faculty understanding of the rigor of the ACE evaluation process.

  - Seeking opportunities for faculty and staff responsible for the evaluation of military transcripts to participate in training offered by the ACE and/or the Servicemembers Opportunity Colleges.[5]

- Establishing veteran advisory committees to track and monitor student veterans issues and initiatives. The committee should include representation from all relevant stakeholders, including representatives from admissions/registration, support services, and veteran services office, as well as a student veteran and faculty representative.

In addition, the University of Houston should:

- Consistently follow its internal procedures to maintain documentation to demonstrate that it has considered military training for degree course credit as required by Texas Education Code, Section 51.3041.

- Ensure that its withdrawal policies for deployment include all military service members as required by Texas Education Code, Section 54.006 (f).

In addition, the University of Texas at San Antonio should make reasonable accommodations to provide disabled student veterans access to the veteran services office.

Management's Response from the Texas A&M University

Texas A&M University has a rich history of support for the military and veterans and continues to value the contributions they make to the state and nation. Supporting veterans who enroll at Texas A&M University remains a

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[5] All seven institutions visited were members of the Servicemembers Opportunity Colleges (SOC), which was created in 1972 to provide educational opportunities to service members. Higher education institutions that join the SOC pledge to be military-friendly and design policies and practices in the areas of student services, admissions, and marketing that provide easy access to accurate information about the institution and its degree programs, policies, and procedures.

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priority of the institution, as noted by our compliance with existing statutory requirements and the implementation of numerous best practices.

We will continue to seek out and implement best practices that serve the needs of the veteran population at Texas A&M University, including assessment of the best practices identified in the report. To this end, since the audit period was concluded, we have increased our communications with students through veteran-specific programming at our New Student Conferences and conducted veteran sensitivity training with faculty and staff advisors through the University Advisors and Counselors organization – a noted best practice. We will continue to reach out and support veterans.

Management's Response from the Texas State University - San Marcos

The State of Texas State Auditor's Office recently conducted a review of Texas State University's Veterans' Services. The finding resulted in the development of eleven "Veteran-Friendly Best Practices" that were examined during their examination of seven institutions of higher learning. The following is our management's response on how Texas State University is working to improve our Veterans' Services as we work to put in place the best practices identified by the State Auditor's Office.

Texas State University prides itself in providing an unsurpassed educational opportunity of our student veteran population. We are pleased to see the findings by the State Auditor's Office points out our inherent strengths showing that we have implemented and are practicing eight (8) of the eleven (11) identified "Veteran-Friendly Best Practices". We continuously review how we might better meet the unique requirements of our applying veterans. We realize the decision of which university may be the best fit for them is likely to be made while deployed. It is our intent to make access to Texas State University simple and easy to accommodate the veterans applying regardless of their location and circumstance.

Management's Response from the Texas Tech University

Recommendation I

Improving the timeliness of and access to information on the resources and services available to student veterans.

Response to Recommendation I

Texas Tech University agrees with this recommendation. Currently, the Veterans Affairs Office at Texas Tech University facilitates processing for students that self-identify as a veteran during the admissions process. The contact during the early period of application and admission helps improve

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the timeliness of providing veterans benefit resources. The Military and Veterans Programs Office (MVP) was created as of June 1, 2010, as a one-stop resource to provide student veterans with a single point of contact in a single location. We believe this will improve veteran student access to information.

Recommendation II

Using student veteran enrollment data to send targeted communications to student veterans during the application process, including mailings, messages on listservs, and messages sent using other methods of electronic communications.2

Response to Recommendation II

Texas Tech University agrees with this recommendation and a communication plan is being implemented to identify student veterans during the admission process. Targeted communications will be sent to encourage early interaction with the MVP office. For example, Texas Tech participates in the Servicemembers Opportunity College Concurrent Application program with an email and follow-up mail contact to establish targeted communications with future student veterans. Currently enrolled student veterans are contacted via email, paper mail, university daily announcements and social media sites such as Facebook. Veteran flags on the Texas Common Application will allow the MVP office to initiate early contact with prospective veteran students. A veteran student survey is in the final stages of development to help assess current veterans' needs. The MVP Coordinator is responsible for additional development and implementation of the communication plan which should be complete by December 1, 2010.

Recommendation III

Providing a central location or a single point of contact for student veterans to obtain information related to state and federal education benefits.

Response to Recommendation III

Texas Tech University agrees with this recommendation and is dedicated to ensuring student veteran success in post-secondary education. Effective September 1, 2010, the VA Compliance and Benefits office, which already provided information related to state and federal educational benefits, was merged into the newly created Military and Veterans Program Office (MVP). In addition to providing benefit, and certification information, the MVP Center will focus on transition, retention and graduation initiatives, and the recruiting and outreach of veterans and their families thus providing a one-stop shop for veterans and their families.

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Recommendation IV

Enhancing the content and improving the accessibility of veteran-specific information on institution websites. These improvements should include:

- *A separate veteran services page that serves as a portal for information on federal and state benefits and services available to student veterans.*

- *A link on the institution's home page to the veteran services page.*

- *Clear descriptions of state benefits, including the Hazlewood Act exemption.*

- *Clear information on and links to both institutional and local support services.*

- *Copies of or links to applications and other forms needed to apply for benefits.*

- *Information about veteran benefits contact(s) on campus.*

Response to Recommendation IV

Texas Tech University agrees with this recommendation. The MVP staff is in the process of implementing this recommendation. High on the agenda is to combine the current Texas Tech websites that provide information for veterans so that students will be directed to a one-stop shop online and single portal, www.mvp.ttu.edu. This website will continue to include information on federal and state benefits and services, contact information for establishment of these benefits, as well as clear descriptions and links concerning state benefits, including the Hazlewood Act. The website contains links to a variety of veteran-specific information on institutional and local support services, veteran mentoring, faculty resources and other services. Improved of accessibility of veteran specific information is also an immediate goal. Links from the Admissions website to the MVP site will be available. The MVP Coordinator is responsible for the initiative to improve veteran information on Texas Tech websites to be complete by December 1, 2010.

Recommendation V

Considering the implementation of additional veteran-friendly best practices. This could include, but is not limited to:

- *Offering early registration to student veterans to help those students be able to register for a full course load in their degree plan.*

- *Implementing orientations designed specifically for student veterans.*

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- *Offering sensitivity training related to the issues faced by student veterans for all faculty and staff members.*

- *Ensuring that appropriate consideration is given to the American Council on Education (ACE) credit recommendations by:*

  - *Reviewing admissions office and academic department procedures for evaluating credit for military training and experience and determine whether they appropriately consider credit recommendations from ACE's guide for the evaluation of military transcripts.*

  - *Encouraging faculty participation on an ACE team that evaluates military courses to increase faculty understanding of the rigor of the American Council on Education evaluation process.*

  - *Seeking opportunities for faculty and staff responsible for the evaluation of military transcripts to participate in training offered by the American Council on Education and/or the Servicemembers Opportunity Colleges.*

- *Establishing veteran advisory committees to track and monitor student veterans issues and initiatives. The committee should include representation from all relevant stakeholders, including representatives from admissions/registration, support services, veteran services office, as well as a student veteran and faculty representative.*

Response to Recommendation V

Texas Tech University agrees with the recommendation and plans to implement additional veteran-friendly best practices by reviewing the new student orientation processes and implementing procedures to assist student veterans.

One initiative recently implemented identifies military and veteran students with a special emblem on University ID cards. Local businesses can offer discounts to veterans with the special emblem. Linking student veterans with community resources for veterans in the Lubbock area fosters outreach and engagement. Support for families and returning veterans is also a top priority with certain MVP staff members already certified to conduct Operation Resilient Families sessions through partnership with the National Alliance on Mental Illness of Texas. These MVP initiatives tie into the university's strategic plan to enhance access, attract, retain and graduate a diverse student population.

Texas Tech will seek sensitivity training related to the issues faced by student veterans for faculty and staff. Procedures for evaluating military training and experience continue to be under review to ensure that appropriate ACE credit

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recommendation is considered. Faculty will be encouraged to participate on an ACE team that evaluates military courses in order to help facilitate understanding of the rigor of the ACE evaluation process.

Texas Tech University and the friendly Lubbock area traditionally support the military and veteran population. New partnerships will continue to be developed between existing campus and community programs. The Texas Tech MVP office is a key partner in the newly created Lubbock-area Veterans Resource Coordination Group, a holistic initiative by the local community to serve veteran needs.

Texas Tech University already has a Health and Mental Health Focus Group comprised of campus officials in health/mental health, and veteran offices and the Lubbock community. The MVP office is in the final stages of creating a veteran-advisory committee which will track and monitor student veteran issues and initiatives.

Creating an environment that is rich in information and resources is the focus of Texas Tech University and the Military and Veterans Programs office. We will strive to successfully assist student veterans in the admissions and orientation process, registering for courses each term, persistence and retention measures and ultimately receiving a degree at Texas Tech University. Our vision is to make Texas Tech the university of choice in Texas and the southwest region for military and veteran students.

The MVP Assistant Director is responsible for implementing these recommendations, which should be complete by June 1, 2011.

Management's Response from the University of Houston

The University of Houston will review our current processes, websites, and other practices to identify additional opportunities to improve our services to student veterans. A written policy will be developed for consideration of military training for degree course credit. The current withdrawal policy for military deployment will be modified to include all military service members.

Title of person responsible for implementing corrective action: Registrar

Planned completion date: December 1, 2010

Management's Response from The University of North Texas

UNT is pleased that most of the best practices reported herein either already exist at UNT or are being evaluated or implemented. UNT is grateful for such a report that broadly shares these best practices.

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Management's Response from The University of Texas at El Paso

Recommendations

The seven Texas public higher education institutions should review their current processes, Web sites, and other practices to identify additional opportunities to improve their services to student veterans. These could include:

■ *Improving the timeliness of and access to information on the resources and services available to student veterans.*

> ➢ ***Management's Response from the University of Texas at El Paso:***
> *UTEP has created a one-stop-shop "Military Services" for veterans needs. UTEP has applied for a federal grant to integrate other Student Affairs related services into Military Services current location.*

■ *Using student veteran enrollment data to send targeted communications to student veterans during the application process, including mailings, messages on listservs, and messages sent using other methods of electronic communications.*

> ➢ ***Management's Response from the University of Texas at El Paso:***
> *The Military Services Office is working with the Office of Admissions to develop a specific web portal, via Hobsons EMT product, to communicate information directly to military students.*

■ *Providing a central location or a single point of contact for student veterans to obtain information related to state and federal education benefits.*

> ➢ ***Management's Response from the University of Texas at El Paso:***
> *UTEP has created a one-stop-shop "Military Services" for veterans needs. UTEP has applied for a federal grant to integrate other Student Affairs related services into Military Services current location.*

■ *Enhancing the content and improving the accessibility of veteran-specific information on institution Web sites. These improvements should include:*

> ♦ *A separate veteran services page that serves as a portal for information on federal and state benefits and services available to student veterans.*

> > ➢ ***Management's Response from the University of Texas at El Paso:***
> > *UTEP has a web page for student veterans that provide information on federal and state benefits and services available. UTEP has applied for a federal grant to integrate other Student Affairs related*

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services into Military Services current location. The web page is being updated with links for campus services.

♦ *A link on the institution's home page to the veteran services page.*

➢ **Management's Response from the University of Texas at El Paso:** *Military Services is working with IT to create a link to the main Military Services homepage.*

♦ *Clear descriptions of state benefits, including the Hazlewood Act exemption.*

➢ **Management's Response from the University of Texas at El Paso:** *The Military Services web page is being updated to reflect the changes to the Hazlewood Act and to expand the information on other state benefits.*

♦ *Clear information on and links to both institutional and local support services.*

➢ **Management's Response from the University of Texas at El Paso:** *The Military Services web page includes links and addresses for national, state, and local support services. The web page is being updated with links for campus services.*

♦ *Copies of or links to applications and other forms needed to apply for benefits.*

➢ **Management's Response from the University of Texas at El Paso:** *The Military Services web page includes links and addresses for applications and other forms needed to apply for benefits.*

♦ *Information about veteran benefits contact(s) on campus.*

➢ **Management's Response from the University of Texas at El Paso:** *UTEP currently facilitates this through the Military Services office.*

■ *Considering the implementation of additional veteran-friendly best practices. This could include, but is not limited to:*

♦ *Offering early registration to student veterans to help those students be able to register for a full course load in their degree plan.*

➢ **Management's Response from the University of Texas at El Paso:** *UTEP will have this in place by October 24, 2010 for Spring 2011 registration.*

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♦ *Implementing orientations designed specifically for student veterans.*

    ➢ **Management's Response from the University of Texas at El Paso***: UTEP's Military Services office is working with the Orientation Office to being to offer a veterans specific orientation program for the fall of 2011 class.*

♦ *Offering sensitivity training related to the issues faced by student veterans for all faculty and staff members.*

    ➢ **Management's Response from the University of Texas at El Paso***: UTEP's Military Services office is looking into how it might be able to facilitate this training with its Counseling Center. UTEP has applied for a federal grant to integrate other Student Affairs related services into Military Services current location.*

♦ *Ensuring that appropriate consideration is given to the American Council on Education (ACE) credit recommendations by:*

    • *Reviewing admissions office and academic department procedures for evaluating credit for military training and experience and determine whether they appropriately consider credit recommendations from ACE's guide for the evaluation of military transcripts.*

        ➢ **Management's Response from the University of Texas at El Paso***: The Admissions office adheres to the ACE credit recommendations when evaluating all military transcripts. Staff evaluating credits received ACE training at least once a year to ensure that best practices are updated and followed.*

    • *Encouraging faculty participation on an ACE team that evaluates military courses to increase faculty understanding of the rigor of the American Council on Education evaluation process.*

        ➢ **Management's Response from the University of Texas at El Paso***: UTEP Faculty participated in the below training hosted by UTEP entitled "***An Evaluator's Primer: The Evaluation of Learning Acquired and Awarding of Credit for Military Training and Experience***" which focused on the evaluation of military courses and occupational specialties.*

    • *Seeking opportunities for faculty and staff responsible for the evaluation of military transcripts to participate in training offered by the American Council on Education and/or the Service members Opportunity Colleges.*

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> *Management's Response from the University of Texas at El Paso:* UTEP hosted an ACE training session in December of 2009. The session entitled "An Evaluator's Primer: The Evaluation of Learning Acquired and Awarding of Credit for Military Training and Experience" focused on the evaluation of military courses and occupational specialties and discussed the following topics in detail:*

- *provide an overview of the American Council on Education (ACE);*

- *clarify the review process and quality measures used in determining credit recommendations;*

- *increase the awareness, use, and benefit of the transcript services;*

- *give an overview of how military transcripts are created and how to breakdown the credit recommendation areas of the transcript; and*

- *provide an overview of resources available to the higher education community.*

   UTEP and El Paso Community College faculty and staff were invited to participate with approximately 60 persons in attendance. UTEP will host ACE training sessions at least every two years.

♦ <u>*Establishing veteran advisory committees to track and monitor student veterans issues and initiatives. The committee should include representation from all relevant stakeholders, including representatives from admissions/registration, support services, veteran services office, as well as a student veteran and faculty representative.*</u>

> *Management's Response from the University of Texas at El Paso:* UTEP has established a committee that meets weekly to discuss issues related to veterans and all military service personnel. The offices involved in this weekly meeting are admission, financial aid, registration, advising, student testing and assessment, orientation, and student affairs.*

Management's Response from the University of Texas at San Antonio

We agree with the recommendation made by the SAO to make reasonable accommodations to provide disabled student veterans access to the Veterans Certification Office at the University of Texas at San Antonio.

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Due to the limited space at the university and limited funding, the Registrar's Office consulted with the Director for Space Utilization to request advice on space availability on campus. Adjacent space to the current office has been secured, the renovation cost estimate has been determined, and funding has been approved.

Construction will begin in the near future that will expand the current floor plan by an additional 600 sq. ft., thereby doubling the existing space. The office will include a sliding glass door to accommodate our veterans with wheel chairs and prosthetic legs. Included in the refurnished office is a Wall Trax with computer and monitor for the veterans to have access to the Internet. We plan on having recessed level cubicles at the front counter to accommodate wheel chairs. Our intention is to provide advisors working space to be available for veterans to discuss their degree plans. This space would also be available for the Texas Veterans Commission auditor and other visiting support staff.

Responsible Person: Assistant Vice President and University Registrar

Implementation Date: November 30, 2010

Management's Response from the Higher Education Coordinating Board

Thank you for bringing to our attention the difficulty veterans expressed in accessing benefit information through the Coordinating Board website. It is certainly our intent to make this information readily available to the service members and their families.

I am pleased to advise you that this has been addressed. The opening screens for both our main website, www.THECB.state.tx.us and the www.CollegeforAllTexans.com website have direct links to information for the military and their families.

We sincerely hope these links will enable military families to easily acquire information and take advantage of the state's programs to help them participate in higher education.

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Survey Results for Higher Education Institutions

Breakdown of Survey Respondents

Auditors received survey responses from 101 institutions, which was 91 percent of all institutions surveyed. Specifically, auditors received responses from:

- Public four-year institutions - 35 respondents (100 percent).
- Public health-related institutions - 8 respondents (100 percent).
- Public two-year institutions - 58 respondents (85 percent).

Auditors surveyed all 111 public two-year, four-year, and health-related institutions in Texas that were approved providers of veteran education programs by the Texas Veterans Commission (see Appendix 9 for a list of approved providers). All four-year and health-related institutions that had students enrolled during the scope of the audit[6] and 85 percent of two-year institutions responded to the survey (see text box for a breakdown of survey respondents and Appendix 10 for a list of institutions that did not respond to the survey).

The responding institutions reported an increase in the number of student veterans using federal and state benefits during the Fall 2009 semester, after the expansion of federal and state benefits became effective. The institutions also anticipate an increase in the number of military dependents using state Hazlewood benefits. (See Appendix 2 for aggregate survey totals for all survey respondents)

Overall, the majority of institutions responding stated that they provide programs and services specifically designed for student veterans, offer some form of counseling services for their student veterans, and are considering implementing "veteran-friendly" changes in the next five years. The auditors' survey was based on a national survey published in July 2009 by ACE, *From Soldier to Student: Easing the Transition of Service Members on Campus.* Overall, Texas institutions reported that they offered more programs and services, including counseling services, to student veterans than respondents to the national survey. Results of the auditors' survey are summarized below.

Student veteran enrollment increased significantly from Fall 2008 to Fall 2009 at Texas institutions.

The 101 institutions responding to the auditors' survey reported that 42,312 student veterans receiving federal and/or state military-related benefits were enrolled during the Fall 2009 semester. This was a 31 percent increase from reported student veteran enrollment at the institutions during the Fall 2008 semester (see Table 3 on the next page).

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[6] Two four-year institutions did not complete the survey because they did not have students enrolled during the scope of this audit.

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Table 3

Student Veteran Enrollment Fall 2008 and Fall 2009 Semesters			
Type of Student Veteran	Fall 2008 Enrollment	Fall 2009 Enrollment	Percent Increase
Veterans	21,622	29,706	37%
Active Military Service Members	6,002	6,645	11%
Dependents	4,683	5,961	27%
Totals	32,307	42,312	31%

Source: Unaudited information self-reported by the institutions on the auditors' survey.

Of the institutions responding to the auditors' survey, Central Texas College reported having the largest number of student veterans enrolled during the Fall 2009 semester. In addition, 8 (53 percent) of 15 institutions with the largest reported student veteran enrollment were public two-year institutions. Table 4 lists the 15 institutions with the largest reported enrollments of student veterans during the Fall 2009 semester.

Table 4

The 15 Institutions with the Largest Reported Student Veteran Enrollments [a] Fall 2009 Semester				
Institution	Students Who Are Active Service Members	Students Who Are Former Service Members	Military-related Dependents	Total Student Veteran Enrollment
Central Texas College - Main Campus [b]	3,019	3,981	601	7,601
Austin Community College [b]	125	1,400	300	1,825
Houston Community College System [b]	10	1,656	107	1,773
El Paso Community College [b]	173	1,221	242	1,636
San Antonio College [b]	436	1,000	179	1,615
The University of Texas at San Antonio	71	1,301	231	1,603
St. Philip's College [b]	363	883	137	1,383
Texas State University - San Marcos	95	865	190	1,150
University of North Texas	91	845	153	1,089
The University of Texas at Arlington	70	842	77	989
The University of Texas at El Paso	136	483	183	802
Northwest Vista College [b]	35	619	148	802

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| The 15 Institutions with the Largest Reported Student Veteran Enrollments [a] | | | | |
Fall 2009 Semester				
Institution	Students Who Are Active Service Members	Students Who Are Former Service Members	Military-related Dependents	Total Student Veteran Enrollment
Collin County Community College [b]	59	637	101	797
University of Houston	18	730	46	794
Texas A&M University	67	465	260	792

[a] The enrollment totals in this table were self-reported by the institutions responding to the auditors' survey and have not been audited. Institutions that did not respond to the survey are not listed in this table (see Appendix 10 for a list of non-responding institutions).

[b] This is a two-year institution.

Institutions anticipate that they will see an increase in the number of students receiving state Hazlewood benefits.

Nearly all of the institutions responding to the auditors' survey stated they had students enrolled who were receiving state Hazlewood benefits. In total, the institutions reported that 10,518 student veterans were receiving Hazlewood benefits in the first half of 2010. In addition, more than 89 percent of the responding institutions said they anticipate that they will see an increase in the number of students receiving state Hazlewood benefits. Among the contributing factors to the increases in student veteran enrollment are the following:

- Sixty percent of the responding institutions attributed the increase to the new Hazlewood Legacy Act's extension of education benefits to dependents of veterans.

- Twenty-six percent of responding institutions attributed the increase to a change in the Hazlewood Act to allow eligible student veterans to use federal benefits concurrently with Hazlewood Act benefits. For example, an eligible student veteran who does not qualify for full federal benefits can have his or her state benefit pay for the uncovered portion of tuition, dues, and select fees.

Of the institutions responding to the auditors' survey, Texas State University - San Marcos reported having the largest number of students who were receiving Hazlewood benefits as of July 2010 (see Table 5 on the next page).
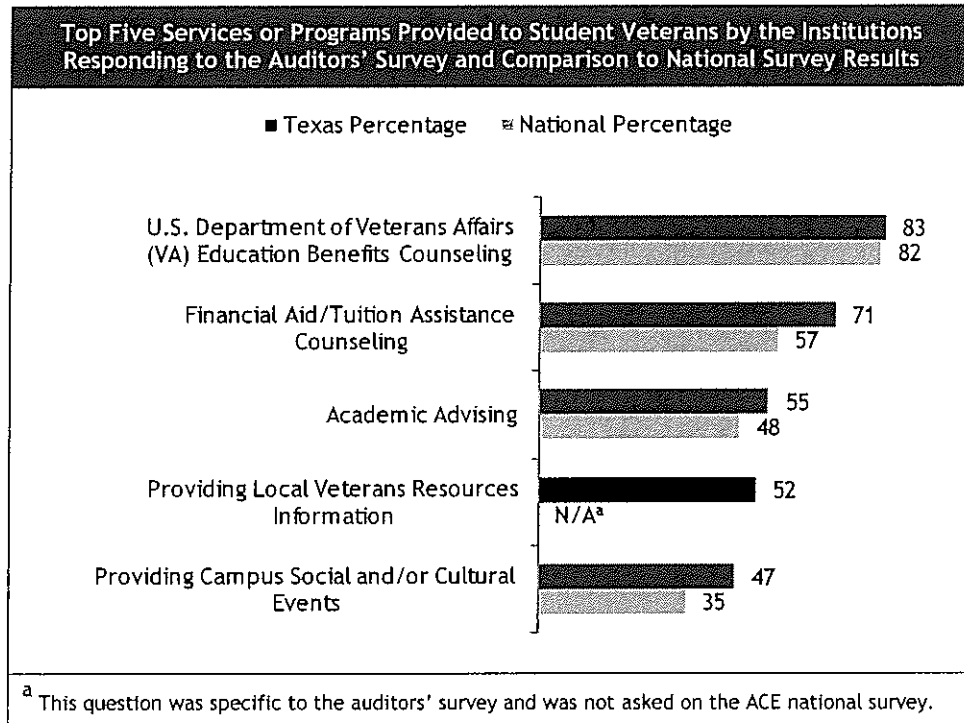
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Table 5

The 10 Institutions with the Largest Reported Number of Students Receiving Hazlewood Benefits As of July 2010	
Institution	**Number of Students**
Texas State University - San Marcos	773
The University of Texas at Austin	425
The University of Texas at San Antonio	400
Texas Tech University	379
St. Philip's College	376
The University of Texas at El Paso	324
Austin Community College	300
San Antonio College	300
Texas A&M University	300
Sam Houston State University	297

Source: Auditors' survey of Texas institutions. These totals were self-reported by the institutions and were not audited.

The majority of responding institutions reported that they provide programs and services specifically designed for student veterans and are considering implementing additional veteran-friendly practices in the next five years

Of the institutions responding to the auditors' survey, 94 percent reported that they provide programs and services specifically designed for student veterans. The top five programs and services reported to be in place at Texas institutions are consistent with what institutions are offering nationally (see Figure 1 on the next page). Among the least commonly offered programs and services at the institutions responding to the auditors' survey were assisting student veterans with the transition to college (24 percent); offering support groups for student veterans (23 percent); offering housing assistance (16 percent); and providing a student veterans lounge or other designated gathering place (11 percent).
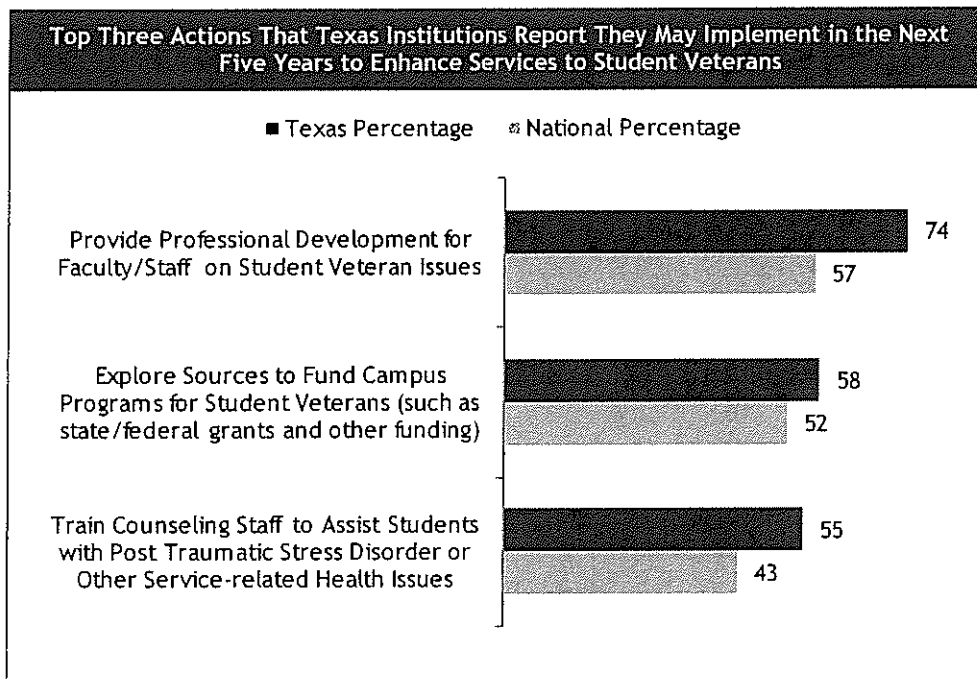
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Figure 1

Top Five Services or Programs Provided to Student Veterans by the Institutions Responding to the Auditors' Survey and Comparison to National Survey Results

■ Texas Percentage   ▨ National Percentage

U.S. Department of Veterans Affairs (VA) Education Benefits Counseling	83 / 82
Financial Aid/Tuition Assistance Counseling	71 / 57
Academic Advising	55 / 48
Providing Local Veterans Resources Information	52 / N/Aª
Providing Campus Social and/or Cultural Events	47 / 35

ª This question was specific to the auditors' survey and was not asked on the ACE national survey.

Sources: Texas totals are based on responses to the auditors' survey; national totals are based on a national survey published in July 2009 by ACE, *From Soldier to Student: Easing the Transition of Service Members on Campus.*.

Seventy percent of the Texas institutions responding to the auditors' survey stated that providing programs and services for student veterans was a part of their long-term strategic plans, compared to 59 percent of the respondents to the ACE national survey. In addition, 91 percent of responding Texas institutions stated they were considering veteran-friendly changes in programs and services in the next five years, compared to 81 percent nationally. Figure 2 on the next page shows the top three actions that Texas institutions reported they may implement in the next five years, compared to respondents to the ACE national survey.

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Figure 2

Top Three Actions That Texas Institutions Report They May Implement in the Next Five Years to Enhance Services to Student Veterans

■ Texas Percentage   ▨ National Percentage

	Texas	National
Provide Professional Development for Faculty/Staff on Student Veteran Issues	74	57
Explore Sources to Fund Campus Programs for Student Veterans (such as state/federal grants and other funding)	58	52
Train Counseling Staff to Assist Students with Post Traumatic Stress Disorder or Other Service-related Health Issues	55	43

Sources: Texas totals are based on responses to the auditors' survey of Texas institutions. National totals are based on a national survey published in July 2009 by ACE, *From Soldier to Student: Easing the Transition of Service Members on Campus.*

Eighty-two percent of responding Texas institutions identified at least one issue related to student veterans as a top priority, compared to 91 percent nationally. The top five issues identified as priorities by responding Texas institutions were:

- Training qualified staff to address student veteran needs (58 percent of respondents).

- Ensuring faculty and staff sensitivity to issues related to student veterans (45 percent of respondents).

- Having sufficient staffing for student veteran services and programs (39 percent of respondents).

- Locating funding sources for added campus programs and services for student veterans (34 percent of respondents).

- Ensuring campus accessibility (for example, extended hours or night classes) (27 percent of respondents).

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Most Texas four-year and health-related institutions and more than half of the two-year institutions report that they offer some form of counseling services for student veterans.

The majority of the responding Texas four-year and health-related institutions reported that they provide counseling services to assist student veterans. Those services included counseling for: social adjustment (86 percent), stress and anxiety management (86 percent), depression (84 percent), and post-traumatic stress disorder (72 percent).

In addition, responding Texas two-year institutions reported they provide counseling services to student veterans for: social adjustment (59 percent), stress and anxiety management (55 percent), depression (55 percent), and post-traumatic stress disorder (47 percent). Overall, 71 percent of all responding Texas institutions reported that they offer counseling services to student veterans, in contrast to the 23 percent of respondents that reported offering these services in the ACE national survey.

Further, 49 percent of the responding Texas four-year institutions and 47 percent of the Texas two-year institutions reported that they had a staff member, such as a licensed counselor or psychologist, trained to address the needs of student veterans with disabilities, compared to 40 percent of four-year institutions and 35 percent of two-year institutions responding to the ACE national survey.

More than half of responding Texas institutions reported having an office or department exclusively dedicated to student veterans.

Sixty percent of responding Texas institutions reported that they have an office or department exclusively dedicated to serving student veterans, compared to 49 percent nationally. However, the locations of these departments/offices varied significantly among the responding institutions. Locations included in the registrar's office, in the student affairs/student services area, and in the admissions office.

Nearly all responding Texas institutions reported that they offer alternative curriculum delivery formats for student veterans.

Ninety-seven percent of responding Texas institutions reported that they offer alternative curriculum delivery formats. These included offering online courses, evening and weekend courses, and other alternative formats (see Table 6 on the next page). Offering alternative curriculum delivery formats can be particularly beneficial to active military service members and reservists who may need more flexibility in completing their degree requirements.

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Table 6

Alternative Curriculum Delivery Formats Offered by Responding Texas Institutions			
Alternative Curriculum Delivery Format	Number of Texas Respondents Offering Alternative Format	Percentage of Texas Respondents Offering Alternative Format	Percentage of Respondents to ACE National Survey Offering Alternative Format
Online Education	95	94%	89%
Evening Courses	90	89%	89%
Weekend Courses	55	55%	68%
Accelerated Courses	59	58%	67%
None of the Above	3	3%	5%
Other Format(s)	6	6%	4%

Source: Texas totals are based on responses to the auditors' survey of Texas institutions. National totals are based on a national survey published in July 2009 by ACE, *From Soldier to Student: Easing the Transition of Service Members on Campus.*

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Appendices

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to determine whether selected higher education institutions (institutions):

- Inform service members and veterans about education opportunities.

- Provide support while these individuals attend the institution.

- Have implemented other practices to assist these individuals.

Scope

The scope of this audit covered all functions related to students who are veterans/current military service members and their dependents (student veterans) who were enrolled in a Texas institution between September 1, 2007, and December 31, 2009. Auditors also reviewed the services that the institutions offered student veterans after December 31, 2009, to determine compliance with applicable state laws and rules.

Methodology

The audit methodology included gaining an understanding of processes and controls related to the services offered student veterans. This included collecting information and documentation, performing selected tests of credit awarded, analyzing the results of tests, and conducting interviews with staff at seven institutions that auditors visited. Those institutions were:

- Texas A&M University.

- Texas State University - San Marcos.

- Texas Tech University.

- University of Houston.

- University of North Texas.

- The University of Texas at El Paso.

- The University of Texas at San Antonio.

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Auditors also surveyed all Texas public higher education institutions that were approved providers of veteran education programs by the Texas Veterans Commission about the services they offer student veterans, analyzed selected institutions' Web sites for student veteran-related information, and conducted focus groups with student veterans at the seven institutions visited.

Information collected and reviewed included the following:

- Institution policies and procedures related to the admission, registration, and withdrawal of student veterans.

- Institution data and supporting documents for credit awarded to student veterans.

- Student veteran enrollment data.

- Employee job descriptions and training records for student veteran benefit coordinators.

- Responses to a survey conducted by auditors of Texas public higher education institutions.

- Institution Web sites.

- National best practices for "veteran-friendly" institutions compiled by the American Council on Education (ACE), Servicemembers Opportunity Colleges, Student Veterans of America, and the Education Advisory Board.

Procedures and tests conducted included the following:

- Interviewed key personnel at the seven institutions visited to gain an understanding of the institutions' processes and controls related to student veterans.

- Tested institutions' compliance with statutes related to credit awarded to student veterans for military service.

- Tested institutions' compliance with the requirement to have a person on campus who is knowledgeable about state and federal education benefits available for student veterans.

- Reviewed applicable institution policies and procedures for compliance with statutes related to student veterans.

- Reviewed institutions' implementation of selected national best practices related to student veterans.

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- Analyzed selected institutions' Web sites to determine whether information related to student veterans was accessible, complete, and understandable.

- Conducted interviews and focus groups with student veterans at the seven institutions visited.

- Surveyed all Texas public higher education institutions that were approved providers of veteran education programs by the Veterans Commission as of February 3, 2010.

<u>Criteria used</u> included the following:

- Institutions' policies and procedures.

- Texas Education Code, Chapters 51, 54, and 56.

- Texas Administrative Code, Title 19, Chapters 4 and 13.

- National best practices for student veteran programs and services based on:

  ♦ *Student Veterans of America Veteran Center Handbook,* January 1, 2009.

  ♦ *Structuring Veterans' Support Programs on Campus,* Education Advisory Board, March 6, 2009.

  ♦ *Serving Those Who Serve: Higher Education and America's Veterans,* ACE, November 2008.

  ♦ Military Service Members and Veterans in Higher Education: What the New GI Bill May Mean for Postsecondary Institutions, ACE, July 2009.

  ♦ *Servicemembers Opportunity Colleges Principles and Criteria, 2009-2011.*

Project Information

Audit fieldwork was conducted from March 2010 through July 2010. 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.

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

- Stacey Williams, CGAP (Project Manager)

- Mary Goldwater (Assistant Project Manager)

- Jenay Oliphant

- Parsons Townsend

- Charles Wilson, MPAff

- Mike Apperley, CPA (Assistant State Auditor)

- John Young, MPAff (Audit Manager)

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Auditors surveyed all Texas public higher education institutions (institutions) that were approved providers of veteran education programs by the Texas Veterans Commission as of February 3, 2010, about the services and programs offered to students who are veterans/current military service members and their dependents. The survey was conducted in March 2010 and April 2010 and was later reopened for two weeks in July 2010 to give institutions that had missed the survey's initial deadline the opportunity to respond. All public four-year and health-related institutions that had students enrolled during the scope of this audit[7] and 85 percent of two-year institutions responded to the survey, which was based on a national survey published in July 2009 by the American Council on Education, *From Soldier to Student: Easing the Transition of Service Members on Campus.* Table 7 summarizes the survey results.

Table 7

Results of Survey of Higher Education Institutions Related to the Services Available to Student Veterans on Campus		
Response	**Four-year and Health-related Institutions**	**Two-year Institutions**
1. Are programs/services for military service members and/or veterans part of your institution's long-term strategic plan?		
Yes	67%	72%
No	21%	9%
Don't Know	12%	19%
2. Which of the following is your institution considering in the next five years? Please select all that apply.		
a. Explore sources to fund campus programs for military service members/veterans (state/federal grants, etc.).	65%	53%
b. Train counseling staff to assist students with post-traumatic stress disorder (PTSD) or other service-related health issues.	70%	43%
c. Increase the budget for military service members and/or veterans services and programs.	42%	16%
d. Increase the number of military service members and/or veterans services and programs.	67%	40%
e. Increase staff for service members and veterans programs and services.	51%	47%
f. Establish a department for service members and veterans programs.	19%	24%

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[7] Two four-year institutions did not complete the survey because they did not have students enrolled during the scope of this audit.

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Results of Survey of Higher Education Institutions Related to the Services Available to Student Veterans on Campus		
Response	**Four-year and Health-related Institutions**	**Two-year Institutions**
g. Establish a veteran's center for service members, veterans, and their families.	37%	33%
h. Provide professional development for faculty/staff on service members and veterans issues.	79%	71%
i. None of the above.	7%	10%
j. Other.	21%	9%
3. Do you have currently enrolled students receiving Hazlewood benefits?		
Yes	98%	100.0%
No	2%	0.0%
Don't Know	0%	0.0%
3b. Do you anticipate an increase or decrease in the number of Hazlewood recipients?		
Increase	88%	90%
Decrease	12%	10%
4. What issues related to service members and/or veteran students have been identified by your institution as priorities? Please select the top three under each heading.		
Student Issues		
a. Financial aid.	58%	76%
b. Degree retention/completion.	58%	78%
c. Health care (PTSD, traumatic brain injury, etc.).	35%	29%
d. Social acculturation.	42%	24%
e. Non-traditional student issues (housing, employment for spouses, etc.).	35%	14%
f. No student issues related to service members or veteran students.	21%	22%
g. Other.	9%	12%
Institutional Issues		
a. Ensuring campus accessibility. For example: extended hours or night classes.	21%	31%
b. Addressing course withdrawals as a result of military deployment or mobilization.	26%	24%
c. Ensuring faculty/staff sensitivity to issues related to this population.	44%	45%
d. Locating funding sources for added campus programs and services.	37%	31%
e. Having sufficient staffing for military services and/or programs.	40%	38%
f. Training qualified staff to address service members'/veterans' needs.	61%	57%

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Results of Survey of Higher Education Institutions Related to the Services Available to Student Veterans on Campus		
Response	**Four-year and Health-related Institutions**	**Two-year Institutions**
g. Developing strategies for service members and/or veteran students' when GI Bill benefits do not adequately cover college tuition and living expenses.	16%	17%
h. Addressing pressure to enroll service members/veterans who do not meet entrance requirements.	0%	0%
i. No institutional issues related to service members or veteran students.	19%	17%
j. Other.	0%	5%
5. Please indicate which of the following services and/or programs exist at your institution specifically for service members and/or veteran students. Please select all that apply.		
a. Academic advising.	49%	59%
b. Academic support/tutoring.	33%	52%
c. Campus social and/or cultural events.	47%	47%
d. Career planning/career services.	30%	48%
e. Employment assistance (students/dependents).	21%	28%
f. Financial aid/tuition assistance counseling.	72%	71%
g. Transition assistance.	26%	22%
h. Local veterans resource information.	51%	52%
i. Housing.	12%	19%
j. Orientation.	30%	35%
k. Support groups.	23%	22%
l. Veterans Affairs (VA) education benefits counseling.	81%	85%
m. Veteran students lounge or designated gathering place.	19%	5%
n. Online options for deployed or mobilized service members.	33%	29%
o. None of the above.	9%	3%
p. Other.	21%	16%
6. For what types of prior learning does your institution award college credit? Please select all that apply.		
a. College coursework at another institution.	93%	98%
b. Evaluated credit awards for military training.	84%	83%
c. Evaluated credit awards for military occupational training.	37%	62%
d. National testing programs.	65%	66%
e. Evaluated credit for corporate training programs.	12%	9%
f. Portfolio review or assessment.	12%	5%

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Results of Survey of Higher Education Institutions Related to the Services Available to Student Veterans on Campus		
Response	**Four-year and Health-related Institutions**	**Two-year Institutions**
g. Challenge examinations or test-out procedures.	51%	64%
h. None of the above.	2%	0%
i. Other.	16%	14%
7. Does your campus offer any alternative curriculum delivery formats? Please select all that apply.		
a. Online education.	88%	98%
b. Evening/night courses.	81%	95%
c. Weekend courses.	56%	53%
d. Accelerated courses.	40%	72%
e. None of the above.	7%	0%
f. Other.	9%	3%
8. Does your institution have any of the following?		
a. Staff specifically trained to assist with active-duty military and veteran students' transition/orientation to college.	51%	50%
b. A staff member, such as a licensed counselor or psychologist, trained specifically to address the needs of veterans with disabilities.	49%	47%
c. Support groups or mentoring programs specifically for active duty and veteran students.	23%	10%
d. Support groups specifically for veteran students with disabilities.	7%	7%
e. Support groups specifically for family members of students serving on active duty.	7%	2%
f. Support groups specifically for dependents of deceased veterans.	2%	2%
g. Student organization for service members and/or veterans (excluding ROTC programs).	47%	29%
h. ROTC programs.	56%	12%
i. Veterans Upward Bound program.	2%	0%
j. None of the above.	14%	22%
k. Other.	19%	21%
9. Does your campus provide counseling to assist students who are veterans with the following issues? Please select all that apply.		
a. Post-traumatic stress disorder (PTSD).	72%	47%
b. Depression.	84%	55%
c. Social adjustment.	86%	59%
d. Stress/anxiety management.	86%	55%
e. None of the above.	14%	40%

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Results of Survey of Higher Education Institutions Related to the Services Available to Student Veterans on Campus		
Response	Four-year and Health-related Institutions	Two-year Institutions
10. Does your institution have an office or department exclusively dedicated to serving service members and/or veterans?		
a. Yes	67%	55%
b. No	33%	45%
11. Is there a primary point of contact for students to receive information about institutional services and programs for military service members and/or veterans in any of the following offices?		
a. Academic affairs.	9%	7%
b. Admissions.	40%	26%
c. Counseling.	16%	29%
d. Registrar's office.	65%	26%
e. Student affairs/student services.	37%	35%
f. No primary point of contact.	0%	5%
g. Other.	44%	52%
12. Does your institution have at least one employee trained in state and federal student financial assistance applicable to veterans or their families in accordance with Texas Education Code, Section 56.006?		
a. Yes	98%	95%
b. No	2%	5%
13. Does your institution have an established policy regarding tuition refunds for military activations and deployments?		
a. Yes	84%	81%
b. No	0%	2%
c. No set policy (handled on a case-by-case basis).	16%	17%
14. What re-enrollment process must military students complete to enroll in classes following a military activation or deployment? Please select all that apply.		
a. Reapply to the institution and be readmitted.	33%	21%
b. Complete a standard re-enrollment process for all returning students.	44%	81%
c. Complete an expedited re-enrollment process to accommodate military students.	30%	5%
d. None of the above.	2%	0%
e. Other.	9%	10%
15. Does your institution provide tuition and fee deferment options for students experiencing delays in registration due to the backlog in processing GI Bill claims?		
a. Yes	95%	78%
b. No	5%	22%

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Results of Survey of Higher Education Institutions Related to the Services Available to Student Veterans on Campus		
Response	**Four-year and Health-related Institutions**	**Two-year Institutions**
16. What communication methods does your institution employ to inform currently enrolled service members, veterans, and their families about existing programs and services designed specifically for them? Please select all that apply.		
a. College catalog.	77%	72%
b. On-campus advisers.	74%	70%
c. Targeted print advertising.	54%	51%
d. Targeted Web-based advertising.	72%	56%
e. Targeted postal mailings.	41%	37%
f. Targeted e-mail.	72%	54%
g. None of the above.	3%	7%
h. Other.	13%	19%
17. Does your institution engage in any of the following admissions or recruitment efforts specifically designed to attract service members and/or veteran students?		
a. Targeted print advertising.	37%	16%
b. Targeted Web-based advertising.	40%	22%
c. Targeted postal mailings.	16%	16%
d. None of the above.	35%	57%
e. Other.	37%	16%
18. Please list all programs or services that your institution provides for service members, veterans, and/or military family members that have not previously been identified in this survey.		

Forty-three of the 101 responding institutions answered this question. Below is a selection of the other services/programs that the institutions reported they offered to student veterans:

- Hosting special events honoring local servicemen and women.
- Offering a military spouse career advancement program.
- Offering veteran-only courses.
- Providing undergraduate veteran advising services.
- Providing a computer lab for student veteran use only.

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Analysis of Student Veteran-related Information on Selected Institutions' Web Sites

Auditors reviewed the Web sites of 20 Texas public higher education institutions[8] (institutions) to determine whether the Web sites met eight best practices for creating a veteran-friendly Web site. The institutions were selected based on the enrollment of student veterans using federal and state benefits at each public institution and the veteran population by county. The information related to benefits and services offered to student veterans varied widely from one institution's Web site to another. Most of the Web sites contained information about the financial assistance and other benefits available to student veterans; however, this information was not always comprehensive or easily located. In addition, 11 (55 percent) of the 20 institutions did not have a direct link to veteran-related education benefits on their Web sites' home pages. Table 8 summarizes the analysis of the Web sites for the selected four-year institutions.

Table 8

Analysis of Web Sites of Selected Four-year Institutions							
Institution	Is there a link to veteran-related information on the Web site's home page?	Does the institution have its own veterans services Web page?	Is there information regarding federal education assistance available to student veterans?	Is there a link to state education assistance available to student veterans?	Is there information about health or transition services available?	Is there information about other services and resources available?	Is the institution's veterans services contact listed?
Texas A&M University www.tamu.edu	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Texas A&M University-Corpus Christi www.tamucc.edu	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Texas State University-San Marcos www.txstate.edu	No	Yes	Yes	Yes	No	No	Yes
Texas Tech University www.ttu.edu	No	Yes	Yes	Yes	No	Yes	Yes
University of Houston www.uh.edu	Yes	Yes	Yes	Yes	Yes	Yes	Yes
University of North Texas www.unt.edu	No	Yes	Yes	Yes	Yes	Yes	Yes

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[8] This included 10 four-year institutions and 10 two-year institutions.

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	Analysis of Web Sites of Selected Four-year Institutions						
Institution	Is there a link to veteran-related information on the Web site's home page?	Does the institution have its own veterans services Web page?	Is there information regarding federal education assistance available to student veterans?	Is there a link to state education assistance available to student veterans?	Is there information about health or transition services available?	Is there information about other services and resources available?	Is the institution's veterans services contact listed?
The University of Texas at Arlington www.uta.edu	No	Yes	Yes	Yes	No	Yes	Yes
The University of Texas at Austin www.utexas.edu	No	Yes	Yes	Yes	Yes	Yes	Yes
The University of Texas at El Paso www.utep.edu	Yes	Yes	Yes	Yes	No	No	Yes
The University of Texas at San Antonio www.utsa.edu	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Totals - Yes	5	10	10	10	6	8	10
Totals - No	5	0	0	0	4	2	0

Table 9 summarizes the analysis of the Web sites for the selected two-year institutions.

Table 9

	Analysis of Web Sites of Selected Two-year Institutions						
Institution	Is there a link to veteran-related information on the Web site's home page?	Does the institution have its own veterans services Web page?	Is there information regarding federal education assistance available to student veterans?	Is there a link to state education assistance available to student veterans?	Is there information about health or transition services available?	Is there information about other services and resources available?	Is the institution's veterans services contact listed?
Alamo Community Colleges St Philip's College www.alamo.edu/spc/	No	Yes	Yes	Yes	No	Yes	Yes
Austin Community College www.austincc.edu	No	Yes	Yes	Yes	Yes	Yes	Yes
Central Texas College www.ctcd.edu	Yes	Yes	Yes	Yes	No	Yes	Yes

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Analysis of Web Sites of Selected Two-year Institutions

Institution	Is there a link to veteran-related information on the Web site's home page?	Does the institution have its own veterans services Web page?	Is there information regarding federal education assistance available to student veterans?	Is there a link to state education assistance available to student veterans?	Is there information about health or transition services available?	Is there information about other services and resources available?	Is the institution's veterans services contact listed?
Collin County Community College District www.collin.edu	No	Yes	Yes	Yes	No	No	Yes
Del Mar College www.delmar.edu	No	No	Yes	Yes	No	No	Yes
El Paso Community College District www.epcc.edu	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Houston Community College District www.hccs.edu/portal/si te/hccs	No	Yes	Yes	Yes	No	Yes	Yes
Lone Star College System www.lonestar.edu/lsc-online	Yes	Yes	Yes	Yes	No	Yes	Yes
Tarrant County College District www.tccd.edu	Yes	Yes	Yes	Yes	Yes	No	Yes
Temple College www.templejc.edu	No	Yes	Yes	Yes	No	Yes	Yes
Totals - Yes	4	9	10	10	3	7	10
Totals - No	6	1	0	0	7	3	0

AUDIT – 5.1.49

An institution's Web site is typically the first resource used by students who are veterans/current military service members and their dependents (student veterans) for information on available benefits and resources. Texas A&M University's Web site had many elements of a veteran-friendly Web site, including a separate veteran services page (see Figure 3) and a clear description of the State's Hazlewood Act exemption.

Figure 3

Source: https://veterans.tamu.edu/.

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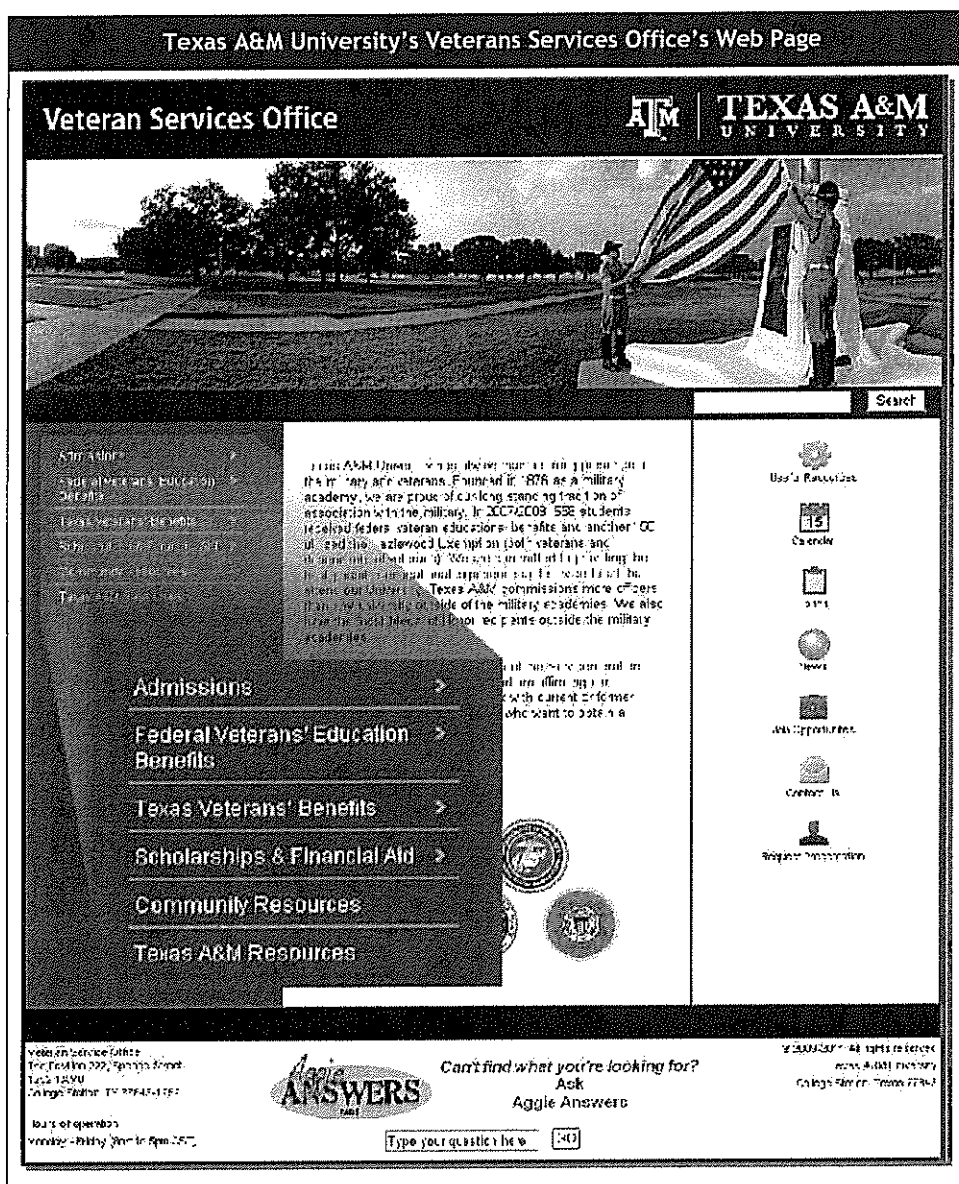
Examples of Web Sites That Included Links to Student Veteran Information on Their Web Site's Home Page

Figures 4 and 5 are example of Web site's whose home pages included a direct link to information for students who are veterans/current military service members and their dependents (student veterans).

Figure 4

Source: http://www.epcc.edu/Pages/default.aspx.

Figure 5

Source: http://www.tamu.edu.

AUDIT – 5.1.51
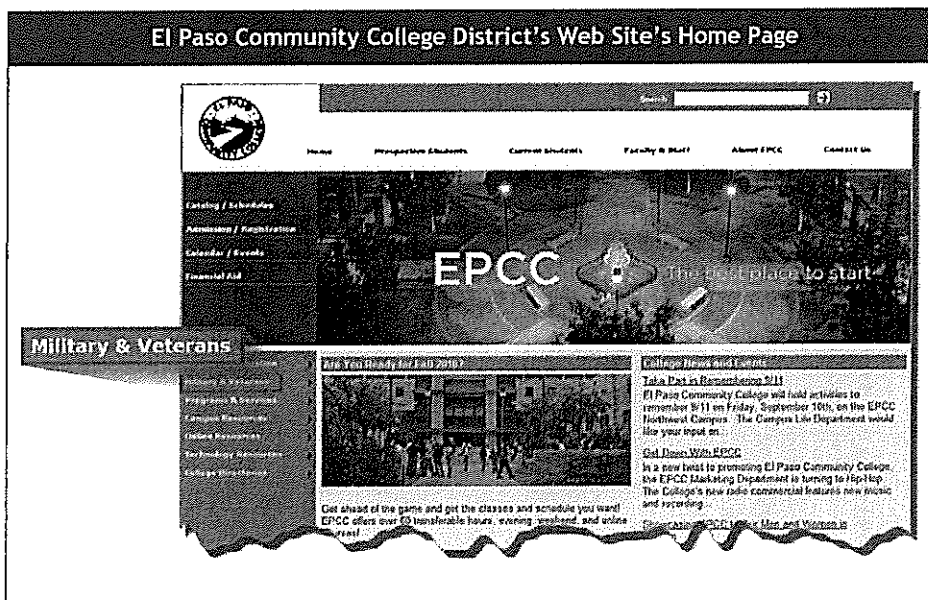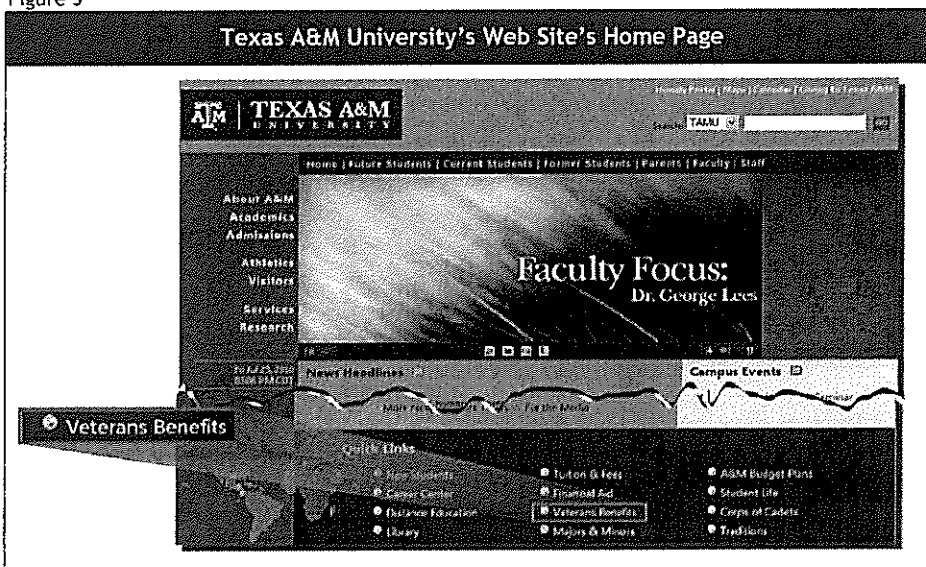
Web Page That Includes Detailed Instructions for Student Veterans

The University of Houston's veterans Web page provides step-by-step instructions for the admissions and registration process (see Figure 6). It also serves as a portal to information on the veteran services office, federal and state education benefits, and other services on campus.

Figure 6

Source: http://www.uh.edu/prospective-students/veterans/.

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The State's Hazlewood Act exemption provides education-related financial assistance to eligible Texas veterans and their dependent children and spouses. The Hazlewood Act exemption provides eligible recipients financial assistance for up to 150 semester credit hours of tuition, dues, and selected fees at Texas public higher education institutions. Figures 7 through 9 show that the use of the Hazlewood Act exemption, as well as the average cost per student, has increased from fiscal years 2005 through 2009.

Figure 7

Number of Hazlewood Act Exemption Recipients at Texas Public Higher Education Institutions Fiscal Years 2005 through 2009

	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009
	8,288	8,329	9,026	9,308	9,521

Source: Unaudited data from the Higher Education Coordinating Board.

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Figure 8

Average Cost to Texas Public Higher Education Institutions for
Each Hazlewood Act Exemption Recipient
Fiscal Years 2005 through 2009

$2,750
$2,550
$2,350
$2,150
$1,950
$1,750
$1,550
$1,350
$1,150
$950
$750

$1,670
$1,976
$2,156
$2,332
$2,530

| Fiscal Year 2005 | Fiscal Year 2006 | Fiscal Year 2007 | Fiscal Year 2008 | Fiscal Year 2009 |

Source: Unaudited data from the Higher Education Coordinating Board.

Figure 9

Total Dollar Value of Hazlewood Act Exemptions
Fiscal Years 2005 through 2009

$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000

$13,843,268
$16,460,815
$19,462,631
$21,705,969
$24,083,579

| Fiscal Year 2005 | Fiscal Year 2006 | Fiscal Year 2007 | Fiscal Year 2008 | Fiscal Year 2009 |

Source: Unaudited data from the Higher Education Coordinating Board.

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As Figures 10 and 11 show, the U.S. Department of Veterans Affairs projects that the number of personnel separating from the military will decrease from fiscal year 2011 to fiscal year 2015. It should be noted, however, that those projections, the most recent available, were made as of September 30, 2006, and may not account for subsequent events.

Figure 10

Projected Number of Personnel Who Will Be Separating from Military Service Nationally Fiscal Years 2011 through 2015

	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
	224,450	214,577	205,664	206,610	205,360

Source: Unaudited data obtained from the U.S. Department of Veterans Affairs' National Center for Veterans Analysis and Statistics.

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Figure 11

◆ Total Estimated Military Separations for Texas

■ Estimated Military Separations for Texas Military Personnel Who Are 29 Years and Younger

19,326	18,469	17,699	17,783	17,677
13,861	13,294	12,851	13,052	13,038
Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015

Source: Unaudited data obtained from the U.S. Department of Veterans Affairs' National Center for Veterans Analysis and Statistics.

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Texas is projected to have the second largest number of personnel separating from military service through fiscal year 2015 (see Figure 12).

Figure 12

Top Five States with Largest Projected Totals of Personnel Separating from Military Service Fiscal Years 2011 through 2015

Georgia: 8,414 / 8,035 / 7,686 / 7,703 / 7,651

Virginia: 10,904 / 10,427 / 9,988 / 10,016 / 9,948

Florida: 14,467 / 13,823 / 13,237 / 13,285 / 13,200

Texas: 19,326 / 18,469 / 17,699 / 17,783 / 17,677

California: 21,807 / 20,860 / 20,017 / 20,143 / 20,032

Legend:
- Fiscal Year 2011
- Fiscal Year 2012
- Fiscal Year 2013
- Fiscal Year 2014
- Fiscal Year 2015

Source: Unaudited data obtained from the U.S. Department of Veterans Affairs' National Center for Veterans Analysis and Statistics.

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Texas Institutions That Are Approved Providers of Veteran Education Programs by the Texas Veterans Commission

Table 10 lists the public four-year higher education institutions that were approved providers of veteran education programs by the Texas Veterans Commission as of February 3, 2010.

Table 10

Four-Year Institutions That Were Approved Providers for Veteran Education Programs As of February 3, 2010
Angelo State University
Lamar University - Beaumont
Midwestern State University
Prairie View A&M University
Sam Houston State University
Stephen F. Austin State University
Sul Ross State University
Sul Ross State University - Rio Grande College
Tarleton State University
Texas A&M International University
Texas A&M University
Texas A&M University - Central Texas [a]
Texas A&M University - Commerce
Texas A&M University - Corpus Christi
Texas A&M University at Galveston
Texas A&M University - Kingsville
Texas A&M University - San Antonio [a]
Texas A&M University - Texarkana
Texas Southern University
Texas State University - San Marcos
Texas Tech University
Texas Woman's University
University of Houston
University of Houston - Clear Lake
University of Houston - Downtown
University of Houston - Victoria
University of North Texas
The University of Texas at Arlington
The University of Texas at Austin

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Four-Year Institutions That Were Approved Providers for Veteran Education Programs As of February 3, 2010
University of Texas at Brownsville
The University of Texas at Dallas
The University of Texas at El Paso
The University of Texas - Pan American
The University of Texas of the Permian Basin
The University of Texas at San Antonio
The University of Texas at Tyler
West Texas A&M University

[a] The institution was approved to provide veteran education programs; however, it did not have students enrolled during the scope of this audit. Therefore, the institution did not complete the SAO's survey of veteran services (see Appendices 2 and 10 for more information about the survey).

Source: Veterans Commission.

Table 11 lists the health-related institutions approved as providers of veteran education programs.

Table 11

Health-related Institutions That Were Approved Providers for Veteran Education Programs As of February 3, 2010
Texas A&M Health Science Center
Texas Tech University Health Sciences Center
University of North Texas Health Science Center at Fort Worth
The University of Texas Health Science Center at Houston
The University of Texas Health Science Center at San Antonio
The University of Texas Medical Branch at Galveston
The University of Texas Southwestern Medical Center at Dallas
The University of Texas M.D. Anderson Cancer Center

Source: Texas Veterans Commission.

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Table 12 lists the two-year institutions approved as providers of veteran education programs.

Table 12

Two-Year Institutions That Were Approved Providers for Veteran Education Programs As of February 3, 2010
Alvin Community College
Amarillo College
Angelina College
Austin Community College
Blinn College
Brazosport College
Brookhaven College
Cedar Valley College
Central Texas College - Main Campus
Cisco College
Clarendon College
Coastal Bend College
College of the Mainland
Collin County Community College
Del Mar College
Eastfield College
El Centro College
El Paso Community College
Frank Phillips College
Galveston College
Grayson County College
Hill College
Houston Community College System
Howard College
Kilgore College
Lamar State College - Orange
Lamar State College - Port Arthur
Laredo Community College
Lee College
Lone Star College System
McLennan Community College
Midland College
Mountain View College
Navarro College

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Two-Year Institutions That Were Approved Providers for Veteran Education Programs As of February 3, 2010
North Central Texas College
North Lake College
Northeast Texas Community College
Northwest Vista College
Odessa College
Palo Alto College
Panola College
Paris Junior College
Ranger College
Richland College
San Antonio College
San Jacinto Community College District
South Plains College
South Texas College
Southwest Texas Junior College
St. Philip's College
Tarrant County College - Northeast Campus
Tarrant County College - Northwest Campus
Tarrant County College - South Campus
Tarrant County College - Southeast Campus
Tarrant County College - Trinity River Campus
Temple College
Texarkana College
Texas State Technical College - Harlingen
Texas State Technical College - Marshall
Texas State Technical College - Waco
Texas State Technical College - West Texas
Trinity Valley Community College
Tyler Junior College
Vernon College
Victoria College - East Red River
Weatherford College
Western Texas College
Wharton County Junior College

Source: Texas Veterans Commission.

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Texas Public Institutions Not Responding to Auditors' Survey on Veteran Services

Table 13 lists the Texas public institutions of higher education that did not respond to the auditors' survey related to veteran services.

Table 13

Institutions of Higher Education That Did Not Response to Auditors' Survey Related to Veteran Services
Angelina College
Clarendon College
Del Mar College
Eastfield College
Frank Phillips College
Lamar State College - Orange
Lone Star College System
Mountain View College
Texarkana College
Tyler Junior College

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Texas Benefits and Resources

Hazlewood Act Exemption – Administered by the Higher Education Coordinating Board, this benefit exempts eligible veterans, their dependent children, and spouses from payment of tuition and certain fees for up to 150 credit hours at Texas public institutions of higher education. For more information, see www.collegeforalltexans.com.

Texas Veterans Commission (Commission) –The Commission assists veterans and their dependents and survivors in obtaining state and federal veterans' benefits through three programs: Claims Representation and Counseling, Veterans Employment Services, and Veterans Education. The Commission has more than 400 counselors in 27 cities across Texas. Under contract with the U.S. Department of Veterans Affairs, the Commission acts as the state approving agency for Texas to determine which education and training programs in Texas may be approved for veterans training. For more information, see www.tvc.state.tx.us.

Veterans' Land Board – The Veterans' Land Board offers loans with below-market interest rates for land, housing, and home improvement. The Veterans' Land Board also operates the Texas state veterans cemeteries and veterans homes. For more information, see www.texasveterans.org.

Texas Workforce Commission (TWC) – TWC's Texas Veterans Leadership Program is a resource and referral network designed to connect veterans returning from Iraq and Afghanistan with available resources. Additionally, TWC employs veterans resource and referral specialists, each of whom is a veteran, in each of the 28 local workforce development areas to provide referrals to address employment, training, medical care, educational, and other needs of veterans. For more information, see http://www.twc.state.tx.us/tvlp/tvlp.html.

TexVet – TexVet promotes the health of military personnel, veterans, and their families by enhancing access to health care and social services and strengthening support systems through the various phases of the military life cycle, such as deployment or being medically disabled or injured. TexVet is a collaborative effort of organizations, including the Health and Human Services Commission, the U.S. Department of Defense, the Veterans Health Administration, Texas Military Forces, the 2-1-1 Texas Information and Referral Network, and the Texas A&M Health Science Center. For more information, see http://www.texvet.com.

Texas Veterans Portal – The Texas Veterans Portal provides links to federal and state benefits and services for veterans in Texas. Featured areas include

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assistance and benefits programs, education, employment and jobs, and health and wellness. For more information, see www.texas.gov/en/veterans.

National Resources

U.S. Department of Veterans Affairs (VA) – The VA provides various education benefits, including the Post-9/11 GI Bill, the Montgomery GI Bill, and the Reserve Education Assistance Program. These benefits cover a variety of education programs and have different levels of financial assistance, eligibility requirements, and time limits. For more information, see www.gibill.va.gov/GI_Bill_Info/CH33/Benefit_Comparison_Chart.htm.

Student Veterans of America (SVA) - SVA is a coalition of student veterans groups from college campuses across the country that works to develop new student groups; increase coordination between existing student groups; and advocate on behalf of student veterans at the local, state, and national levels. For more information, see www.studentveterans.org.

American Council on Education (ACE) – ACE offers several resources designed to increase the understanding of military transcripts and transfer policies. Additionally, ACE provides a collaborative link between the U.S. Department of Defense and institutions of higher education through the review of military training and experiences for the award of equivalent college credits for members of the U.S. military. For more information, see www.acenet.edu or http://www.acenet.edu/Content/NavigationMenu/ProgramsServices/MilitaryPrograms/Transfer_Guide.htm.

Servicemembers Opportunity Colleges (SOC) – SOC provides educational opportunities to servicemembers who, because they frequently moved from place to place, had trouble completing college degrees. SOC functions in cooperation with 15 higher education associations, the U.S. Department of Defense, and active and reserve components of the U.S. military services to expand and improve voluntary post-secondary education opportunities for servicemembers. Approximately 1,900 colleges and universities have agreed to implement military-friendly practices as members of the SOC Consortium. For more information, see www.soc.aascu.org.

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Checklist for Prospective Texas Student Veterans

The following checklist is intended to be a basic resource for Texas veterans looking to enroll in an institution of higher education. It is not designed to be comprehensive and does not cover all benefits. Texas veterans who wish to enroll in an institution of higher education should consult their veteran benefits contact at the higher education institution to which they are applying for additional information or a benefits consultation. Auditors adapted this checklist for prospective Texas student veterans from a checklist obtained from the Minnesota Department of Veteran Affairs.

Decide what school you wish to attend.
   o   Contact the Texas Veterans Commission for a list of approved schools.
   o   For more information, see *https://services.twc.state.tx.us/VETRPT*.

Apply for admission.
   o   Apply for admission to any Texas public university, as well as to participating community and private colleges, online at www.applytexas.org.
   o   Make sure to select your U.S. Military-Veteran Status (currently question no. 9 on the ApplyTexas form) on the application.

Send official transcripts.
   o   Have official transcripts for previous college-level coursework and any military training sent to the higher education institution that you plan to attend for evaluation of transfer credit.
   o   Information about military transcripts and how to request the transcripts is available from each branch of the military:
   ▪   **Army (AARTS transcript)** at http://aarts.army.mil.
   ▪   **Navy and Marine Corps (SMART Transcript)** at https://smart.navy.mil/smart/welcome.do.
   ▪   **Air Force (CCAF Transcript)** at http://www.au.af.mil/au/ccaf/transcripts.asp.
   ▪   **Coast Guard (CGI Transcript)** at http://www.uscg.mil/hq/cgi/ro/official_transcript.asp.
   o   Be proactive! Consult with your academic advisor if you have questions regarding any courses that did not transfer. Make sure that the higher education institution has all of the information necessary.

Apply for benefits.
   o   Depending on your length and type of service, residency, and other factors, you may be eligible for all or some of the following benefits (check with the veteran benefits contact(s) on your campus for specific information):

   o   **If eligible, apply for VA Educational Benefits:**
   ▪   Apply online at www.gibill.va.gov or through the VA certifying official on your campus.
   ▪   If you apply online, make sure to check with your VA certifying official regarding any other paperwork that you may need to complete for your campus.

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- Notify the higher education institution's VA certifying official if there is a change in your classes to determine whether your financial assistance has been affected.
- If federal education benefits do not cover the full cost of attendance, check your eligibility for the Texas Hazlewood Act exemption (see below).
- Complete the certification form for the higher education institution as benefits are certified for each semester.

o **If eligible, apply for Texas Hazlewood Act exemption benefits (which offers tuition assistance for Texas veterans):**
- The State's Hazlewood Act exemption provides education benefits to honorably discharged or separated Texas veterans.
- Eligible veterans who declare Texas as their home of record are exempt from the payment of all tuition, dues, and selected fees for up to 150 semester credit hours at Texas public higher education institutions.
- This state benefit may be combined with federal educational benefits. Check with your higher education institution's veteran benefits contact for more information about eligibility requirements.
- Visit http://www.collegeforalltexans.com/index.cfm?ObjectID=6D1D574C-EC9F-C46E-831E6865C9C6F882 for more information or to apply.

Apply for financial aid.
o Complete the Free Application for Student Aid (FAFSA), which can be obtained online at www.fafsa.ed.gov. FAFSA determines your eligibility for low/no interest student loans, as well as for state and federal grants.
o Make sure to report any veteran/military benefits you will be receiving.

Search for scholarships.
o Visit www.mymilitaryeducation.org or contact the veteran benefits office on your campus for a listing of military-related scholarships available.
o Check with the higher education institution's financial aid office for information about general scholarships available.

Take placement tests (if required).
o Check with your higher education institution for details as some institutions may require assessment testing for course placement.

Attend orientation (if required).
o Participate in the higher education institution's orientation process to learn about the various resources on campus.
o Some institutions offer veteran-specific orientations or break-out sessions for veterans during which you can learn more about federal and state education benefits and services available to you.

Register for classes.
o Consult with an academic advisor and register for courses.

Obtain information about other campus services.
o Contact your higher education institution's veteran services office for campus and/or local resources regarding the following:
- Counseling – This may include both personal and career counseling.
- Disability services – These services may help provide accommodations for students for disabilities.
- Student organizations – Many campuses have veterans clubs.

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Comparison of Texas Veteran Education-related Benefits to Other States' Benefits

There is a variety of financial assistance and other benefits that states offer to military service members, veterans, and their families. These include scholarships, exemptions of tuition and fees, waivers to obtain in-state tuition, and other forms of financial assistance. Among the 10 states with the largest estimated populations of veterans, Texas offers an in-state tuition waiver program for service members, veterans, and their families under certain conditions and an exemption program for up to 150 semester credit hours at public higher education institutions for eligible veterans and their dependent children and spouses. Table 14 summarizes the types of veteran education-related benefits offered by Texas and nine other states with large veteran populations.

Table 14

Comparison of Texas Veteran Education-related Benefits	
State	**Description of State Benefits Offered to Student Veterans**
California	Provides college fee waiver programs. These include: • Tuition and fee waivers for veterans' dependents, which waive tuition and fees at public higher education institutions for eligible dependents of a veteran who is totally service-connected disabled or who has died of service-connected causes. There are some income limitations. • Non-resident college fee waivers, which waive non-resident fees (pay at California resident rate) for public higher education institutions for eligible veterans and their dependents.
Florida	Provides scholarships and waivers programs. These include: • Scholarships for children and spouses of deceased or disabled veterans and service members, which provide scholarships for up to 110 percent of required credit hours for an initial baccalaureate degree or certificate program for dependent children or unremarried spouses of service-connected disabled or deceased Florida veterans or service members. • Waivers for recipients of Purple Heart or Superior Combat decorations, which provide fee waivers to recipients of the Purple Heart or other combat decoration superior in precedence if the recipient (1) is enrolling in a Florida public community college or state university and (2) meets specific criteria.
Georgia	Provides scholarships, including: • Georgia HERO Scholarships Program, which provides up to $2,000 to eligible students per award year for current members of the Georgia National Guard or U.S. military reserves who were deployed to a location designated as a combat zone on or after February 1, 2003, and their dependents; and those whose spouses died in a combat zone or from injuries received in a combat zone, or were permanently disabled in a combat zone.
Illinois	Provides scholarships and grants. These include: • MIA/POW Scholarship, which provides eligible dependents of a veteran who was declared a prisoner of war, missing in action, died of a service-connected disability, or was permanently disabled full payment of tuition and certain fees to any state-supported Illinois higher education institutions for the equivalent of four calendar years of full-time enrollment, including summer terms. • Veterans' Grant, which pays tuition and certain fees at public higher education institutions to honorably discharged veterans who meet eligibility requirements.

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Comparison of Texas Veteran Education-related Benefits	
State	**Description of State Benefits Offered to Student Veterans**
North Carolina	Provides waivers and scholarships. These include: • Waivers for in-state tuition, which provide in-state tuition rates for any member of the armed services qualifying for admission to a North Carolina public institution of higher education, but not qualifying as a resident for tuition purposes. • Four-year scholarship program, which provides four-year scholarships at approved schools in North Carolina for the qualifying children of certain class categories of deceased, disabled, combat, or prisoner of war/missing-in-action veterans.
New York	Provides tuition assistance and scholarships. These include: • Veterans Tuition Award, which provides tuition assistance for full- and part-time study for up to the full cost of tuition for programs approved by the New York State Division of Veterans' Affairs for eligible veterans who served in certain combat operations. • Military Service Recognition Scholarships, which provide tuition, fees, room and board, and allowances for books, supplies, and transportation for up to four years at a public higher education institution, or the equal benefit at a private institution, for veterans, children, spouses, and financial dependents of members of the U.S. armed forces who, while New York state residents, died or became severely and permanently disabled while engaged in hostilities or training for hostilities.
Ohio	Provides waivers and scholarships. These include: • Ohio GI Promise, which provides waivers for in-state tuition for qualified veterans and active duty service members of the U.S. military, National Guard, and U.S. military reserves and their dependents who establish residency in the state. • Ohio War Orphans Scholarship, which provides financial assistance in the 2010 and 2011 academic years for a percentage of tuition and general fees at public institutions of higher education and $4,400 for tuition and fees at independent and private entities to children of deceased or severely disabled Ohio veterans who served in the armed forces during a period of declared war or conflict.
Pennsylvania	Provides grants and waivers. These include: • PA State Grants, which provides grants to qualified veterans who need financial assistance to complete approved programs. The amount of the award received will vary each academic year based on available funding. • POW-MIA Program, which provides state grants to children of service members who have been a prisoner of war or reported as missing in action and were a previous Pennsylvania resident. • Educational Gratuity Program, which awards up to $500 per term for up to four years for the dependent children of service-related disabled or deceased veterans. • Postsecondary Educational Gratuity Program, which waives tuition, fees, and room and board at public higher education institutions for children of a service member who was killed as a result of performing his or her official duties while on active duty.

Texas	Provides waivers and tuition assistance. These include:
	• Hazlewood Act exemption, which waives tuition, dues, and selected fees for up to 150 semester credit hours at public higher education institutions for honorably discharged or separated Texas veterans and their dependent children and spouses.
	• Tuition for Texans, which waives non-resident fees (pay at Texas resident rate) for:
	  ♦ Service members who select Texas as their home of record upon entering the service, even if they officially changed their permanent resident to another state while in the military.
	  ♦ Service members who continue to be a Texas resident, even if they are stationed out of the state or out of the country, and are taking classes via distance education.
	  ♦ Spouses and dependents of eligible service members.
	• Tuition for Non-Texans, which waives non-resident fees (pay at Texas resident rate) under certain conditions for service members and their dependents who did not select Texas as their home of record when they entered the service or who have not taken steps to change their permanent residence with the military to Texas. Conditions include service members currently assigned to duty in Texas or whose family intends to make Texas their home, and other specific situations.

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Comparison of Texas Veteran Education-related Benefits	
State	**Description of State Benefits Offered to Student Veterans**
Virginia	Provides waivers, including: ▪ Virginia Military Survivors and Dependents Education Program, which waives tuition and fees to public higher education institutions or other public accredited postsecondary institutions granting a degree, diploma, or certificate and provides a stipend for room, board, books, and supplies to spouses and children of disabled or deceased service members or who are missing in action or a prisoner of war.

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The state of California has a streamlined Web portal at www.troopstocollege.ca.gov that presents veteran-related education information and links to veteran affairs offices at each public state university. Below is a screen shot of that portal's home page.

Governor Arnold Schwarzenegger

Troops to College was created by California Governor Arnold Schwarzenegger to attract more veterans to California's public universities and colleges by making campuses more veteran friendly. The initiative was designed to showcase the full range of curriculums and services available to veterans at California State University, the University of California, and California Community Colleges. Working with the California Department of Veterans Affairs, the Office of the Secretary of Education, the Labor and Workforce Development Agency, and military branches within the state, Troops to College is helping ensure veterans are aware of all their educational options.

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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

Higher Education Coordinating Board

Members of the Higher Education Coordinating Board
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 Mr. Wallace Hall, Jr.
 Dr. Lyn Bracewell Phillips
 Mr. A. W. "Whit" Riter
 Mr. Eric A. Rohne, Student Representative
Dr. Raymund A. Paredes, Commissioner of Higher Education

Board of Regents Members, Chancellors, and Presidents of the Following Institutions of Higher Education Visited

Texas A&M University
Texas State University – San Marcos
Texas Tech University
University of Houston
University of North Texas
The University of Texas at El Paso
The University of Texas at San Antonio

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UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: External Audit Report – Texas Comptroller of Public Accounts Post Payment Audit of the University of Houston

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 or outside expertise.

The Texas State Comptroller's Office audited a sample of payroll, purchase, and travel transactions for the University of Houston during the period beginning March 1, 2009, through February 28, 2010. The purpose of the audit was to determine whether the university's expenditures complied with certain state laws and rules concerning expenditures and with the processing requirements of the uniform statewide accounting system. The audit addressed adequacy of supporting expenditure documentation, calculating of longevity pay, and appropriateness of expenditures. Attached is a brief summary of the report, together with the report cover, transmittal letter, and executive summary. The entire report can be viewed on the Internal Auditing Department's web site @ *http://www.uh.edu/audit/Documents/External_Reports/UH%20Post%20Payment%20Audit.pdf*

SUPPORTING
DOCUMENTATION: External Audit Report – Texas Comptroller of Public Accounts Post Payment Audit of the University of Houston

FISCAL NOTE:

RECOMMENDATION/   Information
ACTION REQUESTED:

COMPONENT: University of Houston System

_____   10/29/10
CHIEF AUDIT EXECUTIVE   Don Guyton   **DATE**

_____   11-3-10
CHANCELLOR   Renu Khator   **DATE**

AUDIT – 6

Texas Comptroller of Public Accounts
Post Payment Audit of the University of Houston
Fiscal Management Division
Expenditure Audit Section

Scope: The Texas Comptroller's Office audited a sample of payroll, purchase, and travel transactions for the University of Houston during the period beginning March 1, 2009, through February 28, 2010. Their audit of the university revealed the following:

- Missing Documentation/Irreconcilable Amounts – 11 personnel files that were missing supporting documentation for validity of payment

- Incorrect Payments of Longevity Pay – 2 employees with incorrect payments of longevity pay

- Incorrect Amount Paid – payment did not match purchase order

- Improper Payment of Taxes/Surcharges – 2 purchase vouchers included payment of sales taxes to vendor

- Missing Documentation – incomplete purchase documentation on 2 transactions

- Prompt Payment and Payment Scheduling Issues – the university paid $5,370 in prompt pay interest, underpaid interest of $792, and overpaid interest of $289 – 24 transactions paid early, resulting in $2,628 interest lost to the state treasury

The entire report can be viewed on the web site of the UHS Internal Auditing Department @ *http://www.uh.edu/audit/Documents/External_Reports/UH%20Post%20Payment%20Audit.pdf*

Audit Report # 730-10-01

Post Payment Audit of the University of Houston

Fiscal Management Division
Expenditure Audit Section

August 30, 2010

Susan Combs
Texas Comptroller of Public Accounts   **Auditor: Raymond McClintock**

August 30, 2010

Dr. Renu Khator
President
University of Houston
4800 Calhoun Road
Houston, Texas 77004

Dear Dr. Khator:

We have completed a post-payment audit of certain payroll, purchase, and travel transactions of the University of Houston (University). A draft of this audit report was sent to the Executive Vice President, Administration and Finance, Dr. Carl Carlucci, on August 5, 2010. Responses to the draft are included within this final report.

We would like to thank your staff, especially Mike Glisson and Carla Ponzio. We appreciate their responsiveness and cooperation in assisting us with this audit.

Our purpose was to determine whether the University's expenditures complied with certain state laws and rules concerning expenditures and with the processing requirements of the uniform statewide accounting system (USAS). The University is responsible for ensuring that its staff is knowledgeable in those areas.

We intend for this report to be used by the University's management and certain state officials and agencies as listed in Tex. Gov't Code Ann. § 403.071 (Vernon Supp. 2009). However, this report is a public record, and its distribution is not limited.

The University must submit to the Texas Comptroller of Public Accounts (Comptroller's office) a corrective action plan that addresses the instances of payment and documentation errors detailed within this report. The plan must provide for appropriate improvements in the control structure related to the University's payment process and show expected dates of implementation. The corrective action plan must be completed and signed by management and internal audit. An electronic copy of the corrective action plan is available upon request. Our office must receive the completed plan by September 27, 2010.
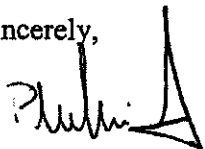
We also identified some management issues involving the University's procedures for processing expenditures. These items do not have a monetary impact to the state and they have been communicated to Dr. Carl Carlucci in a separate e-mail dated August 30, 2010. The University must incorporate additional procedures for improvement in these areas.

We would like to request input from you or your designee on the quality of the audit process and the service provided by the audit staff while conducting this audit. Please use the following website to provide feedback on the post-payment audit process <https://fmx.cpa.state.tx.us/fm/survey/audit/> or if you prefer, a hard copy has been included for your convenience. We greatly appreciate your feedback.

Thank you for your cooperation. If we can be of further assistance, please contact Raymond McClintock through e-mail at <raymond.mcclintock@cpa.state.tx.us>, by phone at (800) 531-5441, ext. 3-4859, or direct in Austin at (512) 463-4859. The University may inquire about registering for training related to these findings through the Fiscal Management Training Center Web site at https://fmx.cpa.state.tx.us/fmx/training/index.php.

Sincerely,

Phillip Ashley, CPA
Manager
Department of Fiscal Integrity

Enclosure

cc: Welcome Wilson, Sr., Chairman, Board of Regents, University of Houston System
Carl Carlucci, Executive Vice President, Administration & Finance, University of Houston
Tom Ehardt, Associate Vice President, Finance, University of Houston
Mike Glisson, Executive Director, Finance, University of Houston
Don Guyton, Chief Audit Executive, University of Houston
Raymond McClintock, Auditor, Department of Fiscal Integrity, Texas Comptroller of Public
Accounts

We audited a sample of payroll, purchase, and travel transactions that processed through USAS during the period beginning March 1, 2009, through Feb. 28, 2010. We reviewed each transaction in the payroll, purchase, and travel samples to determine compliance with applicable state laws. We reviewed a limited sample of payroll deductions, books, grants, and telecommunication transactions. The report includes a projection of the payment errors to estimate the amount of improperly paid transactions in the population. Documentation errors and errors identified outside our sample are actual amounts and are not projected.

We believe the audit provides a reasonable basis for the findings set forth in the attached report. The University should implement the recommendations listed in the Detailed Findings of this report. It is the University's responsibility to seek refunds for all overpayments, unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Tex. Gov't Code Ann., §403.071(h) (Vernon Supp. 2009) to ensure that the University's documents comply in the future. The University must ensure that the findings discussed in this report are resolved.

Overall Conclusion:

Our audit of the University revealed the following:

| *The law requires the Texas Comptroller's office to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.* |

- Missing Documentation/Irreconcilable Amounts,
- Incorrect Payments of Longevity Pay,
- Incorrect Amount Paid,
- Improper Payment of Taxes/Surcharges,
- Missing Documentation,
- Prompt Payment and Payment Scheduling Issues.

The appendices to this report provide schedules of the errors identified except for payroll schedules, which are not included due to confidentiality issues.

Follow up to Prior Audit:

We issued a prior post-payment audit of the University's payroll, purchase, and travel transactions on May 31, 2006. From this audit, Payments Past the Prompt Payment Deadline is the only recurring issue identified in the previous audit.

AUDIT – 6.1.5

Expanded Summary of Findings:

PAYROLL We reviewed payroll transactions for compliance with the General Appropriations Act (GAA), the *State of Texas Payroll Policies and Procedures Guide (Payroll Guide)*, and other pertinent statutes. We identified several employees whose files were missing the appropriate documentation for verification purposes and some were missing documentation to reconcile payment amounts. We also identified two employees with incorrect payments of longevity.

PURCHASE We reviewed purchase transactions for compliance with the GAA, the *State of Texas Purchase Policies and Procedures Guide (Purchase Guide)*, *State of Texas Procurement Manual*, and other pertinent statutes. We identified improper payment of taxes and other surcharges, incorrect amount paid, and missing documentation.

TRAVEL We reviewed travel transactions for compliance with *Textravel*, Texas Administrative Code, (TAC), the GAA, and other pertinent statutes. We did not identify any issues from our review of travel transactions.

PROMPT PAYMENT AND SCHEDULING We reviewed the University's compliance with the prompt payment laws and scheduling rules. We identified transactions where interest was not paid, interest was underpaid and overpaid, and interest loss to the treasury. Total interest paid for the audit period was $5,370.12.

GRANTS We conducted a review of grant transactions to ensure that the payment amount matched the authorized amount. We did not identify any errors. The review of these payments did not include an investigation of the University's procedures for awarding these payments; therefore, we are not commenting on those procedures.

SECURITY We reviewed the University's voucher signature cards and electronic approval security effective during our audit period. The security review entailed identifying any employees with security in USAS, Texas Identification Numbers system (TINS), or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, the University must observe certain deadlines so that security is revoked in a timely manner.

We also reviewed the University's internal control structure. Our review was limited to obtaining an understanding of the University's controls sufficient to plan our audit and did not include tests of control policies and procedures.

We did not identify any issues from our limited review of security.

AUDIT – 6.1.6

STATE PROPERTY ACCOUNTING SYSTEM (SPA) We selected ten fixed assets acquired by expenditures during our audit period. We located all ten of the assets and verified accurate recording of the assets in SPA. However; during the audit period, the University reported 219 assets as missing and 26 assets as being stolen totaling a net book value of $121,375.79.

Contact
Raymond McClintock
(512) 463-4859

Contributing Auditors
Valerie Davis
Jennifer Stading

AUDIT – 6.1.7

UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: External Audit Report – Texas Comptroller of Public Accounts Post Payment Audit of the University of Houston Victoria

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 or outside expertise.

The Texas State Comptroller's Office audited a sample of payroll, purchase, and travel transactions for the University of Houston Victoria during the period beginning December 1, 2008, through November 30, 2009. The purpose of the audit was to determine whether the university's expenditures complied with certain state laws and rules concerning expenditures and with the processing requirements of the uniform statewide accounting system. The audit addressed incorrect payment of longevity pay, and termination of security. Attached is a brief summary of the report, together with the report cover, transmittal letter, and executive summary. The entire report can be viewed on the Internal Auditing Department's web site @ *http://www.uh.edu/audit/Documents/External_Reports/UHV%20Post%20Payment%20Audit.pdf*

SUPPORTING DOCUMENTATION: External Audit Report – Texas Comptroller of Public Accounts Post Payment Audit of the University of Houston

FISCAL NOTE:

RECOMMENDATION/ ACTION REQUESTED: Information

COMPONENT: University of Houston System

Don Guyton (signature)		10/29/10
CHIEF AUDIT EXECUTIVE	Don Guyton	**DATE**
Renu Khator (signature)		11-3-10
CHANCELLOR	Renu Khator	**DATE**

Texas Comptroller of Public Accounts
Post Payment Audit of the University of Houston Victoria
Fiscal Management Division
Expenditure Audit Section

Scope: The Texas Comptroller's Office audited a limited sample of payroll, travel, purchase, and grant transactions for the University of Houston Victoria during the period beginning December 1, 2008, through November 30, 2009. Their audit of the university revealed the following:

- Incorrect Longevity Payment Amounts – 4 employees with incorrect state effective service dates resulting in incorrect payment of longevity pay

- Incorrect Retention of Security After Termination – employee remained listed on the voucher signature cards and retained USAS security after termination

The entire report can be viewed on the web site of the UHS Internal Auditing Department @
http://www.uh.edu/audit/Documents/External_Reports/UHV%20Post%20Payment%20Audit.pdf

Audit Report # 765-10-01

Post Payment Audit of the University of Houston - Victoria

Fiscal Management Division
Expenditure Audit Section

July 19, 2010

Susan Combs
Texas Comptroller of Public Accounts

Auditors: Randy Taylor
Anna Calzada

July 19, 2010

Tim Hudson, Ph.D.
President
University of Houston - Victoria
3007 N. Ben Wilson
Victoria, TX 77901

Dear Dr. Hudson:

We have completed a post payment audit of certain payroll, purchase, travel, grants, and payment card transactions of the University of Houston – Victoria (University). A draft of this audit report was sent to the Vice President for Administration and Finance, Mr. Wayne B. Beran, on June 23, 2010. Responses to the draft are included within this final report.

We would like to extend special thanks to Wayne Beran, Debbie Jozwiak, Laura Smith, Denise Prescott, and Valerie Walden. We appreciate their cooperation in assisting us with this audit.

Our purpose was to determine whether the University's expenditures complied with certain state laws and rules concerning expenditures and with the processing requirements of the uniform statewide accounting system (USAS). The University is responsible for ensuring that its staff is knowledgeable in those areas.

The University must submit to the Texas Comptroller of Public Accounts (Comptroller's office) a corrective action plan that addresses the instances of payment and documentation errors detailed within this report. The plan must provide for appropriate improvements in the control structure related to the University's payment process and show expected dates of implementation. The corrective action plan must be completed and signed by management and the University's internal auditor. An electronic copy of the corrective action plan is available upon request. Our office must receive the completed plan by August 20, 2010.

We intend for this report to be used by the University's management and certain state officials and agencies as listed in Tex. Gov't Code Ann. § 403.071 (Vernon Supp. 2009). However, the audit report is a public record, and its distribution is not limited.

We noted other matters involving the processing of expenditures by the University that we have communicated in an e-mail to the Vice President for Administration and Finance, Mr. Wayne B. Beran, dated June 23, 2010. Thank you for your cooperation.
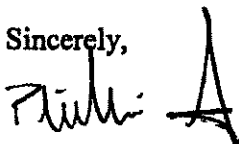
We would like to request input from you or your designee on the quality of the audit process and the service provided by the audit staff while conducting this audit. Please use the following Web site to provide feedback on the post-payment audit process. <https://fmx.cpa.state.tx.us/fm/survey/audit/>. We have also attached a copy of the document for your convenience. We greatly appreciate your feedback.

If we can be of any further assistance, please call Randy Taylor at (512)463-4035 or by e-mail at <randall.taylor@cpa.state.tx.us>.

Sincerely,

Phillip Ashley, CPA
Manager
Department of Fiscal Integrity

Enclosure

c: Welcome W. Wilson, Chair, University of Houston System Board of Regents
   Wayne B. Beran, CPA, Vice President for Administration and Finance, University of
      Houston - Victoria
   Don Guyton, Chief Audit Executive, University of Houston System
   Randall Taylor, Auditor, Department of Fiscal Integrity, Texas Comptroller of Public
      Accounts

We audited a limited sample of payroll, travel, purchase, and grant transactions processed through USAS during the period beginning Dec. 1, 2008, through Nov. 30, 2009. We reviewed each transaction in the sample to determine compliance with applicable state laws. The errors identified in this report and schedules are actual amounts in error and are not projected. The appendices to this report provide schedules of the errors found. The payroll schedule was not included with this report to protect confidential information.

The University should implement the recommendations listed in the Detailed Findings of this report. It is the responsibility of the University to seek refunds for all overpayments, unless the University determines it is not cost effective to do so. If necessary, we may take the actions set forth in Tex. Gov't Code Ann. § 403.071(h) (Vernon Supp. 2009) to ensure that the University's documents comply in the future. The University must ensure that the findings discussed in this report are resolved.

Overall Conclusion

Our audit of the University revealed the following:

- We identified four employees with incorrect service dates resulting in incorrect payment of longevity pay.
- One employee retained security 267 days after termination and remained on the signature cards 262 days after authority expired.

The law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

Follow-up to Prior Audit:

We concluded a prior post-payment audit of the University's payroll, purchase, and travel transactions on February 28, 2006. During the current audit, the recurring error was incorrect longevity payments.

Expanded Summary of Findings:

PAYROLL We reviewed a limited sample of the payroll transactions for compliance with the General Appropriations Act (GAA), the *State of Texas Payroll Policies and Procedures Guide (Payroll Guide)*, and other pertinent statutes. Our audit of the University's payroll transactions identified incorrect service dates for four employees resulting in incorrect amounts of longevity pay.

PURCHASE We reviewed a limited sample of the purchase transactions for compliance with the *State of Texas Purchase Policies and Procedures Guide (Purchase Guide)*, the GAA and other pertinent statutes. No findings were identified.

TRAVEL We reviewed a limited sample of the travel transactions for compliance with *Textravel*, the GAA, and other pertinent statutes. No findings were identified.

GRANTS We conducted a limited review of grant transactions to ensure that the payment amount matched the authorized amount. We did not identify any errors. The review of these payments did not include an investigation of the University's procedures for awarding these payments; therefore, we are not offering an opinion on those procedures.

SECURITY We reviewed the University's voucher signature cards and electronic approval security effective during our audit period. The security review entailed identifying any employees with security in USAS, Texas Identification Numbers system (TINS), or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked. There was a termination during the audit period in which the University failed to notify the Comptroller's office. As a result, the employee retained security to approve vouchers 267 days after termination, and remained listed on the University's voucher signature cards for 262 days after authority expired.

STATE PROPERTY ACCOUNTING SYSTEM (SPA) We selected ten fixed assets acquired by expenditures during our audit period. We located all ten of the assets and verified accurate recording of the assets in SPA. During the audit period, the University had three missing assets reported to SPA.

OTHER OBSERVATIONS We reviewed the University's compliance with the prompt payment and scheduling laws. The University paid $157.71 in prompt payment interest. On four vouchers, the University did not schedule the payments and had $0.79 interest lost to the Treasury.

Contact
Anna Calzada
512-463-4035

Contributing Auditor
Randy Taylor

COMMITTEE: Audit & Compliance

ITEM: External Audit Report – Texas Comptroller of Public Accounts Post-Payment Audit of American Recovery and Reinvestment Act (ARRA) transactions of the University of Houston

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 or outside expertise.

The Texas State Comptroller's Office audited the University of Houston's expenditures of ARRA transactions during the period of April 1, 2009, through March 31, 2010, to determine whether the university's expenditures complied with certain state laws and rules governing these expenditures. Their review did not reveal any errors.

SUPPORTING
DOCUMENTATION: External Audit Report – Texas Comptroller of Public Accounts Post-Payment Audit of ARRA transactions of the University of Houston

FISCAL NOTE:

RECOMMENDATION/ Information
ACTION REQUESTED:

COMPONENT: University of Houston System

_____   10/29/10
CHIEF AUDIT EXECUTIVE   Don Guyton   **DATE**

_____   11-3-10
CHANCELLOR   Renu Khator   **DATE**

AUDIT – 8

July 19, 2010

Renu Khator, Ph.D.
President
University of Houston
212 E. Cullen Building
Houston, TX 77204-2018

Dear Dr. Khator:

We have completed a post-payment audit of American Recovery and Reinvestment Act (ARRA) transactions of the University of Houston (University) that processed during the period of April 1, 2009, through March 31, 2010.
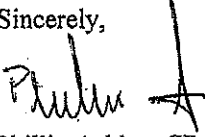
Our objective was to determine whether the University's expenditures of ARRA funds complied with certain state laws and rules governing these expenditures.

The audit scope and methodology included verification of the receipts of federal funds, a review of the system of internal controls and procedures, and the examination of evidence that supported the amounts expended. The post-payment audit was conducted in accordance with Tex Gov't Code Ann. Sec. 403.071 (Vernon Supp. 2009), FY 2010-11 General Appropriations Act, Article XII, Sec. 6(e), and other applicable rules pertaining to ARRA related funds. All transactions were subject to audit, regardless of amount or materiality.

During the audit period, the University processed over 3,000 expenditure transactions through direct payments to vendors/employees. We reviewed a limited number of transactions in the revenue, purchase, payroll, travel, and indirect cost groups. In addition, we reviewed the University's ARRA procedures and cost allocation process. Our review indicated that the University has adequate controls and has demonstrated due diligence over ARRA expenditures. The expenditures reviewed complied with the applicable state laws and rules governing ARRA expenditures. However, due to the limited number of transactions reviewed, we are not issuing an opinion on the University's overall compliance with the aforementioned rules.

Thank you for your cooperation. If we can be of further assistance, please contact Terry G. Martin via e-mail at terry.g.martin@cpa.state.tx.us or call (512) 936-6043.

Sincerely,

Phillip Ashley, CPA
Manager
Department of Fiscal Integrity

cc: Welcome W. Wilson, Sr., Chairman, University of Houston Board of Regents
    Dr. Carl Carlucci, Executive Vice President, Administration and Finance, University of Houston
    Tom Ehardt, Associate Vice Chancellor, Associate Vice President, Finance, University of Houston
    Don Guyton, CPA, Chief Audit Executive, University of Houston
    Mike Glisson, CPA, Executive Director, Finance, University of Houston
    Terry G. Martin, Auditor, Department of Fiscal Integrity, Texas Comptroller of Public Accounts

WINDOW.STATE.TX.US • P.O. Box 13528 • Austin, TX 78711-3528 • 512-463-4000 • TOLL FREE: 1-800-531-5441 • FAX: 512-463-4965

AUDIT – 8.1.1

Audit Findings:

Our limited review did not reveal any errors.

Acknowledgements:

We would like to acknowledge the University's compliance in the following areas:

- The University recorded and reported all federal receipts identified in the audit period in accordance with the Comptroller's Fiscal Policies and Procedures (FPP) for ARRA funds. See *FPPs J.004 and B.008*.

- The University's 1512 reporting of its 44 federal awards for the 1st quarter of 2010 was submitted timely.

- The supporting documentation provided for all audited groups was sufficient to verify the University's ARRA related cost allocations. No discrepancies were noted.

COMMITTEE: Audit & Compliance

ITEM: Ethics and Conflict of Interest Policies of the Board of Regents and Each of the Universities

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Board of Regents Audit and Compliance Committee Charter and Checklist, item number 23, requires the Audit and Compliance Committee to conduct an annual review of the ethics and conflict of interest policies of the Board and each of the universities to ensure that the Board of Regents and each of the institutions have Conflict of Interest Policies in place. The policies include Code of Ethics/Ethical Conduct of Employees and Conflicts of Interest. In addition to their own policies, all institutions also refer to the Texas Ethics Commission "Guide to Ethics Laws for State Officers and Employees.

These policies provide guidelines to 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. Standards of conduct for employees must also be maintained to fulfill their responsibility to the public in the in performance of their official duties. These policies set forth a code of accountability for component university employees in the performance of university responsibilities, identify areas of legal and ethical concern, and specify requirements for compliance with state laws, federal guidelines, Board of Regents policies, standards of ethics, and good business practices.

SUPPORTING
DOCUMENTATION: Ethics and Conflicts of Interest Policies Summary (including changes during the past year), Table of Contents, and Ethics and Conflict of Interest Policies of the Board of Regents , University of Houston System, University of Houston, University of Houston Downtown, University of Houston Clear Lake, and University of Houston Victoria
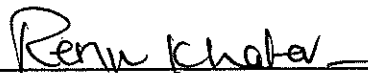
FISCAL NOTE:

RECOMMENDATION/   Information
ACTION REQUESTED:

COMPONENT: University of Houston System

_____   10/29/10
CHIEF AUDIT EXECUTIVE   Don Guyton   DATE

_____   11-3-10
CHANCELLOR   Renu Khator   DATE

University of Houston System
Ethics and Conflict of Interest Policies
Summary
November 17, 2010

The Board of Regents Audit and Compliance Committee Charter and Checklist, item number 23, requires the Audit and Compliance Committee to conduct an annual review of the ethics and conflict of interest policies of the Board and each of the universities to ensure that the Board of Regents and each of the institutions have Conflict of Interest Policies in place. The policies include Code of Ethics/Ethical Conduct of Employees and Conflicts of Interest. In addition to their own policies, all institutions also refer to the Texas Ethics Commission "Guide to Ethics Laws for State Officers and Employees."

These policies provide guidelines to 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. Standards of conduct for employees must also be maintained to fulfill their responsibility to the public in the performance of their official duties. These policies set forth a code of accountability for component university employees in the performance of university responsibilities, identify areas of legal and ethical concern, and specify requirements for compliance with state laws, federal guidelines, Board of Regents policies, standards of ethics, and good business practices.

The changes to the policies since they were last reviewed by the Audit and Compliance Committee in November 2009 include:
UH/UHS
- Correction of MAPP number in Table of Contents for 02.04.07 – Ethical Conduct of Employees
- Numbering correction in 02.04.07 and the addition of the administrative title (page 18)

University of Houston Clear Lake – no changes
University of Houston Downtown
- Code of Conduct (PS 05.C.07)
    - Procurement Responsibilities updated 8/12/10 to narrow the employees required to sign the disclosure form to only those in a position to originate purchase requests or influence purchasing decisions (page 30)
    - Reference to SAM 02.A.01 in ¶3.9 was corrected to SAM 03.A.17 (page 32)
    - Policy was reformatted to current policy style

University of Houston Victoria
- Employee Standards of Conduct (Policy C-8) updated 10/16/09 to omit references to Policy C-3 (Outside Employment) since outside employment was already covered in C-8 (page 51)

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 17, 2010

Internal Audit 10/29/10

AUDIT – 9.2.1

UNIVERSITY OF HOUSTON SYSTEM
ETHICS AND CONFLICTS OF INTEREST POLICIES
As of November 17, 2010
Table of Contents

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:

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

Internal Audit 10/29/10

AUDIT – 9.2.2

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

AUDIT – 9.2.3

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)*

UNIVERSITY OF HOUSTON SYTEM BOARD OF REGENTS
CONFLICT OF INTEREST CERTIFICATION
FY2010 - 2011

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:**

  o 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).

  o 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).

  o 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).

  o 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).

  o 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).

  o 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

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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   NUMBER: 02.A.09
AREA: General
SUBJECT: Conflict of Interest

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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.

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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

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   NUMBER: 02.A.29
AREA: General
SUBJECT: Ethical Conduct of Employees

UNIVERSITY OF HOUSTON SYSTEM POLICIES

1. PURPOSE

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.

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.   <u>Benefit</u>: 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.   <u>Conflict of commitment</u>: 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.   <u>Conflict of interest</u>: 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.   <u>Honoraria</u>: 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.   <u>Immediate Family</u>: 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.   <u>Relatives</u>: Individual laws prescribe the relationships covered in specific provisions.

3.7.   <u>System Employee</u>: 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

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

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(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

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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.

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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

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

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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

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:

02.04.07   Ethical Conduct of University Employees
[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.

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.

AUDIT – 9.2.19

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.

IX. REVIEW AND RESPONSIBILITY

Responsible Party: Executive Director, Human Resources

Review: Every three years, on or before October 1

X. APPROVAL

John M. Rudley, Vice President for Administration and Finance

Jerald Strickland, Senior Vice President for Academic Affairs and 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.

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.

Division of Research Policy on Conflict of Interest for Academic Staff
[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

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

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

<u>Conflict of Interest</u>

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

<u>Policy</u>

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

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.

E) 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.

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.

AUDIT – 9.2.26

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

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?
   ☐   YES   or   NO   ☐

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?
   ☐   YES   or   NO   ☐

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?
   ☐   YES   or   NO   ☐

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?
   ☐   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 "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 _____

Revised COI Form 08.2009

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

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.

Revised COI Form 08.2009

Internal Audit 10/29/10   27

01.A.12   Standards of Conduct
[http://www.uhd.edu/about/hr/PS01A12.pdf]

Memo to: All UH-Downtown/PS Holders   UH-Downtown PS 01.A.12
                                             Issue No. 3
From: Max Castillo, President   Effective date: 02/01/2004
                                             Page 1 of 3

Subject: Standards of Conduct Policy

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.

3.4 No employee shall accept other employment or 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 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 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

05.C.07   Code of Conduct – Procurement Responsibilities
[http://www.uhd.edu/about/hr/PS05C07.pdf]

Memo to:	UH-Downtown/PS Holders	UH-Downtown/PS 05.C.07
		Issue No. 2
From:	William Flores, President	Effective date: 08/12/10
		Page 1 of 3
Subject:	Code of Conduct - Procurement Responsibilities	

UNIVERSITY OF HOUSTON DOWNTOWN POLICIES

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.

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

    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

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 nor 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
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 in a position to originate purchase requests or influence purchasing decisions shall annually complete a disclosure statement regarding related-party interests as required in UH System Administrative Memorandum 03.A.17, Disclosure of Related Party Interests.

4. PROCEDURES

There are no procedures associated with this policy.

5. EXHIBITS

There are no exhibits associated with this policy.

6. REVIEW PROCESS

Responsible Party: Vice President for Administration & Finance and Vice President for Academic Affairs

Review: Every three years on or before August 1st.

Signed original on file in Employment Services and Operations.

7. POLICY HISTORY

Issue #1: 11/01/99

8. REFERENCES

UH System Administrative Memorandum 03.A.17

06.A.03   Standards of Conduct in Government-Sponsored Research
[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 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 <u>Consulting for Government Agencies or their Contractors</u>. 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 <u>University Responsibilities</u>. 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
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.

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:

AUDIT – 9.2.38

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.

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;

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.

T. Chaney Anderson, Vice President for Administration   Date

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 3

Subject: Ethical Conduct in Research and Government-Sponsored Activities

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 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 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;

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.

4. 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

10.2.3 Procedure on Conflicts of Interest for Investigators
[http://prtl.uhcl.edu/portal/page/portal/PRV/FORMS_POLICY_PROCEDURES/FACULTY_H
ANDBOOK/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

AUDIT – 9.2.47

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.

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;

AUDIT – 9.2.49

- 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,

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[1]   _____ Date
Associate Vice President for
Information Resources [2]   _____ 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.

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.

[1]Required on all disclosures, whether or not any activity is reported.
[2]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

C-8   Employee Standards of Conduct (policy also addresses Conflicts of Interest)
       www.uhv.edu/fin/policy/c/c-8.aspx

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 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.

AUDIT – 9.2.53

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 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 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   and UHS SAM 02.A.08.

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). These 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 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   and UHS SAM 02.A.21.
- **Transfer of Research Results, Materials, Products, Records** - Board of Regents Policy 21.08 (http://www.uhsa.uh.edu/regents/policy/asa.html) 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.
- **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

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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.

- **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:

- o 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.
- o No employee shall accept any privilege, benefit or thing of value that might influence him her in the discharge his duties as an employee.
- o 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.

- o 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.
- o 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.
- o 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.
- o 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.
- o 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.
- o No employee shall accept other employment which might impair his or her independence or judgment in the performance of his or her university duties.
- o 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.
- o 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 prohibit 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.

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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 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, Â§ 572.051, Texas Government Code
   - General Appropriations Act Article IX, Â§ 5. Political Aid, Legislative Influence
   - Board of Regents Policies:
     o   Consulting and Paid Professional Service (57.02)
     o   Dual Employment (57.04)
     o   Nepotism (57.07)
     o   Conflicts of Interest (57.08)
     o   Academic Freedom (21.03) (http://www.uhsa.uh.edu/regents/policy/asa.html)
     o   Governmental Appearances (81.01)
          (http://www.uhsa.uh.edu/regents/policy/external.html)
     o   Sexual Harassment (29.02) (http://www.uhsa.uh.edu/regents/policy/asa.html#A4)

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.

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3. <u>UHV Policy Distribution</u> - 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. <u>Faculty Consulting or Outside Paid Professional Activity Disclosure</u> - In accordance with   , 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. <u>Exempt Staff Consulting or Paid Professional Activity Personal Disclosure</u> - In accordance with   , 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.

6. <u>Institutional Reporting of Outside Consulting, Employment or Expert Witness Services</u> - 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. <u>Employee Reporting of Violations of Ethical Standards</u> - 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. <u>Employee Disclosure and Annual Reporting of Related Party Interests</u> â€" 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

   - has previously disclosed a related party interest, or
   - will serve in a supervisory capacity at a department level or higher in the coming fiscal year, or
   - is in a position to make final purchasing decisions. (this category includes all delegated departmental purchasers and ProCard users), or
   - has signature authority on any university cost center, or
   - 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 (www.uhsa.uh.edu/regents/policy/af.html)
2. UH System Administrative Memo 02.A.29, Ethical Conduct of Employees (www.uh.edu/sam/2HumanResources/2A29.pdf)
3. Texas Ethics Commission's Guide to Ethics Laws for State Employees (www.ethics.state.tx.us/pamphlet/G08o&e.htm)
4. University Policy C-6, Nepotism (www.uhv.edu/fin/policy/C/c-6.htm)
5. Texas Government Code, Section 572.051, Standards of Conduct (http://www.ethics.state.tx.us/statutes/07ch572.htm#572.051)

Approved by:

Signature Obtained 10/16/2009
Tim Hudson, Ph.D. Date
President

Originating Department: Business Services
Next Review Date: February 2011

Financial Aid Conflict of Interest Certification
Can be found on UHV Compliance Website under Standards of Conduct at
www.uhv.edu/compliance/pdf/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.*

Internal Audit 10/29/10

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.
5. Refrain from soliciting or accepting anything of other than nominal value, (retail value of not more than $10) from any entity, other than an institution of higher education or a governmental entity such as the U.S. Dept of Education, involved in the making, holding, consolidating or processing of any student loans, including anything of value (including reimbursement of expenses) for serving on an advisory body or as part of a training activity of or sponsored by any such entity.
6. Avoid all actual or perceived conflicts of interest, promptly disclosing to the university, in such manner as UHV prescribes, any involvement with or interest in any entity, including any family1 members attending UHV, UHSCR, or UHSSL involved in any aspect of student financial aid.

I further understand that:

1. I cannot award and disburse the same transaction.
2. I cannot participate in the selection, award, or administration of any scholarship, grant or loan award supported or funded by Federal, State or University funds if a real or apparent conflict of interest exists. I understand that a conflict of interest arises when I, my immediate family, partner, or other organization which employs or is about to employ any of these parties, has a financial or other interest in my decision.
3. I cannot manipulate the dates of award of any scholarship, grant or loan that may be perceived as favorable to myself or any family member.

Acknowledgement and Certification:

I understand my responsibilities as stated above and that I have a responsibility to promptly report any real or apparent conflict of interest, violations of laws or regulations, fraud, theft or other irregularities to the Director of Financial Aid.

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To my knowledge, there are no actual or potential conflicts of interest where an independent observer might reasonably question my actions or decisions were determined or motivated by considerations of personal gain. I further understand that I may be subject to civil fines and disciplinary action up to and including termination and/or prosecution in the event of intentional fraud or other serious violation of these standards.

_____	_____	_____
Employee Signature	Date	Financial Aid Director Signature

_____
Printed Name

Notes:
1. Family is defined as the employee's spouse, the employee's or the spouse's natural and adopted children, grandchildren, and great-grandchildren; parents, grandparents, and great-grandparents; brothers, sisters, half brothers, and half sisters; aunts, uncles, nieces, nephews, first cousins, and second cousins; and persons married to them

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E-7   Related Party
www.uhv.edu/fin/policy/e/e-7.aspx

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).

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

UNIVERSITY OF HOUSTON VICTORIA POLICIES

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 number 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.

The key points from the reports from each component included the following:
- University of Houston and UH System Administration (page 1)
  - Conducted Online Fraud Prevention and Awareness Training and P-card Cardholder Training
  - Conducted Institutional Fraud Risk Survey
- University of Houston Clear Lake (pages 2-3)
  - Reviewed and updated Employee Compliance Guide
  - Conducted Institutional Fraud Risk Assessment
- University of Houston Downtown (pages 3-4)
  - Conducted Department Fraud Prevention Survey
  - Conducted Employee Fraud Awareness Training
  - Hosted a presentation by Director of KPMG's Dallas Forensic Practice of "A Behind-the-Scenes Look at Fraud and Misconduct"
  - Launched Compliance and Ethics web site
- University of Houston Victoria (pages 4-6)
  - Conducted employee training in areas of Fraud Awareness, Code of Ethics, Securing Systems, and Credit Card Data Security
  - Conducted review of select operations
  - Conducted employee P-card Cardholder Training

SUPPORTING DOCUMENTATION: Annual Fraud Prevention and Awareness Report

FISCAL NOTE:

RECOMMENDATION/ ACTION REQUESTED: Information

COMPONENT: University of Houston System

(signature)		10/29/10
CHIEF AUDIT EXECUTIVE	Don Guyton	**DATE**
(signature)		11-3-10
CHANCELLOR	Renu Khator	**DATE**

AUDIT – 10

University of Houston System
Annual Fraud Prevention and Awareness Report
FY 2010

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 2010, UH and UHSA departments completed their sixth annual online Department Fraud Risk Survey 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 previous three years, all UH System employees have been required to complete online Fraud Prevention and Awareness training, as well as Code of Ethics training. In FY2011, all existing employees will be required to acknowledge their review of a document that summarizes key elements of these training programs, while new employees will be required to complete the actual training programs and associated quiz. The purpose of the summary document and training programs is to raise awareness of appropriate and inappropriate behavior for UH System employees, encourage fraud prevention and detection, and encourage reporting of suspected fraudulent activity.

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), 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. The main purpose of the fraud risk assessment report is:

- To ensure that UHCL has adequate procedures and internal controls in place designed to prevent, detect and deter fraud
- Identify potential risk areas and develop administrative and departmental action items for minimizing these risks; and
- Highlight UHCL's oversight function designed to prevent, detect and deter fraud.

A strong ethical foundation is essential in an organization's efforts to prevent and detect fraud. UHCL operates in a complex and operationally diverse environment. UHCL's effort to promote and communicate expectations of ethical behavior is widespread in the academic, administrative and finance areas. The University continues to encourage and educate staff and students on the Institutional compliance program, My Safe Campus hotline and My Safe Campus on-line reporting. All new employees receive this information during New Employee Orientation. In Fiscal Year 2010 all employees received online Fraud awareness training, Code of Ethics Training, and Information Security Awareness. In the month of October, 2009 the Compliance committee attended a presentation on "A Behind-the-Scenes Look at Fraud and Misconduct" that assist in fraud mitigation strategies.

During Fiscal Year 2010 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 reviewed and updated the online "Employee Compliance Guide" http://prtl.uhcl.edu/portal/page/portal/RSK/Risk%20Management in FY 2010. The committee received Optimization Utilization Forms completed and presented by General Accounting on American Recovery and Reinvestment Act of 2009, 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."

University of Houston Clear Lake maintains petty cash and change funds throughout selected departments that collect cash payment from customers. An administrative review and audit was conducted with an overall fraud risk assessment rating of "Very Low" to "Low". In order to ensure there is no misuse/misappropriation of controlled and capital assets of the institution. Random physical inventory audit was conducted on identified assets of selected school and department for appropriate documentation, location verification, and, usage of the asset with a Fraud risk assessment rating of "Low".

In FY 2010 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)

UHCL Fraud Risk Assessment Results

Fraud Risk Category	Number Control Measures Rated	Sum of Fraud Risk Assessment Ratings	Average Fraud Risk Assessment Rating
Information	4	4.00	1.00
General Accounting	6	6.00	1.00
General Resources	6	6.00	1.00
Assets	5	7.50	1.50
Petty Cash and Cash Receipts	9	9.00	1.00
Inventory	7	7.00	1.00
Owned Vehicles	5	5.00	1.00
Accounts Payable and Travel	6	10.00	1.67
General Purchasing	5	7.50	1.50
Purchase of Services	9	9.00	1.00
Human Resources	8	8.00	1.00
Payroll	8	8.00	1.00
Computing	10	13.50	1.35
Totals for the University	88	100.50	1.14

Based on the fraud risk assessment results, the University as of August 12, 2010, continues to maintain an overall fraud risk assessment rating of 1.14 which is "Very Low".

University of Houston-Downtown
All UHD departments participated in the annual Department Fraud Prevention Survey during October/November of 2009. The primary purpose of the survey is to remind administrators and department heads of their responsibility to remain vigilant in fraud prevention and detection throughout the upcoming year. The results of the survey are used to support the Fraud Prevention statements related to the UH Downtown Financial Reports Certification Letter from the President to the UH System Board of Regents. No significant problems or trends were noted in the results of the UHD Annual Fraud Prevention Survey.

UH System Fraud Awareness Training is required of 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 FY2010, 178 new hires and 937 current employees completed the training.

In October 2009 UHD hosted a presentation of "A Behind-the-Scenes Look at Fraud and Misconduct" by Kenneth Zeko, Esq., the Director of KPMG's Dallas Forensic Practice. Zeko's forensic experience includes internal and external investigations, compliance risk assessments, independent organization reviews and compliance program reviews. He presented the 2008-2009 results of KPMG's national Integrity Survey which addressed the prevalence of misconduct in the workplace, nature of misconduct by job function, prevention of misconduct, detection and response to misconduct, perceived organizational tone and culture toward misconduct, and the impact of ethics and compliance programs.

UHD's purchases via P-cards averaged $200,000/mo in FY2010. Examples of P-card fraud occurring in both the public and private sectors are abundant. Recognizing this exposure, UHD has 1.5 positions in its Purchasing department that are responsible for oversight of the P-Card program. Questionable charges are subject to multiple levels of review. 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.

In March 2010, UHD completed all of the PCI compliance requirements to ensure that no credit card information is stored on any UHD computer system. This was done by setting up a Pay Pal account to accept payment for online applications submitted through ApplyTexas.org. UHD continues to monitor credit card payment procedures to ensure that PCI compliance requirements are met and that student financial information remains safeguarded.

UHDs Compliance and Ethics website was launched in June 2010 with a more pronounced awareness campaign scheduled for early fall. Key elements of the website include a letter from the President, an Employee Compliance and Ethics Guide and an Acknowledgement Form. The guide and acknowledgement form will be included with the annual mandatory training and will be a requirement for merit pay consideration. The website also includes departmental self-assessment tools designed to assist with improving and/or implementing good business practices.

On August 30, 2010, UHD implemented stronger password standards for its information technology systems. UHD System policies require all new or changed passwords to be of a certain length and include special characters. Among other security-related benefits, these changes protect against breach of user accounts and financially motivated system attacks.

University of Houston-Victoria
UHV continues the use of a variety of strategies within the framework of the campus Institutional Compliance Program in its efforts to prevent fraud and raise fraud awareness.

In FY10, new employee orientation sessions continued to include segments focused in explaining to new employees the importance of their role in fraud prevention and the considerable damaging effects that fraud can have on the university and the individual. The intent is that new employees have a better understanding of fraud in an educational setting and know they should report fraud when they become aware of or suspect it.

The Mandatory and Role Based Training program continues to be an important part of the campus program. The training modules focusing on fraud prevention and awareness included Fraud Awareness, Code of Ethics, Secure Our Systems and Credit Card Data Security (a role based module). The Department of Training and Development managed the training program and achieved a participation/completion rate of 99%.

Employees and students continue to be reminded monthly via the monthly Campus Incident Reports newsletter (http://www.uhv.edu/business/safety/manual/Incident_Log/Incidlog.aspx) to report suspected fraud or other non-compliance issues through MySafeCampus. In FY10, the campus implemented the widespread use of posters campus wide as another method of making employees and students aware of fraud and ethics violations as well as MySafeCampus and other reporting options.

UHV Review of Select Operations
- Identity Theft Program - The fiscal year just ended marked the 2nd year of the campus Identity Theft Program which was implemented in April 2009 to help prevent fraud associated with identity theft.
- Departmental Fraud Risk Survey - The most recent Departmental Fraud Risk Survey was completed in January 2010. All University departments completed the survey and compliance issues were addressed. The survey increases departmental awareness of university policies and procedures and is intended to help unit heads become aware of weaknesses in their operations and internal controls that can lead to fraud. (The FY11 Fraud/Risk Survey is scheduled for this fall.)
- Financial Aid Program - A significant managed activity at UHV and most universities is the proper administration of federal, state and campus student financial aid grants, loans and scholarships in the Financial Aid Department. In FY10, approximately $20.4 million of financial aid was disbursed involving over 2357 students. Risk is managed through operational and internal controls reinforced with frequent audit oversight. 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 irregularities promptly.
- Expenditures of State and Local Funds (including grant funds) – The University budget for FY10 included state appropriated and local funds (all ledgers) of $42.7 million (up from 42.2 for FY09). 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 this reporting period.
- Procurement Card Program – There were no known or reported allegations of employee fraud involving P-Card expenditures. The issuing bank did report possible

AUDIT – 10.1.5

"compromised" card activity outside the control of the University and as a precautionary measure, cancelled and reissued 18 cards; however, no losses to the University resulted. In FY10, $891,000 of expenditures representing over 5,400 transactions was processed by 102 active cardholders.   Annual refresher training continues to be required and each cardholder must acknowledge by signature their responsibilities as a departmental purchaser. New P-Card applicants are required to pass a criminal history investigation prior to issuance of a card. Beginning in FY11, P-Card holders will also have to take Credit Card Data Security Training in addition to P-Card Training annually.

<u>UHV summary for FY10:</u>
- Hotline or other reports of non-compliance: 5
  - Incidents found to be fraud related: None
- Confirmed instances of Personal Identity theft: None
- Confirmed instances of Financial Aid related fraud: None
- Confirmed instances of Procurement Card fraud: None
- Confirmed Instances of Payroll related fraud: None
- Confirmed instances of Voucher related fraud: None

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 & Compliance Committee Planner, item number 5.06).

The key points from the reports from each component included the following:
- University of Houston and UH System Administration (pages 1-2)
  - Automated email messages to employees for changes in pertinent employee data in HR/Payroll System
  - Review of all UHS credit card merchants for compliance with payment card industry standards
  - Acquisition of Identity Fraud Software made available to all employees
- University of Houston Clear Lake (page 2)
  - Identity Theft Prevention Guidelines developed by all departments
- University of Houston Downtown (page 2)
  - Identity Theft Prevention Policy Statement identified
  - Conducted employee training for Identity Theft Prevention
- University of Houston Victoria (pages 2-3)
  - Conducted employee training for Identity Theft Prevention
  - Email notifications to students about Identity Theft Prevention program
  - Identity Theft Prevention protocols established by certain departments

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

FISCAL NOTE:
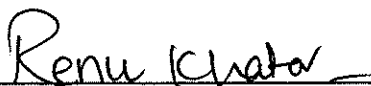
**RECOMMENDATION/
ACTION REQUESTED:**   Information

COMPONENT: University of Houston System

Dn Guyton		_10/29/10_
CHIEF AUDIT EXECUTIVE	Don Guyton	**DATE**
Renu Khator		_11-3-10_
CHANCELLOR	Renu Khator	**DATE**

AUDIT – 11

University of Houston System
Identity Theft Prevention Program
Executive Summary
FY 2010

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

Since May 2009, all UH System employees and students receive automated email messages whenever there is a change in the University database to their bank account information, email address, home address, or W-4 withholding. The email instructs the employee or student to contact University Information Technology (UIT) Security if they did not initiate this change. UIT Security has received several inquiries as a result of this email notification, in many cases because the email notification was unexpected. Each inquiry was investigated to verify the change was authorized and legitimate. A few changes were the result of clerical error, which were corrected and resulted in no harm to employees or students. However, one case appeared to be the fraudulent. In that case, UIT Security prevented funds from being transferred to the unauthorized bank account and turned the matter over to the UH Police Department for criminal investigation.

On March 31, 2010, all 80 UH System credit card merchants (i.e., UHS departments that accept credit cards) were declared to be in compliance with payment card industry (PCI) standards. All merchants had migrated to one of the PCI-compliant processes offered by Bank of America, the bank UH System uses for its operations. The major thrust of PCI standards is the protection of personal identifying information and prevention of fraud for merchants that accept credit cards.

In March 2010, UIT Security made Identity Finder software available to all UHS faculty, staff and students. This software locates sensitive and personally identifying information on computers. Through campus-wide initiatives, UIT Security is partnering with business owners to remove or protect sensitive data where it is located.

In August 2010, the University of Houston entered into a multi-year contract with Xerox for copier service following a competitive evaluation process. One of the evaluation criteria was the ability of the vendor to safeguard and erase images stored on the copier's hard drive, since these images might contain confidential information. Xerox agreed to configure all of its copiers to immediately erase images on the hard drive after each job. In addition, UIT Security worked with UH departments to ensure that hard drives in copiers from other vendors would be erased or destroyed before leaving the department.

In FY2011, all UH departments with "covered accounts," as defined by the Federal Trade Commission's Red Flag Rules, will complete their second annual web training to provide appropriate department personnel with an overview of the requirements for securing personal identifying information. Each of these departments developed identity theft prevention procedures tailored to their operation.

Also in FY 2011, UIT Security will be continuing work within the Division of Administration & Finance and other campus departments to enhance identity theft prevention initiatives including the implementation of a comprehensive document and electronic device destruction program.

University of Houston – Clear Lake

During FY 2010 UHCL departments wrote "red flag procedures" to help establish guidelines to identify and prevent any identify thefts on covered accounts. This established a baseline for departments to use in the future.

Originally planned was a training program to be developed and added as part of the required training of all employees on a yearly basis between October and December of each year. However the training program was not completed during this year. Adjustments were made to some of the current training programs to incorporate identity questions. The total required training is under review and may be modified during this next year.

There have not been any cases reported of suspected identify theft or violation of university procedures. All departments have been asked to review and update red flag procedures by the end of September 2010.

University of Houston-Downtown

The Identity Theft Prevention (Red Flags) Policy Statement (PS) 03.A.27 was signed and posted to the UHD Policy Statements Web site. Per the Policy Statement, employees and students receive automatic email notifications through the HRMS and Banner Systems when changes are made to email or regular address, W-4 changes (employees), or changes to Direct Deposit (employees). Procedures have been developed for departments that have "covered" accounts or handle personal information as defined by the Red Flag Rules and put into effect. Employees in positions that may encounter occurrences of attempts at identity theft completed the UH-System Red Flag Rules Mandatory Training that took place between October 1 and November 30, 2009. Employees in those positions at the end of FY 2010 are scheduled to participate in the Red Flag Rules Mandatory Training again this year.

UHD Reported Incidents since Program Inception

Since the Identity Theft Program was formally implemented, there have been no known reports of identity theft or the compromise of financial/privileged information involving students or employees.

University of Houston-Victoria

In FY10 there were no known reports of confirmed identity theft fraud or the unauthorized compromise of financial or other privileged information involving students or employees.

The original departmental areas participating in the UHV Identity Theft Program included the Bursar's Office, Admissions and Records, the Financial Aid department, Human Resources, Student Solutions and Information Technology. In FY10, the Academic Schools Online Support Technicians also began participating in the campus identity theft program due to their responsibility for resetting certain passwords. The UHV program includes departments who

AUDIT – 11.1.2

oversee covered accounts as well as departments involved in operations where there is a reasonable likelihood that identity theft could occur.

General program oversight of the campus program, including implementing and updating the campus identity theft program, as described in UHV Policy A-27, continues to be the responsibility of a Program Administrative Group comprised of the Campus Compliance Officer (Program Administrator), Bursar, Information Security Officer and the HR Director.

UHV FY10 Awareness and Prevention Activities –
- Thirty-Nine (39) employees from key departments and operational areas completed the role based Red Flag Identity Theft training module. *(Admissions, Financial Aid, Student Solutions, Information Security, Human Resources, Bursar's Office)*
- Student Listserv E-mail notices were sent by Admissions and Records at the start of the fall and spring semesters informing students of the campus Identity Theft Program;
- Employees and students received automatic email notifications through the HRMS database when changes were made to their email or mailing addresses confirming the change. University employees also received notifications when any W-4 changes or Direct Deposit information changes were made to their personal accounts.
- The departments of Admissions, Financial Aid, Student Solutions, Human Resources, the Bursar's Office, and Online Academic Technicians have department protocols in place to help verify identity and prevent the unauthorized release of financial or other confidential personal information. These areas have been instructed to review their written protocols annually.

UHV Confirmed Incidents of Identity Theft during FY10

Admissions and Records	- None
Bursar's Office	- None
IT Security and Service Desk	- None
Human Resources	- None
Financial Aid Department	- None

COMMITTEE: Audit & Compliance

ITEM: University of Houston-Sugar Land – Academic Building
Construction Audit

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

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

The attached report prepared by CCM Consulting on its audit of the U of H – Sugarland – Academic Building was issued on February 1, 2010, and identified approximately $700,000 of questionable billings by the contractor, Skanska Inc. The contractor disputed the audit findings, and the attached report was used as the basis for discussion and resolution by the University of Houston System Office of General Counsel and Skanska's in-house counsel. During these discussions, the University of Houston determined that its standard contract language with the contractor needed to be amended to eliminate similar interpretations by the contractor in the future. Certain provisions of the standard contract have been amended and other provisions of the standard contract are in the process of being amended.

**SUPPORTING
DOCUMENTATION:**   University of Houston-Sugar Land – Academic Building
Construction Audit Report
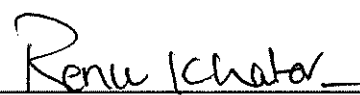
FISCAL NOTE:

**RECOMMENDATION/
ACTION REQUESTED:**   Information

COMPONENT: University of Houston System

_____   10/21/10
CHIEF AUDIT EXECUTIVE   Don Guyton   **DATE**

_____   11/3/10
CHANCELLOR   Renu Khator   **DATE**

AUDIT – 12

U of H - Sugar Land - Academic Building
CCM Consulting
February 1, 2010

	Per Skanska	Per CCM	
Original Contract Value (after Bid Package #3)	29,844,539.00	29,844,539.00	
CO # 1	(201,097.00)	(201,097.00)	Per Contingency Log received from K. Miller
Adjusted Contract Value	**29,643,442.00**	**29,643,442.00**	
Total Sub Cost of Work	25,593,509.00	25,593,509.00	Per Skanska Final Audit Book
Less: Audit Exception		(356,026.00)	
Skanska Self Performed Work	527,357.00	527,357.00	
Less: Audit Exceptions		(271,307.00)	
Fixed GC's	1,498,660.00	1,498,660.00	
Less: Audit Exceptions		(112,500.00)	
Builders Risk	262,530.00	262,530.00	Cumlative Total Bid Package 1-3
GL Ins.	306,929.00	306,929.00	Cumlative Total Bid Package 1-3
Owners Protect. Liab.	29,835.00	29,835.00	Cumlative Total Bid Package 1-3
P&P Bond.	273,305.00	273,305.00	Cumlative Total Bid Package 1-3
SubGuard	318,704.00	318,704.00	Cumlative Total Bid Package 1-3
Ins. Cost Savings (Cont. 063 credit)	(91,512.00)	(91,512.00)	Replenishment of Contingency
Subtotal Cost of Work	**28,719,317.00**	**27,979,484.00**	
Fee	929,528.00	909,333.23	Contract Fee is 3.25% of Cost of Work
Total Cost plus Fee	**29,648,845.00**	**28,888,817.23**	

University of Houston - Wharton County Junior College Academic Center
CCM Consulting
Audit Exceptions Detail
February 1, 2010

GENERAL CONDITION EXCEPTIONS
(All items noted below are specific items listed within General Condition / Exhibit I list that have been duplicated within Subcontractor contracts.)

Description	Amount	Notes
1. Water / Sewer Connections for Construction Trailers *(Office Set-up)*	$ 35,000	This scope was to be included in the GC - Exhibit I, but was also included in the HVAC/Plumbing subcontract for $35k. In addition, temporary utility tie-ins for job trailer was included in the Earthwork (Slack) subcontract.
2. Temp Power for Bldg./Temp Yard, Electrical Connection to Construction Trailers *(Temp. Electrical Distr. & Meters, Temp. Pwr., & Office Set-up)*	$ 40,000	This scope was to be included in the GC - Exhibit I, but was also included in the Electrical subcontract. We have estimated $35,000 for temp electrical distribution/meters & $5,000 for Office Setup, incl. mobilization & demobilization for a total projected credit of $40,000
3. Temporary Toilets	$ 7,500	This scope was to be included in the GC - Exhibit I, but was included within the Mechanical (Har-Con) subcontract to provide all temporary / portable toilets and hand washing facilities for all trades. It was mentioned in other contracts that the Mechanical subcontractor would be providing such. In addition, it was noted within the Earthwork & Sitework (Slack & Co) that they would provide temporary toilets during their course of work. However, it does appears that some temporary toilet costs were charged within general conditions, but per the contract, all should have been. This cost is an estimate.
4. Dumpsters	$ 25,000	This scope was to be included in the GC - Exhibit I, but was also included within Applied Finish's - Drywall subcontract for $25,000. It does appear as if some dumpsters were charged to General Conditions, but per the contract, all should have been.
5. Maintenance & Monthly Service for Construction Manager's office *(Skanska's Trailer Expense)*	$ 5,000	Although not clear, we feel that this scope which was included within Walker Engineering's(Electrical) subcontract should be included in the GC - Exhibit I. We have estimated $5,000 for this scope of work and have assumed this to potentially be for power to the trailer, janitorial services, water, etc. or other items related to the construction managers office that should have been part of GC - Exhibit I.

TOTAL GENERAL CONDITION EXCEPTIONS	$ 112,500

GENERAL TRADES PACKAGE EXCEPTIONS

(All items noted below are specific items listed within Skanska's General Trade Package that should have been included within the General Condition / Exhibit I list.)

Description	Amount	Notes
6. Field/Office Engineering	$ 89,264	Considered a PM Cost, incl in the GC - Exhibit I - Field/Office Engineer category; this amount excludes $5,000 for professional survey, which would have provided the building corners and building elevation benchmarks for the trades to layout their own scope of work, which is what is reflected within the subcontracts we reviewed. Therefore, we removed the professional survey cost of $5,000 from our exception and considered it a reimbursable expense. As noted above, field engineering/ layout cost was clearly included within the subcontracts of the associated scopes of work, such as Satterfield(Concrete), Slack(Earthwork/Site Utilities), and Applied Finishes (Drywall).
7. Safety Coordinator	$ 4,490	Considered a project management related position , since the Safety Mgr. is incl in GC - Exhibit I. We feel all items related to Safety and the management of, should have been included within general conditions.
8. Safety	$ 750	Considered as a cost of safety which is mentioned in GC-Exhibit I - Safety Material & Equipment
9. Plan & Spec Distribution	$ 1,500	Considered a plan reproduction expense which should be included under Plan Reproduction in GC - Exhibit I.
	$ 24,000	**Start-up Systems:** This scope should have been performed under the project management related expense to be covered within GC - Exhibit I / Project Management. Although it is listed as a material in the breakdown of their general trade package, we can not determine why this scope would have been required by Skanska.

Description	Amount	Notes
10. Start-up Systems & Commissioning	$ 21,280	**Commissioning:** First off, if actually required, this scope should have been performed under the project management related expense to be covered within. To support the fact that we don't beleive it was required, we didn't find any mention of commissioning requirements that would have required this scope of work by Skanska after reviewing the list of project specifications and MEP subcontracts. We also found within their estimate in GMP Package #2 - General Condition estimate, where they had the same amount of $21,280, but it was for "Shop Drawing Submittal/ Close-out Phase", which is a general condition expense. Then, the same number appears in their General Trades Package for "Project Commissioning". Therefore, we feel there should be a credit due of $21,280 on the basis that 1.) if required, which we highly doubt, it should have been performed within project management of GC - Exhibit I / Project Management and 2.) The cost appears to be loaded into both the orginal General Conditions GMP estimate and also within the Skanska General Trade Package, using different names but the same amounts.

GENERAL TRADES PACKAGE EXCEPTIONS

(All items noted below are specific items listed within Skanska's General Trade Package that should have been included within the General Condition / Exhibit I list.)

Description	Amount	Notes
11. Coffee	$ 750	This amount was billed under the general conditions of pay application #11, but also included within Skanska's General Trade Package.
12. Office Tank Service	$ 1,500	Considered as a cost for the construction office which should have been covered in GC-Exhibit I.
13. Fencing & Covered Walkways	$ 2,500	This amount reflects $2,000 for temporary construction fencing and $500 for gates that was included within the Skanska's General Trade Package, but should have been covered under the category of Fencing and Covered Walkways in GC-Exhibit I.
14. Temporary Heat / Temp Control	$ 14,000	This scope of work was included within Skanska's General Trade Package for $14,000 and also within the Har-Con(HVAC) subcontract for $35,368, noted as "Temporary Cooling Measures to start finishes", which is the scope that was intended for what was mentioned in Skanska's General Trade Package. In addition, it was noted within Walker's (Electrical) subcontract that they should also include coordination for early start-up of building electrical systems to support interior finishes, which suggest that they intended on using the building systems to cool/heat the building.

Description	Amount	Notes
15. Scaffolding - General Interior Usage	$ 20,000	This scope was clearly included within Applied Finishes(Drywall) subcontract and in addition, it was also mentioned in the boiler plate general requirements of all subs that **"subcontractor scaffolding,** walkboards, etc. should be in good condition and comply with OSHA, which would suggest that Skanska never intended to furnish scaffolding.

GENERAL TRADES PACKAGE EXCEPTIONS

(All items noted below are specific items listed within Skanska's General Trade Package that should have been included within the General Condition / Exhibit I list.)

Description	Amount	Notes
16. Wood Blocking	$ 77,329	This scope of work was included within Skanska's General Trade Package for $77,329. We have taken exception to the entire amount of this scope. Please note that we found contractual documentation that would support a portion of this scope, which was exterior wall and parapet blocking, but not clear documentation that would support interior wall blocking. However, we did find contract documentation that supported the fact that the interior wall blocking was intended to be included within the Drywall scope of work, but when reviewing the bid back-up, it was fairly clear that the scope for interior walls was excluded. Since Skanska did not provide the subcontractor proposal back-up for the selected subcontractor, Applied Finishes, we could not definitely determine if interior wall blocking should have been included. Therefore, it should be noted that the assumption due for the credit for the interior wall blocking portion of the total wood blocking scope from Skanska may not be defendable, but based on the contract documentation we suspect that it was included within the subcontracts and therefore, should be a part of Skanska general trade package.

17. Temp Handrails/Guardrail - Safety & Safety Ladders/Rails	$ 8,752	This scope was included within Skanska's General Trade Package for $8,752; $6,255 for Temporary Handrails/Guardrails and $2,497 for Safety Ladders/Rails which should have been covered within GC - Exhibit I, under Safety Material & Equipment, since this is clearly for handrail/guardrail material and labor for safety, as noted on Skanska's description.
18. Temporary Stairs & Rails	$ 5,192	This scope was included within Skanska's General Trade package for $5,192. This scope was also included within the Applied Finishes (Drywall) subcontract. In addition additional temporary stairwells were included in subcontracts for Structural Steel, and Drywall. Therefore, there has been a duplication in scope and a credit due of $5,192

TOTAL GENERAL TRADE PACKAGE EXCEPTIONS	$ 271,307

TOTAL GENERAL TRADE & GENERAL CONDITION EXCEPTIONS	$ 383,807

SUBCONTRACT EXCEPTIONS
(The item noted below is related to a subcontract credit that was due but not provided)

Description	Amount	Notes
20. Marek Brothers / Flooring, Ceiling, and Painting	$ 6,026	This amount was added on the bid tabulation sheet for final cleaning of the flooring to increase Marek Brothers subcontract for flooring. When we reviewed Marek Brothers subcontract for flooring, this scope of work was stricken from the contract, but the contract amount was not reduced. Therefore, there is a credit due of $6,026 due.

AUDIT – 12.1.6

21. Har-Con Mechanical / Dewatering	$ 350,000	This scope of work was included within Skanska's General Trade Package for $30,275. We found included within the Har-Con's (HVAC and Plumbing) subcontract, via the bid tabulation sheet, costs for dewatering which included $175,000 for the HVAC scope and another $175,000 for Plumbing, totaling $350,000. It appears that this is a duplication in scope, therefore the credit due, if fully included within the subcontracts, is at a minimum of $30,275; however, the inclusion of $350,000 would be in excess of what we would normally expect, not knowing the specific site conditions. We also found it questionable that Skanska added $175,000 to both HVAC and Plumbing, when at most, we would expect it only required for plumbing. Therefore, we don't see the reason for having another $175,000 for the HVAC scope of work. In addition, our review of the associated subcontracts has shown that most, if not all dewatering, was included within the associated subcontractor scope and not Skanska's general trade package. This credit, could be anywhere from $30,275, if we allowed Har-Con(Mechanical) to keep the $350,000 and take the dewatering amount out of Skanska's general trade package or as much as $350,000, if we allowed Skanska to keep the $30,275 for dewatering and required Skanska to return the $350,000 included in Har-Con's contract for this scope.

TOTAL SUBCONTRACT EXCEPTIONS	$ 356,026

TOTAL AUDIT EXCEPTIONS	$ 739,833	Excludes the effect of fee % that is calculated on Cost of Work

UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: University of Houston System, Internal Auditing Department – Annual Report, Fiscal Year 2010

DATE PREVIOUSLY SUBMITTED:

SUMMARY: The Texas Government Code, Sec. 2102, requires the Internal Auditors to submit an annual report on the activities of the Internal Auditing Department in the format prescribed by the State Auditor's Office to the members of the Board of Regents; the Chancellor; the Governor's Office of Budget, Planning and Policy; the Legislative Budget Board; the Sunset Advisory Committee and the State Auditor's Office. The executive summary of this report is on pages 1 and 2.

SUPPORTING DOCUMENTATION: University of Houston System, Internal Auditing Department – Annual Report, Fiscal Year 2010

FISCAL NOTE:

RECOMMENDATION/ ACTION REQUESTED: Information

COMPONENT: University of Houston System

_____   _10/29/10_
CHIEF AUDIT EXECUTIVE   Don Guyton   **DATE**

_____   _11- 3 -10_
CHANCELLOR   Renu Khator   **DATE**

AUDIT – 13

UNIVERSITY OF HOUSTON SYSTEM
Internal Auditing Department
Houston, Texas 77204-0930
(713) 743-8000
Fax: (713) 743-8015

November 1, 2010

Governor's Office of Budget, Planning, and Policy
Legislative Budget Board
Sunset Advisory Commission
State Auditor's Office
Members of the Board of Regents,
      University of Houston System
Dr. Renu Khator, Chancellor
      University of Houston System

     During fiscal year 2010, The University of Houston System Internal Auditing Department executed the annual audit plan approved by the Board of Regents on August 17, 2009. The work performed under this plan met the requirements of the Texas Internal Auditing Act (Act), Texas Government Code, Sec. 2102, as amended. The Long-Range Internal Audit Plan is flexible and is periodically adjusted to adapt to the changes in the existing operations or activity levels. These periodic changes to the plan are approved by the Audit and Compliance Committee of the Board of Regents. The Act requires the Internal Auditor to submit to you the attached report of the activities of the Internal Auditing Department for fiscal year 2010. This report contains the information presented in the format prescribed by the State Auditor's Office, as required by the Act. Please do not hesitate to contact me should you have any questions about the contents of this report.

Sincerely,

Don F. Guyton
Chief Audit Executive

Attachment

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDITING DEPARTMENT

ANNUAL REPORT

FISCAL YEAR 2010

EXECUTIVE SUMMARY

Purpose of Report   This report satisfies the requirements of the Texas Internal Auditing Act (Act), which states that internal audit departments are to prepare an annual report. It contains information on our audit plan, audits completed, and recommendations made during the 2010 fiscal year. This report contains the information presented in the format provided by the State Auditor's Office, as required by the Act.

Significant Engagement Observations   The Institute of Internal Auditors *Standards for the Professional Practice of Internal Auditing, Practice Advisory 2060-1,* defines significant engagement observations as "...those conditions that, in the judgment of the CAE, could adversely affect the organization. Significant engagement observations may include conditions dealing with fraud, irregularities, illegal acts, errors, inefficiency, waste, ineffectiveness, conflicts of interest, and control weaknesses."

During the 2010 fiscal year, we issued twenty-eight audit reports. One report included a significant engagement observation. The significant engagement observation is summarized below:

- UH College of Liberal Arts and Social Sciences: The Dean's Office did not have adequate oversight to help ensure that all business functions were adequately performed throughout the College.

Other reports included recommendations to strengthen internal controls in the following areas: modifying current University of Houston System, campus or departmental administrative policies (11 reports); reconciliation of departmental records to the financial accounting reports to ensure that transactions recorded to the cost centers are authorized, accurate and complete (7 reports); cash handling (8 reports); and contract administration (5 reports).

Management's Response   Management's responses to our findings and recommendations have been very positive. Management has responded that the audit recommendations have been implemented or will be implemented in the future.

Audit Plan   The Board of Regents approved the Long-Range Internal Audit Plan – Fiscal Years 2010-2012 on August 18, 2009. A copy of the Audit Plan for fiscal years 2010-2012 is included in Section 1. A list of audits completed is included in Section 3. The Board of Regents approved the Long-Range Internal Audit Plan – Fiscal Years 2011-2013 on August 17, 2010. A copy of the Audit Plan for fiscal years 2011-2013 is included in Section 7.

The internal audit plan provides full-time internal audit coverage to the following entities:

University of Houston System Administration
University of Houston

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AUDIT – 13.1.3

University of Houston-Downtown
University of Houston-Clear Lake
University of Houston-Victoria

**Deviations from the
Audit Plan**

During FY 2010, approximately 3,700 additional hours were allocated to departmental reviews. We also had less employee turnover than planned. As a result of the additional time allocated to departmental reviews, several audits for FY 2010 were in progress at year-end or were rescheduled. These deviations and other deviations from the Audit Plan are explained in Section 1.

Special Projects

The work of the Internal Auditing Department extends beyond planned audits. During the 2010 fiscal year, we also engaged in several special projects. A list of these special projects is included in Section 1.

Follow-up Work

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. At the beginning of FY 2010, there were 126 open management action items. During FY 2010, 202 additional management action items were identified and 215 were completely addressed. At the end of FY 2010, there were 113 open management action items.

Peer Review

The Internal Auditing Department received a peer review in December 2008 and its next peer review should be completed during December 2011.

**Performance
Measures**

The Internal Auditing Department monitored four key performance factors during fiscal year 2010.

PERFORMANCE FACTORS	TARGET	ACTUAL
1. Percent of audit recommendations implemented/in-progress.	90%	100%
2. Direct audit hours as a percent of total audit hours.	69%	76%
3. Average training hours per auditor.	40	50
4. Percent of auditees responding to feedback survey indicating that they were satisfied with audit.	100%	97%

An analysis of direct audit hours as a percent of total audit hours is included in the Deviation Section, Section 1.

Contact Person

For more information on this report, contact Don F. Guyton at (713) 743-8000.

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

ANNUAL ACTIVITY REPORT
FISCAL YEAR 2010

TABLE OF CONTENTS

Section 1

Audit Plan for Fiscal Years 2010 – 2012
(Including Deviations from the Audit Plan)

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDITING DEPARTMENT

LONG - RANGE INTERNAL AUDIT PLAN

and

RISK ANALYSIS

Fiscal Years 2010 - 2012

UNIVERSITY OF HOUSTON SYSTEM

Internal Auditing Department
Houston, Texas 77204-0930
(713)743-8000
Fax: (713)743-8015

MEMORANDUM

TO: Dr. Dennis Golden
           Chair, Audit and Compliance Committee

           Dr. Renu Khator
           Chancellor/President, UHS/UH

FROM: Don F. Guyton
           Chief Audit Executive

DATE: July 24, 2009

SUBJ: Long-Range Internal Audit Plan - Fiscal Years 2010-2012

      Attached for your review and approval is the UHS Internal Auditing Department Long-Range Internal Audit Plan for Fiscal Years 2010-2012 (Audit Plan). The Audit Plan has been prepared to meet the requirements of the Board of Regents directives and the Texas Internal Auditing Act (Texas Government Code, Sec. 2102), as amended. The Texas Internal Auditing Act requires the Board of Regents to approve the Audit Plan and periodically review the resources dedicated to the Internal Audit program and determine if adequate resources exist to ensure that risks identified in the annual risk assessment are adequately covered within a reasonable time frame. The Internal Audit resources are described in Section 2 of the Audit Plan, and the risk assessment is included in Section 8 of the Audit Plan. Risk assessment techniques were employed to identify auditable areas and to ensure that the accounting systems and controls, the administrative systems and controls, and other major systems and controls are reviewed on a periodic basis. Coverage of key departments and functions at planned intervals has been designed into the plan to assure that no significant auditable area has been overlooked.

      Each auditable area has been evaluated as to its risks and other functions which might determine the urgency and frequency for performing an audit. In addition to an analytical review of all significant financial data for each campus, the risk evaluation and scheduling process included requests for input from all campus presidents, fiscal officers, and other key personnel. Once the risk assessment was completed, each auditable area was included in the audit schedule for the next three fiscal years or later.

Included in the attached Section 5 of the Audit Plan is a listing of brief audit objectives for each auditable area. These objectives relate to overall internal controls, efficiency of operations and compliance with laws and regulations, and Board of Regents and/or management policies and procedures.

Recommendation:

The Audit Plan should be flexible and periodically adjusted to adapt to changes in the audit environment. These changes include new or revised laws or regulations and changes in existing operations or activity levels. The Audit and Compliance Committee should approve these periodic changes to the Audit Plan. I recommend that the Board of Regents approve the attached Audit Plan, including the Internal Audit Resources, and delegate approval for periodic changes to the Audit and Compliance Committee.

DFG:rh
Attachment

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

LONG-RANGE INTERNAL AUDIT PLAN
FY 2010-2012

Table of Contents

AUDIT – 13.1.10

Activity	Fiscal Year		
	2010	**2011**	**2012**
Scheduled Audits	7,146	7,146	6,846
IT Reviews/Monitoring	1,200	1,900	2,250
Special Projects	1,600	1,600	1,600
Departmental Reviews	3,100	2,400	2,350
Follow-up Reviews	500	500	500
Total Direct Audit Hours	13,546	13,546	13,546

University of Houston System
Internal Auditing Department

Long-Range Internal Audit Plan
Man-Hour Assumptions

Available Man-Hours	Chief Audit Executive	Assistant Director	Senior Auditor	Information Technology Auditor	Staff
Vacations	120	120	96	96	96
Holidays (14 days)	112	112	112	112	112
Sick Leave	40	40	60	60	60
Professional Training	60	60	40	40	40
In-house Training	40	40	40	40	40
Professional Organizations	40	40	16	16	16
Indirect Audit Hours: Administrative	1,000	800	300	80	40
Direct Audit Hours	668	868	1,416	1,636	1,676
Total Hours Available	2,080	2,080	2,080	2,080	2,080

Allocable Direct Audit Hours

	Chief Audit Executive	Assistant Director	Senior Auditor	Information Technology Auditor	Staff
Direct Audit Hours By Position	668	868	1,416	1,636	1,676
Staff Size By Position	1	1	2	1	6
Employee Turnover/Attrition	-	-	-	-	1.5
Available Staff Size	1.0	1.0	2.0	1.0	4.5
Subtotal	668	868	2,832	1,636	7,542
Total Direct Audit Hours					13,546

AUDIT – 13.1.12

Three-Year Audit Schedule, FY 2010 - 2012

Section 6

AUDIT – 13.1.13

AUDIT ACTIVITY	BUDGET HOURS
ANNUAL AUDIT ACTIVITY (4,600 hours)	
Annual External Audits	
Endowments	300
Liaison	100
Athletics - Football Attendance Audit	100
Athletics - NCAA Rules-Compliance	400
Board of Regents Travel, FY 2010	250
Chancellor/President's Travel, FY 2010	100
Financial Aid (All Components)	900
Follow-up Reviews	500
Foundations	150
Special Projects/Police Investigations	1,600
State Auditor's Office Liaison	
Audit Assistance - General	100
Follow-up Reports	100
ALL COMPONENTS (2,200 hours)	
Cash Handling	200
Executive and Foreign Travel	500
Financial Reporting	500
Student Accounting & Receivables	1,000
COMPONENT SPECIFIC (800 hours)	
ARP Grants, 2007 Awards (UH & UHD)	200
Center for Advanced Materials (UH)	300
Texas Center for Superconductivity and Advanced Materials	300
DEPARTMENTAL REVIEWS (3,100)	
UH Architecture	100
UH Athletics	100
UH Chancellor/President	100
UH Hotel & Restaurant Management	500
UH Optometry	450
UH Student Affairs	700
UHCL Administration & Finance	400
UHCL Human Sciences & Humanities	100
UHD Science & Technology - Engineering Technology, Follow-up	100
UHV Administration & Finance	250
UHV Provost Office	300
INFORMATION TECHNOLOGY (1,200 Hours)	
IT - Review and Monitor of IT Systems	700
(PeopleSoft Student & Academic Administration - Post Implementation Review)	
Information Security (UH)	500
INITIATED DURING FY 2009 - TO BE COMPLETED/REPORTED IN FY 2010	1,646
Total Hours Scheduled for Fiscal Year 2010	**13,546**

AUDIT – 13.1.14

	Budget
AUDIT ACTIVITY	**Hours**

Projects Initiated During FY 2009, But Not Completed   1,646

    ARP Grants - 2006 Awards (UH/UHCL)
    Board of Regents Travel, FY 2009
    Chancellor/President's Travel, FY 2009
    Foundations
    Information Security - TAC 202 (UH/UHCL)
    Medical Billings
    Payroll - Leave Accountability
    Privacy Issues
    Scholarships (UH)
    UH CLASS, Departmental Reviews
    UH Law, Departmental Reviews
    UH Honors, Departmental Review
    UHCL Science and Computer Engineering, Departmental Review
    UHCL Business, Departmental Review

AUDIT – 13.1.15

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
INTERNAL AUDIT PLAN, FY 2010-2012
SCHEDULED AUDITS - FY 2011

AUDIT ACTIVITY	BUDGET HOURS
ANNUAL AUDIT ACTIVITY (4,600 hours)	
Annual External Audits	
Endowments	300
Liaison	100
Athletics - Football Attendance Audit	100
Athletics - NCAA Rules-Compliance	400
Board of Regents Travel, FY 2011	250
Chancellor/President's Travel, FY 2011	100
Financial Aid (All Components)	900
Follow-up Reviews	500
Foundations	150
Special Projects/Police Investigations	1,600
State Auditor's Office Liaison	
Audit Assistance - General	100
Follow-up Reports	100
ALL COMPONENTS (1,400 hours)	
Cash Handling	200
Physical Plant	1,200
COMPONENT SPECIFIC (1,900 hours)	
Formula Funding (UHD & UHV)	500
Internal Auditing Internal Quality Assurance Review	100
Internal Auditing External Quality Assurance Review	100
Office of Sponsored Programs (UHD)	300
Environmental Institute of Houston (UHCL/UH)	300
Texas Institute for Measurement, Evaluation, and Statistics (UH)	300
Texas Learning & Computation Ctr. (UH)	300
DEPARTMENTAL REVIEWS (2,400)	
UH Academic Affairs/Provost Division	600
UH Education	400
UH Graduate School of Social Work	100
UHCL Provost Office	600
UHD Academic Affairs & Provost	300
UHD University College	300
UHV Business Administration	100
INFORMATION TECHNOLOGY (1,900 hours)	
IT - Review and Monitor of IT Systems	500
Desktop Computing Support, User Support Services, Training, Computer Store (UH)	400
Web Support Services (UH)	300
TAC 202 (UHCL, UHD, UHV)	700
INITIATED DURING FY 2010 - TO BE COMPLETED/REPORTED IN FY 2011	1,346
Total Hours Scheduled for Fiscal Year 2011	**13,546**

6-1-3

AUDIT – 13.1.16

AUDIT ACTIVITY	BUDGET HOURS
ANNUAL AUDIT ACTIVITY (4,300 hours)	
Annual External Audits	
Endowments	300
Liaison	100
Athletics - Football Attendance Audit	100
Board of Regents Travel, FY 2012	250
Chancellor/President's Travel, FY 2012	100
Financial Aid (All Components)	900
Follow-up Reviews	500
Foundations	150
Special Projects/Police Investigations	1,600
State Auditor's Office Liaison	
Regional Accrediation Review - SACS (UHCL)	100
Audit Assistance - General	100
Follow-up Reports	100
ALL COMPONENTS (2,200 hours)	
Accounts Payable	1,000
Cash Handling	200
General Accounting	1,000
COMPONENT SPECIFIC (900 hours)	
Auxillary Contracts (UH)	300
Center for Materials Chemistry (UH)	300
Institute for Space System Operations (UH/UHCL)	300
DEPARTMENTAL REVIEWS (2,350 hours)	
UH Graduate & Professional Studies	100
UH Research	500
UH University Advancement	300
UHCL Education	100
UHCL President's Office	200
UHD Administration & Finance	300
UHD Employment Services & Operations	100
UHD President's Office	200
UHD Student Services & Enrollment Management	100
UHV Arts & Sciences	100
UHV Education	100
UHV Nursing	100
UHV President's Office	150
INFORMATION TECHNOLOGY (1,900 hours)	
IT - Review and Monitor of IT Systems	500
Enterprise Information Systems (UH)	600
Instructional Technology, Multimedia Services, Student Computing (UH)	400
TAC 202 (UH)	400
INITIATED DURING FY 2011 - TO BE COMPLETED/REPORTED IN FY 2012	1,896
Total Hours Scheduled for Fiscal Year 2012	**13,546**

Deviations from the Audit Plan

During FY 2010, approximately 3,700 additional hours were allocated to departmental Reviews. We also had less employee turnover than planned. As a result of the additional time allocated to departmental reviews, several audits that were scheduled for FY 2010 were in progress at year-end or were rescheduled. These deviations and other deviations from the Audit Plan are explained in Section 1.

Deviations from the Audit Plan

AUDIT – 13.1.18

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDITING DEPARTMENT

DEVIATIONS FROM THE AUDIT PLAN

ACTIVITY REPORT

FISCAL YEAR 2010

REPORT # **REGULAR REPORTS**

2010-01	Follow-up Status Report (7/1/09 to 9/30/09)
2010-02	UHCL Information Security Standards
2010-03	UH Information Security Standards
2010-04	Chancellor/President Travel, FY 2009
2010-05	Board of Regents Travel, FY 2009
2010-06	Annual Non-Compliance Report, FY 2009
2010-07	UH CLASS, Departmental Reviews
2010-08	Follow-up Status Report (10/1/09 to 12/31/09)
2010-09	UH Honors College, Departmental Review
2010-10	UH Foundation Review
2010-11	UH Alumni Association Review
2010-12	UH Athletics, Football Attendance - 2009 Season
2010-13	UHCL School of Business, Departmental Review
2010-14	UHCL School of Science and Computer Engineering, Departmental Review
2010-15	UHD S&T, Engineering Technology, DR - Follow-up
2010-16	Follow-up Status Report (1/1/10 to 3/31/10)
2010-17	UH Law Center, Departmental Reviews
2010-18	UH College of Architecture, Departmental Review
2010-19	UH/UHCL ARP Grants, 2006 Awards
2010-20	UHS Cash Handling Reviews, FY 2010
2010-21	UHCL School of Human Sciences & Humanities, Departmental Review
2010-22	UH Medical Billings
2010-23	Follow-up Status Report (4/1/10 to 6/30/10)
2010-24	IT Audit Activity Report, FY 2010
2010-25	UHCL Administration & Finance, Departmental Reviews
2010-26	UH Athletics, NCAA Rules-Compliance
2010-27	UHS/UH Office of Chancellor/President, Departmental Reviews
2010-28	UH/UHD ARP Grants, 2007 Awards

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	BUDGET HOURS	TOTAL ACTUAL HOURS	(OVER) /UNDER BUDGET
Scheduled Audits	6,250	4,909	1,341
IT Reviews/Monitoring	1,200	283	918
Special Projects	1,600	1,808	(208)
Follow-up Reviews	500	429	72
Departmental Reviews	3,996	7,701	(3,705)
Direct Audit Hours	13,546	15,129	(1,583)
Departmental Administration	2,660	2,648	12
Professional Development & Departmental Leave	3,554	3,860	(306)
Indirect Audit Hours	6,214	6,508	(294)
Total Audit Hours	19,760	21,636	(1,876)
Net Lost Man Hours:			
Employee Turnover	-	(1,736)	1,736
Unpaid Leave	-	(104)	104
Total	**19,760**	**19,796**	**(36)**

Direct Audit Hours as a Percent of Total Audit Hours	**69%**	**76%**

AUDIT – 13.1.21

	BUDGET HOURS	TOTAL ACTUAL HOURS	(OVER) /UNDER BUDGET	COMMENTS OR EXPLANATIONS
FY 2009 Scheduled Audits				
Endowments, FY 2009	300	829	(529)	In progress.
Liaison - Annual External Audits, FY 2009	100	0	100	Assistance provided.
Athletics - Football Attendance Audit, 2010 Season	100	8	92	In progress.
Athletics - NCAA Rules-Compliance	400	491	(91)	Report issued. Underbudgeted.
Board of Regents Travel, FY 2010	250	31	219	Report issued during FY 2011.
Chancellor/President's Travel, FY 2010	100	54	46	Report issued during FY 2011.
Financial Aid, Pell Grants (UHCL)	300	349	(49)	In progress.
Financial Aid, Pell Grants (UHD)	300	288	13	In progress.
Financial Aid, Pell Grants (UHV)	300	324	(24)	In progress.
Foundations	150	61	89	Report issued.
Cash Handling	200	85	115	Report issued.
Executive and Foreign Travel	500	714	(214)	In progress.
Financial Reporting	500	57	444	In progress.
Student Accounting & Receivables (UH)	300	53	248	In progress.
Student Accounting & Receivables (UHCL)	250	0	250	In progress.
Student Accounting & Receivables (UHD)	250	0	250	In progress.
Student Accounting & Receivables (UHV)	200	0	200	In progress.
ARP Grants, 2007 Awards (UH & UHD)	200	282	(82)	Report issued. Underbudgeted.
Center for Advanced Materials (UH)	300	86	215	In progress.
Texas Center for Superconductivity and Advanced Materials (UH)	300	18	283	Rescheduled to FY 2012.
SAO - Audit Assistance - General	100	53	47	Assistance provided.
SAO - Follow-up Reports	100	7	94	Assistance provided.
Engagement Planning	0	189	(189)	Ongoing activity.
General - Reports	0	181	(181)	Ongoing activity.
Carryforward Audits	750		209	
Financial Aid - Scholarships (UH)		212		In progress.
MCP- UHV Site Visit		0		In progress.
Research - Contracts and Grants Administration (UH)		17		In progress.
ATP Grants - 2006 Awards (UH/UHCL)		186		Report issued.
Athletics - Football Attendance Audit, 2009 Season		59		Report issued.
Board of Regents Travel , FY 2009		70		Report issued.
Chancellor/President's Travel, FY 2009		37		Report issued.
Foundations		66		Report issued.
Privacy Issues		109		In progress.
Total Hours Scheduled for Fiscal Year 2009	**6,250**	**4,909**	**1,553**	

	BUDGET HOURS	TOTAL ACTUAL HOURS	(OVER) /UNDER BUDGET	COMMENTS OR EXPLANATIONS
FY 2010 Scheduled IT Reviews/Monitoring				
IT Review and Monitor of IT Systems	300	2	299	Assistance provided on other audits.
Carryforward IT Reviews				
TAC 202 (UH)		36	(36)	Report issued.
TAC 202 (UHCL)		38	(38)	Report issued.
PeopleSoft Student & Academic Admin - Post Implementation Review	400	3	398	Rescheduled to FY 2012.
Information Technology Security (UH)	500	0	500	In progress.
Other Information Technology Activities				
Annual IT Audit Activity Report		2	(2)	
IT - Campus Meetings		6	(6)	
PC Maintenance		122	(122)	
IT- PS Implementation, IA Department		14	(14)	
TeamMate Implementation		19	(19)	
Engagement Planning		37	(37)	
General - Reports		6	(6)	
Total IT Audit Activity	1,200	283	918	

AUDIT – 13.1.23

SPECIAL PROJECTS	BUDGET HOURS	TOTAL ACTUAL HOURS	(OVER) /UNDER BUDGET
UHD Facilities Management - Employee Assertions		128	
Annual Audit Plan		214	
Annual Governor's Report		42	
Bid Openings		3	
Institutional Compliance		25	
Internal Auditing Department Manual/Training Document		139	
Internal Audit Webpage		43	
Miscellaneous Management Requests		304	
Annual Non-compliance Report		4	
MySafe Campus Reports		442	
Construction Audits		1	
UHD P- Card Abuse		68	
UH Financial Aid, George Foundation Scholarships		19	
Medical Billings		13	
TMAC Assertions		10	
JAMP (UH)		16	
JAMP (UHD)		13	
UT Pan Am Peer Review		61	
Stephen F. Austin Peer Review		9	
Idaho State Peer Review		25	
TLC2 Assertions		54	
UH Student Financial Services - Erroneous Student Credit		77	
UH Athletics - Cash Shortage		74	
General - Reports		28	
	1,600	1,808	(208)

AUDIT – 13.1.24

	BUDGET HOURS	TOTAL ACTUAL HOURS	(OVER) /UNDER BUDGET
FOLLOW-UP REVIEWS	500	429	72

AUDIT – 13.1.25

	BUDGET HOURS	TOTAL ACTUAL HOURS	(OVER) /UNDER BUDGET	COMMENTS OR EXPLANATIONS
FY 2009 Departmental Reviews				
UH Architecture	100	403	(303)	Report issued. Underbudgeted.
UH Athletics	100	209	(109)	Report issued during FY 2011.
UH Chancellor/President	100	239	(139)	Report issued. Underbudgeted.
UH Hotel & Restaurant Management	500	5	495	Rescheduled to FY 2011.
UH Optometry	450	324	127	In progress.
UH Student Affairs	700	2,418	(1,718)	Report issued during FY 2011.
UHCL Administration and Finance	400	547	(147)	Report issued. Underbudgeted.
UHCL Human Sciences and Humanities	100	184	(84)	Report issued. Underbudgeted.
UHD Sciences & Technology - Engineering Technology, Follow-up	100	160	(60)	Report issued. Underbudgeted.
UHV Administration & Finance	250	337	(87)	In progress.
UHV Provost	300	181	120	In progress.
Administration/Engagement Planning		868		
Carryforward Audits	896		(935)	
UHCL Science and Computer Engineering		275		Report issued.
UH Honors		132		Report issued.
UH Law Center		537		Report issued.
UH Liberal Arts & Social Sciences		627		Report issued.
UHCL Business		261		Report issued.
Total Hours Scheduled for Fiscal Year 2009	3,996	7,701	(3,705)	

AUDIT – 13.1.26

ADMINISTRATION	BUDGET HOURS	TOTAL ACTUAL HOURS	(OVER) /UNDER BUDGET
General Administration		872	
Internal Audit Staff Meetings		444	
Quality Assurance		195	
Activity Report/Timekeeping		157	
New Employee Orientation		166	
Staff Recruiting		111	
Meetings/Preparation - UH/UHS		217	
Meetings/Preparation - Other Components		9	
Meetings/Preparation - BOR		428	
Meetings/Preparation - Travel		44	
Liason - SAO		7	
Total Administration	**2,660**	**2,648**	**13**

AUDIT – 13.1.27

PROFESSIONAL DEVELOPMENT & LEAVE	BUDGET HOURS	TOTAL ACTUAL HOURS	(OVER) /UNDER BUDGET
CPE and Professional Development	1,000	922	79
Holiday	1,064	1,192	(128)
Sick	530	548	(18)
Vacation	960	1,048	(88)
Unpaid Leave	-	80	(80)
Other	-	70	-
Total Professional Development & Leave	**3,554**	**3,860**	**(306)**

AUDIT – 13.1.28

Section 2

UHS Internal Audit Peer Review Report

AUDIT – 13.1.29

The University of Houston System

Quality Assessment Review of the Department of Internal Auditing

January 16, 2009

UHS Internal Auditing Department
Quality Assessment Review
Page 1

AREAS OF STANDARDS REVIEW	Generally Conforms with Standards	Partially Conforms with Standards	Does Not Conforms with the Standards	Page
EXECUTIVE SUMMARY				3
1000 – Purpose, Authority, and Responsibility				
1100 – Independence and Objectivity				
1110 – Organizational Independence				
1120 – Individual Objectivity				
1130 – Impairments to Independence				
1200 – Proficiency and Due Professional Care				
1210 – Proficiency				
1220 – Due Professional Care				
1230 – Continuing Professional Development				
1300-Quality Assurance and Improvement Program				
1310 – Quality Program Assessments				
1311 – Internal Assessments				
1312 – External Assessments				
1320 – Reporting on the Quality Program				
1330 – Use of "Conducted in Accordance with				
1340 – Disclosure of Noncompliance				
2000 – Managing the Internal Audit Activity				
2010 – Planning				
2020 – Communication and Approval				
2030 – Resource Management				
2040 – Policies and Procedures				
2050 – Coordination				
2060 – Reporting to the Board and Senior mgt.				
2100 – Nature of Work				
2110 – Risk Management				
2120 – Control				
2130 – Governance				
2200 – Engagement Planning				
2201 – Planning Considerations				
2210 – Engagement Objectives				
2220 – Engagement Scope				
2230 – Engagement Resource Allocation				
2240 – Engagement Work Program				
2300 – Performing the Engagement				
2310 – Identifying Information				
2320 – Analysis and Evaluation				
2330 – Recording Information				
2340 – Engagement Supervision				
2400 – Communicating Results				
2410 – Criteria for Communicating				
2420 – Quality of Communications				
2421 – Errors and Omissions				
2430–Engagement Disclosure of Noncompliance				
2440 – Disseminating Results				
2500 – Monitoring Progress				
2600 – Res. of Management's Acceptance of Risks				

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Quality Assessment Review
Page 2

AUDIT – 13.1.31

EXECUTIVE SUMMARY

INTRODUCTION

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

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

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

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

OBJECTIVE/SCOPE OF REVIEW

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

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

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

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

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

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

2. The QAR team reviewed the Internal Auditing Activity for appropriateness of risk assessment and engagement planning.

3. The QAR team evaluated staff professional proficiency.

4. Determine if the level of Audit productivity and value-added by the Internal Auditing activity is appropriate.

5. We conducted interviews of key stakeholders such as:
   - Audit and Compliance Committee: Chair, Vice Chair
   - Senior Leaders: Chancellor, Vice Chancellors
   - Internal Audit staff members

6. The team conducted a sampling of work-papers and reports.

SUMMARY OF OBSERVATIONS

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

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

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

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

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

Overall Rating:

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

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

■ 0%

■ GC
■ PC
■ DNC

■ 100%
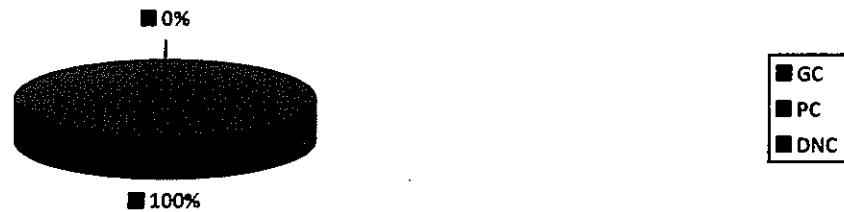
It should be noted that as a part of the quality assessment review, the UHS Internal Auditing Department completed a quality self-assessment review. In the self-assessment report, seven recommendations were made that would improve department operational efficiency and effectiveness. The QAR team agrees with the self-assessment findings, recommendations, and management's responses. Of the seven recommendations, the QAR team believes that the recommendation concerning the need of the UHS Internal Auditing Department to recruit and maintain an experienced IT Auditor is the most material and urgent to accomplish.

Commendations:

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

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

Areas for Opportunity for Improvement

System Recommendations:

Director Title Revision

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

UHS Internal Auditing Department
Quality Assessment Review
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AUDIT – 13.1.34

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

Enterprise Risk Management (ERM)

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

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

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

Department Recommendations:

Electronic Workpaper Efficiency and Effectiveness

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

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

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

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UHS Internal Auditing Department
Quality Assessment Review
Page 6

AUDIT – 13.1.35

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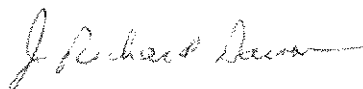
Sincerely,

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

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

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

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

UHS Internal Auditing Department
Quality Assessment Review
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AUDIT – 13.1.37

1300	**Quality Assurance and Improvement Program**	The chief audit executive should develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and continually monitors its effectiveness. The program includes periodic internal and external assessments and ongoing internal monitoring. Each part of the program should be designed to help the internal auditing activity add value and improve the organization's operations and to provide assurance that the internal audit activity is in conformity with the *Standards* and the *Code of Ethics*.	GC
1310	Quality Program Assessments	The internal audit activity should adopt a process to monitor and assess the overall effectiveness of the quality program. The process should include both internal and external assessments.	GC
1311	Internal Assessments	Internal assessment should include: • Ongoing reviews of the performance of the internal audit activity; and • Periodic reviews performed through self-assessment or by other persons within the organization, with knowledge of internal audit practices and the *Standards*.	GC
1312	External Assessments	External assessment, such as quality assurance reviews, should be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization.	GC
1320	Reporting on the Quality Program	The chief audit executive should communicate the results of external assessments to the board.	GC
1330	Use of *"Conducted in Accordance with the Standards"*	Internal auditors are encouraged to report that their activities are "conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing.*" However, internal auditors may use the statement only if assessments of the quality improvement program demonstrate that the internal audit activity is in compliance with the *Standards*.	GC

UHS Internal Auditing Department
Quality Assessment Review
Page 9

Internal Audit 10/29/10

AUDIT – 13.1.38

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

2100	**Nature of Work**	The internal audit activity should evaluate and contribute to the improvement of risk management, control, and governance processes using a systematic and disciplined approach.	GC
2110	Risk Management	The internal audit activity should assist the organization by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems.	GC
2120	Control	The internal audit activity should assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement	GC
2130	Governance	The internal audit activity should assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives: • Promoting appropriate ethics and values within the organization. • Ensuring effective organizational performance management and accountability. • Effectively communicating risk and control information to appropriate areas of the organization. • Effectively coordinating the activities and communicating information among the board, external and internal auditors and management.	GC
2200	**Engagement Planning**	Internal auditors should develop and record a plan for each engagement, including the scope, objectives, timing and resource allocations.	GC
2201	Planning Considerations	In planning the engagement, internal auditors should consider: • The objectives of the activity being reviewed and the means by which the activity controls its performance.	GC

		Description	
		• The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level. • The adequacy and effectiveness of the activity's risk management and control systems compared to a relevant control framework or model. • The opportunities for making significant improvements to the activity's risk management and control systems.	
2210	Engagement Objectives	Objectives should be established for each engagement.	GC
2220	Engagement Scope	The established scope should be sufficient to satisfy the objectives of the engagement.	GC
2230	Engagement Resource Allocation	Internal auditors should determine appropriate resources to achieve engagement objectives. Staffing should be based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.	GC
2240	Engagement Work Program	Internal auditors should develop work programs that achieve the engagement objectives. These work programs should be recorded.	GC
2300	**Performing the Engagement**		GC
2310	Identifying Information	Internal auditors should identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives.	GC
2320	Analysis and Evaluation	Internal auditors should base conclusions and engagement results on appropriate analyses and evaluations.	GC
2330	Recording Information	Internal auditors should record relevant information to support the conclusions and engagement results.	GC
2340	Engagement Supervision	Engagements should be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.	GC

2400	**Communicating Results**	Internal auditors should communicate the engagement result.	GC
2410	Criteria for Communicating	Communications should include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans.	GC
2420	Quality of Communications	Communications should be accurate, objective, clear, concise, constructive, complete, and timely.	GC
2421	Errors and Omissions	If a final communication contains a significant error or omission, the chief audit executive should communicate corrected information to all parties who received the original communication.	GC
2430	Engagement Disclosure of Non-compliance with Standards	When non-compliance with the *Standards* impacts a specific engagement, communication of the results should disclose the: • *Standard* with which compliance as not achieved, • Reason(s) for non-compliance, and • Impact of non-compliance on the engagement.	GC
2440	Disseminating Results	The chief audit executive should communicate results to the appropriate parties.	GC
2500	**Monitoring Progress**	The chief audit executive should establish and maintain a system to monitor the disposition of results communicated to management.	GC
2600	**Management's Acceptance of Risks**	When the chief audit executive believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the chief audit executive should discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive and senior management should report the matter to the board for resolution.	GC
	IIA Code of Ethics: Integrity Objectivity Confidentiality Competency	The purpose of the IIA's *Code of Ethics* is to promote an ethical culture in the profession of internal auditing.	GC

Section 3

List of Audits Completed

AUDIT – 13.1.43

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

LIST OF AUDITS COMPLETED
FY 2010
(INCLUDING HIGH-LEVEL OBJECTIVES, OBSERVATIONS/FINDINGS, RECOMMENDATIONS, AND STATUS)

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status	Fiscal Impact/Other Impact
AR10-01	11/5/09	Follow-Up Status Report - Actions Scheduled from July 1, 2009 to September 30, 2009	To ascertain that appropriate action is taken on reported audit findings.	This status report addressed 59 management actions in 21 individual reports. The report contained 28 completed actions and 6 action items not implemented.	N/A	Help ensure timely implementation of managements' planned actions.
AR10-02	11/5/09	UHCL Information Security Standards	To determine whether the university was in compliance with Texas Administrative Code, Title 1, Part 10, Chapter 202—Information Security Standards.	We noted instances of non-compliance with the Texas Administrative Code. Management developed 10 action items to help ensure compliance.	Incomplete/Ongoing The status of all management action items are included in the follow-up status reports which are reported to the Board of Regents quarterly.	Reduce the risk on non-compliance with the Texas Administrative Code. Improve internal controls over information security.
AR10-03	11/5/09	UH Information Security Standards	To determine whether the university was in compliance with Texas Administrative Code, Title 1, Part 10, Chapter 202—Information Security Standards.	We noted instances of non-compliance with the Texas Administrative Code. Management developed 17 action items to help ensure compliance.	Incomplete/Ongoing The status of all management action items are included in the follow-up status reports which are reported to the Board of Regents quarterly.	Reduce the risk on non-compliance with the Texas Administrative Code. Improve internal controls over information security.
AR10-04	11/5/09	Chancellor/President's Travel, FY 2009	To determine whether expenditures for travel and entertainment were appropriately documented and allowable under	No Observations/Findings.	N/A	N/A

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

LIST OF AUDITS COMPLETED
FY 2010
(INCLUDING HIGH-LEVEL OBJECTIVES, OBSERVATIONS/FINDINGS, RECOMMENDATIONS, AND STATUS)

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status	Fiscal Impact/Other Impact
AR10-05	11/5/09	Board of Regents' Travel, FY 2009	university policies. To determine whether expenditures for travel and entertainment were appropriately documented and allowable under university policies.	No Observations/Findings.	N/A	N/A
AR10-06	11/5/09	Annual Non-Compliance Report, FY 2009	To compile a listing of all instances of non-compliance noted during the previous year in order that management can assess its risks associated with repetitive instances and take action, if necessary.	We noted that the most frequent instances of non-compliance 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.	Fully Implemented	Reduce the risk of non-compliance with university policies.

AUDIT – 13.1.45

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status	Fiscal Impact/Other Impact
AR10-07	11/5/09	UH College of Liberal Arts & Social Sciences, Departmental Reviews	To determine whether departments are conducting financial and administrative activities in compliance with university policies.	We conducted 29 departmental compliance reviews and noted non-compliance with university policies and procedures in several areas. Management agreed to implement 164 action items.

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. | Incomplete/Ongoing

The status of all management action items are included in the follow-up status reports which are reported to the Board of Regents quarterly. | Reduce the risk of non-compliance with university policies.

Improve Internal controls. |
| AR10-08 | 2/10/10 | Follow-Up Status Report - Actions Scheduled from October 1, 2009 to December 31, 2009 | To ascertain that appropriate action is taken on reported audit findings. | This status report addressed 169 management actions in 15 individual reports. The report contained 120 completed and 3 action items | N/A | Help ensure timely implementation of managements' planned actions. |

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

LIST OF AUDITS COMPLETED
FY 2010
(INCLUDING HIGH-LEVEL OBJECTIVES, OBSERVATIONS/FINDINGS, RECOMMENDATIONS, AND STATUS)

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status	Fiscal Impact/Other Impact
AR10-09	2/10/10	UH Honors College, Departmental Review	To determine whether departments are conducting financial and administrative activities in compliance with university policies.	not implemented.

We conducted 1 departmental compliance review and noted non-compliance with university policies and procedures in several areas. Management agreed to implement 3 action items. | Fully Implemented | Reduce the risk of non-compliance with university policies.

Improve Internal controls. |
| AR10-10 | 2/10/10 | UH Foundation Review | To determine whether the amounts recorded in the university's books and records agree with the corresponding amounts included in the foundation's audited financial statements and IRS Form 990, and to determine whether the foundation is complying with its agreement with the Board of Regents. | The amounts recorded in the university's books and records for support received from the foundation does not agree with the corresponding amount included in the foundation's audited financial statements and IRS Form 990 for fiscal year 2008.

We recommended to modify system policies and to implement guidelines to help ensure for proper accounting for all support from support organizations. | Incomplete/Ongoing

The status of all management action items are included in the follow-up status reports which are reported to the Board of Regents quarterly. | Reduce the risk of unrecorded support received from support organizations. |
| AR10-11 | 2/10/10 | UH Alumni Association Review | To determine whether the amounts recorded in the university's books and records agree with the corresponding amounts | None of the support received from the support organization was recorded in the university's financial system and the year-end for | Fully Implemented | Reduce the risk of unrecorded support received from support organizations. |

AUDIT – 13.1.47

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status	Fiscal Impact/Other Impact
			included in the foundation's audited financial statements and IRS Form 990, and to determine whether the foundation is complying with its agreement with the Board of Regents.	the support organization is different than the university's year-end. We recommend the management request UH Alumni Association to change its year-end to coincide with the System's year-end.		
AR10-12	2/10/10	UH Athletics Football Attendance Audit, 2009 Season	To certify attendance for each home game, as required by 2009-2010 NCAA Bylaws.	In our opinion, the average paid attendance for the 2009 Houston Cougar football home game season calculated using the terms and conditions stipulated by the NCAA exceeds the minimum attendance requirements (15,000 per game average).	N/A	N/A
AR10-13	2/10/10	UHCL School of Business, Departmental Review	To determine whether departments are conducting financial and administrative activities in compliance with university policies.	We conducted 1 departmental compliance review and noted non-compliance with university policies and procedures in several areas. Management agreed to implement 7 action items.	Incomplete/Ongoing The status of all management action items are included in the follow-up status reports which are reported to the Board of Regents quarterly.	Reduce the risk of non-compliance with university policies. Improve Internal controls.
AR10-14	2/10/10	UHCL School of Science & Computer Engineering, Departmental Review	To determine whether departments are conducting financial and administrative activities in compliance with university policies.	We conducted 1 departmental compliance review and noted non-compliance with university policies and procedures in	Incomplete/Ongoing The status of all management action items are included in the follow-up status reports	Reduce the risk of non-compliance with university policies.

AUDIT – 13.1.48

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

LIST OF AUDITS COMPLETED
FY 2010
(INCLUDING HIGH-LEVEL OBJECTIVES, OBSERVATIONS/FINDINGS, RECOMMENDATIONS, AND STATUS)

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status	Fiscal Impact/Other Impact
				several areas. Management agreed to implement 4 action items.	which are reported to the Board of Regents quarterly.	Improve Internal controls.
AR10-15	2/10/10	UHD College of Sciences & Technology, Engineering Technology, Departmental Review, Follow-up	To determine whether departments are conducting financial and administrative activities in compliance with university policies.	We conducted 1 departmental compliance review and noted non-compliance with university policies and procedures in several areas. Management agreed to implement 1 action item.	Incomplete/Ongoing The status of all management action items are included in the follow-up status reports which are reported to the Board of Regents quarterly.	Reduce the risk of non-compliance with university policies. Improve Internal controls.
AR10-16	5/12/10	Follow-Up Status Report - Actions Scheduled from January 1, 2010 to March 31, 2010	To ascertain that appropriate action is taken on reported audit findings.	This status report addressed 85 management actions in 18 individual reports. The report contained 48 completed actions and 4 action items not implemented.	N/A	Help ensure timely implementation of managements' planned actions.
AR10-17	5/12/10	UH Law Center, Departmental Review	To determine whether departments are conducting financial and administrative activities in compliance with university policies.	We conducted 2 departmental compliance reviews and noted non-compliance with university policies and procedures in several areas. Management agreed to implement 19 action items.	Incomplete/Ongoing The status of all management action items are included in the follow-up status reports which are reported to the Board of Regents quarterly.	Reduce the risk of non-compliance with university policies. Improve Internal controls.
AR10-18	5/12/10	UH College of Architecture, Departmental Reviews	To determine whether departments are conducting financial and administrative activities in compliance with university policies.	We conducted 1 departmental compliance review and noted non-compliance with university policies and procedures in several areas. Management	Incomplete/Ongoing The status of all management action items are included in the follow-up status reports which are reported to the	Reduce the risk of non-compliance with university policies. Improve Internal

AUDIT – 13.1.49

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status	Fiscal Impact/Other Impact
				agreed to implement 13 action items.	Board of Regents quarterly.	controls.
AR10-19	5/12/10	UH/UHCL ARP Grants, 2006 Awards	To determine whether the institutions are in compliance with state provisions applicable to the grant programs.	We noted no exceptions to the grant conditions for the ARP grants tested in the UH College of Engineering and the UHCL School of Science and Computer Engineering.	N/A	N/A
AR10-20	5/12/10	UHS Cash Handling Reviews, FY 2010	To determine whether change and petty cash funds are properly accounted for.	No Observations/Findings.	N/A	N/A
AR10-21	5/12/10	UHCL School of Human Sciences & Humanities, Departmental Reviews	To determine whether departments are conducting financial and administrative activities in compliance with university policies.	We conducted 1 departmental compliance review and noted non-compliance with university policies and procedures in several areas. Management agreed to implement 3 action items.	Incomplete/Ongoing

The status of all management action items are included in the follow-up status reports which are reported to the Board of Regents quarterly. | Reduce the risk of non-compliance with university policies.

Improve Internal controls. |
| AR10-22 | 5/12/10 | UH Medical Billings | To determine applicable statutes, guidelines, and regulations that pertain to medical billings and to determine whether the University is billing insurance companies for all services provided. | The University of Houston only bills insurance companies for services provided at the University Eye Institute. House Bill No. 103 of the 81st Legislative Regular Session, that would have required student health centers at higher education institutions with enrollment of more than 20,000 to file health benefit claims on behalf of students or other | N/A | N/A |

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status	Fiscal Impact/Other Impact
				people with the health plans in which they were enrolled, was vetoed by Governor Rick Perry. As a result, accepting private health insurance is left up to the discretion of the individual higher education institutions.		
AR10-23	8/11/10	Follow-Up Status Report - Actions Scheduled from April 1, 2010 to June 30, 2010	To ascertain that appropriate action is taken on reported audit findings.	This status report addressed 50 management actions in 18 individual reports. The report contained 19 completed actions and 5 action items not implemented.	N/A	Help ensure timely implementation of managements' planned actions.
AR10-24	8/11/10	IT Audit Activity Report, FY 2010	To determine that adequate controls are incorporated into major computer based systems, thorough system testing is performed at the appropriate stages, and system documentation is complete and accurate.	No Observations/Findings.	N/A	N/A
AR10-25	8/11/10	UHCL Administration & Finance, Departmental Reviews	To determine whether departments are conducting financial and administrative activities in compliance with university policies.	We conducted 9 departmental compliance reviews and noted non-compliance with university policies and procedures in several areas. Management agreed to implement 17 action items.	Incomplete/Ongoing

The status of all management action items are included in the follow-up status reports which are reported to the Board of Regents quarterly. | Reduce the risk of non-compliance with university policies.

Improve Internal controls. |
| AR10-26 | 8/11/10 | UH Athletics, NCAA | To determine whether the | Although we noted no | Incomplete/Ongoing | Reduce the risk of |

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

LIST OF AUDITS COMPLETED
(INCLUDING HIGH-LEVEL OBJECTIVES, OBSERVATIONS/FINDINGS, RECOMMENDATIONS, AND STATUS)
FY 2010

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status	Fiscal Impact/Other Impact
		Rules-Compliance	Athletics Department rules-compliance program helps ensure compliance in the following areas: general compliance, certification of compliance, complimentary admissions, employment of student-athletes, student-athlete vehicles, financial aid, and representatives of the universities athletics interests.	violations with NCAA rules, we did note certain instances of non-compliance with departmental procedures. Management agreed to implement 5 action items.	The status of all management action items are included in the follow-up status reports which are reported to the Board of Regents quarterly.	non-compliance with NCAA rules and departmental procedures.
AR10-27	8/11/10	UHS/UH Office of the Chancellor/President, Departmental Review	To determine whether departments are conducting financial and administrative activities in compliance with university policies.	We conducted 1 departmental compliance review and noted non-compliance with university policies and procedures in several areas. Management agreed to implement 2 action items.	Fully Implemented	Reduce the risk of non-compliance with university policies. Improve Internal controls.
AR10-28	8/11/10	UH/UHD ARP Grants, 2007 Awards	To determine whether the institutions are in compliance with state provisions applicable to the grant programs.	A Research Faculty Member, who is responsible for only conducting research, was paid from grant funds. We recommended that management discuss this expenditure with the THECB to determine its allowability.	Incomplete/Ongoing The status of all management action items are included in the follow-up status reports which are reported to the Board of Regents quarterly.	Reduce the risk of non-compliance with THECB rules.

AUDIT – 13.1.52

Section 4

List of Consulting Engagements and Non-audit Services Completed

AUDIT – 13.1.53

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

LIST OF CONSULTING ENGAGEMENTS AND NON-AUDIT SERVICES COMPLETED
(INCLUDING HIGH-LEVEL OBJECTIVES, OBSERVATIONS/RESULTS, RECOMMENDATIONS, AND STATUS)
FY 2010

Report No.	Report Date	Name of Report	High-Level Consulting Engagement/Non-audit Service Objectives	Observations/Results and Recommendations	Current Status	Fiscal Impact/Other Impact
			No consulting and non-audit services were performed during FY 2010.			

AUDIT – 13.1.54

Section 5

Organization Chart

AUDIT – 13.1.55

University of Houston System/University of Houston

Note: The Board of
Regents has an Audit and
Compliance Committee

University of Houston System Board of Regents

Chief Audit Executive
FTE 13

Chancellor/President
FTE= 22

Athletic Director

President UH-Clear Lake

President UH-Downtown

President UH-Victoria

Executive Vice Chancellor/
Exec. Vice President
Administration & Finance
FTE= 564
- Plant and Operations
- Human Resources
- Auxiliary Services
- Finance and Accounting
- Police
- Operational Support
- Budgets
- Environmental and Physical Safety

Vice Chancellor/
Vice President
Governmental Relations
FTE= 3
- Governmental Relations

Vice Chancellor/
Vice President
Student Affairs
FTE= 17
- Counseling & Psychological Svcs.
- Student Health Center
- Residential Life and Housing
- Learning & Assessment
- University Center
- Student Discipline
- Campus Activities
- Campus Recreation
- Career Services
- Disability Services
- International Student Services

Sr. Vice Chancellor/
Vice President
Academic Affairs & Provost
FTE= 2056
- Academic Deans
- Academic Programs and Faculty Affairs
- Graduate Studies
- Planning and Policy Analysis
- Institutional Effectiveness
- Academic Budgets and Operations
- Enrollment Management
- Information Technology
- Faculty Senate

Vice Chancellor/
Vice President
Legal Affairs & General Counsel
FTE= 9
- General Counsel
- Affirmative Action

Vice Chancellor/
Vice President
University Advancement
FTE= 76
- Development
- University Relations

Vice Chancellor/
Vice President
Research & Intellectual Property Management
FTE= 120
- Research Financial Center
- Research Information Center
- Grants and Contracts
- Technology Management
- Research Policies, Compliance and Committees
- Interdis. Research Centers
- Animal Care Operations
- Research Cmte. and Councils

FY2007 Total Appropriated Funds; UH= 2795 FTE, UHSA= 63 FTE, TOTAL= 2858 FTE

Internal Audit 10/29/10

AUDIT – 13.1.56

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING
ORGANIZATION CHART

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                    ┌─────────────────────┐
                    │    Don Guyton       │
                    │   CHIEF AUDIT       │
                    │    EXECUTIVE        │
                    └─────────────────────┘
                              │          ┌─────────────────────┐
                              │          │   Andrea Bach       │
                              ├──────────│   EXEC. ADMIN.      │
                              │          │   ASSISTANT         │
                              │          └─────────────────────┘
                    ┌─────────────────────┐
                    │   Russ Hoskens      │
                    │ ASSISTANT DIRECTOR  │
                    └─────────────────────┘
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| Brandy Walker SENIOR AUDITOR | Tony Moreno SENIOR AUDITOR | VACANT INFORMATION TECHNOLOGY AUDITOR |

| Lauren Francis STAFF AUDITOR II | Kauisha Smith STAFF AUDITOR II | Sara Tipton STAFF AUDITOR II | Lisa Berry STAFF AUDITOR | VACANT STAFF AUDITOR | VACANT STAFF AUDITOR |

AUDIT – 13.1.57

Section 6

Report on Other Internal Audit Activities

AUDIT – 13.1.58

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
ANNUAL ACTIVITY REPORT
REPORT ON OTHER INTERNAL AUDIT ACTIVITY
FISCAL YEAR 2010

ACTIVITY	IMPACT
Annual Internal Audit Activity Report, FY 2009	Prepare the annual activity report for distribution.
Assist the State Auditor's Office	Provide assistance to the State Auditor's Office on various projects.
Assist the UH Police Department With Investigations	Provide assistance to UH Police Department and make recommendations to improve internal controls.
Follow-up Reviews/Procedures	Perform follow-up review of management's action plan items as they mature to determine whether management's responses were implemented and issue quarterly follow-up status reports.
Miscellaneous Management Requests	Assist management in analyzing various policy compliance/fiscal accountability situations.
Miscellaneous Special Projects	Provide assistance to management by providing independent appraisal of various management and accounting matters.
Internal Audit Peer Reviews: • UT Pan Am	Provide input to the Internal Audit Department on ways to improve the services that they offer.
System-wide Institutional Compliance Program	Facilitate the implementation process of the Institutional Compliance Program at all components.
Unannounced Attendance at Bid Openings	Provide input to Administration of the bidding process.

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Section 7

Audit Plan for Fiscal Years 2011 – 2013

AUDIT – 13.1.60

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDITING DEPARTMENT

LONG - RANGE INTERNAL AUDIT PLAN

and

RISK ANALYSIS

Fiscal Years 2011 - 2013

AUDIT – 13.1.61

UNIVERSITY OF HOUSTON SYSTEM

Internal Auditing Department
Houston, Texas 77204-0930
(713)743-8000
Fax: (713)743-8015

MEMORANDUM

TO: Mr. Jacob Monty
      Chair, Audit and Compliance Committee

      Dr. Renu Khator
      Chancellor/President, UHS/UH

FROM: Don F. Guyton
      Chief Audit Executive

DATE: July 23, 2010

SUBJ: Long-Range Internal Audit Plan - Fiscal Years 2011-2013

    Attached for your review and approval is the UHS Internal Auditing Department Long-Range Internal Audit Plan for Fiscal Years 2011-2013 (Audit Plan). The Audit Plan has been prepared to meet the requirements of the Board of Regents directives and the Texas Internal Auditing Act (Texas Government Code, Sec. 2102), as amended. The Texas Internal Auditing Act requires the Board of Regents to approve the Audit Plan and periodically review the resources dedicated to the Internal Audit program and determine if adequate resources exist to ensure that risks identified in the annual risk assessment are adequately covered within a reasonable time frame. The Internal Audit resources are described in Section 2 of the Audit Plan, and the risk assessment is included in Section 8 of the Audit Plan. Risk assessment techniques were employed to identify auditable areas and to ensure that the accounting systems and controls, the administrative systems and controls, and other major systems and controls are reviewed on a periodic basis. Coverage of key departments and functions at planned intervals has been designed into the plan to assure that no significant auditable area has been overlooked.

    Each auditable area has been evaluated as to its risks and other functions which might determine the urgency and frequency for performing an audit. In addition to an analytical review of all significant financial data for each campus, the risk evaluation and scheduling process included requests for input from all campus presidents, fiscal officers, and other key personnel. Once the risk assessment was completed, each auditable area was included in the audit schedule for the next three fiscal years or later.

Internal Audit 10/29/10   Page 62 of 81

AUDIT – 13.1.62

Included in the attached Section 5 of the Audit Plan is a listing of brief audit objectives for each auditable area. These objectives relate to overall internal controls, efficiency of operations and compliance with laws and regulations, and Board of Regents and/or management policies and procedures.

Recommendation:

The Audit Plan should be flexible and periodically adjusted to adapt to changes in the audit environment. These changes include new or revised laws or regulations and changes in existing operations or activity levels. The Audit and Compliance Committee should approve these periodic changes to the Audit Plan. I recommend that the Board of Regents approve the attached Audit Plan, including the Internal Audit Resources, and delegate approval for periodic changes to the Audit and Compliance Committee.

DFG:rh
Attachment

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

LONG-RANGE INTERNAL AUDIT PLAN
FY 2011-2013

Table of Contents

Activity	Fiscal Year		
	2011	**2012**	**2013**
Scheduled Audits	7,446	7,846	7,446
IT Reviews/Monitoring	1,900	2,100	2,300
Special Projects	1,600	1,600	1,600
Departmental Reviews	2,100	1,500	1,700
Follow-up Reviews	500	500	500
Total Direct Audit Hours	13,546	13,546	13,546

Long-Range Internal Audit Plan
Man-Hour Assumptions

Available Man-Hours	Chief Audit Executive	Assistant Director	Senior Auditor	Information Technology Auditor	Staff
Vacations	120	120	96	96	96
Holidays (12 days)	96	96	96	96	96
Sick Leave	40	40	60	60	60
Professional Training	60	60	40	40	40
In-house Training	40	40	40	40	40
Professional Organizations	40	40	16	16	16
Indirect Audit Hours: Administrative	1,016	816	316	96	56
Direct Audit Hours	668	868	1,416	1,636	1,676
Total Hours Available	2,080	2,080	2,080	2,080	2,080

Allocable Direct Audit Hours

	Chief Audit Executive	Assistant Director	Senior Auditor	Information Technology Auditor	Staff
Direct Audit Hours By Position	668	868	1,416	1,636	1,676
Staff Size By Position	1	1	2	1	5
Employee Turnover/Attrition	-	-	-	-	0.5
Available Staff Size	1.0	1.0	2.0	1.0	4.5
Subtotal	668	868	2,832	1,636	7,542
Total Direct Audit Hours					13,546

2 - 2

AUDIT – 13.1.66

Three-Year Audit Schedule, FY 2011 - 2013

Section 6

AUDIT – 13.1.67

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
INTERNAL AUDIT PLAN, FY 2011-2013
SCHEDULED AUDITS - FY 2011

AUDIT ACTIVITY	BUDGET HOURS
ANNUAL ASSISTANCE / MANDATES (3,250 hours)	
Annual External Audits - Liaison	100
Athletics - Football Attendance Audit	100
Athletics - NCAA Rules-Compliance	400
Board of Regents Travel, FY 2011	250
Chancellor/President's Travel, FY 2011	100
Follow-up Reviews	500
Special Projects/Police Investigations	1,600
State Auditor's Office Liaison	
Audit Assistance - General	100
Follow-up Reports	100
SYSTEM-WIDE AUDITS (4,500)	
Contracts & Grants Administration (UHCL, UHD, and UHV)	900
Endowments (UHS and UH)	1,000
Financial Aid (UHCL, UHD, and UHV)	900
Formula Funding	1,200
JAMP Grants (UH and UHD)	500
RESEARCH CENTERS (900)	
Environmental Institute of Houston (UHCL/UH)	300
Texas Institute for Measurement, Evaluation, and Statistics (UH)	300
Texas Learning & Computation Ctr. (UH)	300
DEPARTMENTAL REVIEWS (1,900)	
UH Academic Affairs/Provost Division	300
UH Education	200
UH Graduate College of Social Work	100
UH Hotel & Restaurant Management	500
UHCL Provost Office	300
UHD Academic Affairs & Provost	200
UHD University College	200
UHV Nursing	100
INFORMATION TECHNOLOGY (1,900 hours)	
IT - Review and Monitor of IT Systems	500
Desktop Computing Support, User Support Services, Training, Computer Store (UH)	400
Web Support Services (UH)	300
TAC 202 (UHCL, UHD, and UHV)	700
INITIATED DURING FY 2010 - TO BE COMPLETED/REPORTED IN FY 2011	1,096
Total Hours Scheduled for Fiscal Year 2011	**13,546**

6-1-1

AUDIT – 13.1.68

	Budget
AUDIT ACTIVITY	**Hours**
Projects Initiated During FY 2010, But Not Completed	1,096

Board of Regents Travel, FY 2010
Chancellor/President's Travel, FY 2010
Endowments
Financial Reporting (all components)
Privacy Issues (all components)
Student Accounting & Receivables (all components)
UH Center for Advanced Materials
UH Information Security
UH Scholarships
UH Optometry, Departmental Review
UH Student Affairs, Departmental Reviews
UHV Administration & Finance, Departmental Reviews
UHV Provost Office, Departmental Reviews

AUDIT – 13.1.69

AUDIT ACTIVITY	BUDGET HOURS
ANNUAL ASSISTANCE / MANDATES (2,950 hours)	
Annual External Audits - Liaison	100
Athletics - Football Attendance Audit	100
Board of Regents Travel, FY 2012	250
Chancellor/President's Travel, FY 2012	100
Follow-up Reviews	500
Special Projects/Police Investigations	1,600
State Auditor's Office Liaison	
Regional Accrediation Review - SACS (UHCL)	100
Audit Assistance - General	100
Follow-up Reports	100
SYSTEM-WIDE AUDITS (5,900)	
Accounts Payable	1,000
Auxiliary Contract Administration	600
Endowments (UH)	1,000
Facilities Management	1,200
Financial Aid (UHCL, UHD, and UHV)	900
General Accounting	1,200
DEPARTMENTAL REVIEWS (1,250 hours)	
UH Graduate & Professional Studies	100
UH Research	250
UH University Advancement	150
UHCL Education	50
UHCL President's Office	100
UHD Administration & Finance	100
UHD Employment Services & Operations	100
UHD President's Office	50
UHD Public Service	50
UHD Student Services & Enrollment Management	50
UHV Arts & Sciences	50
UHV Business Administration	50
UHV Education	50
UHV President's Office	100
INFORMATION TECHNOLOGY (2,100 hours)	
IT - Review and Monitor of IT Systems	700
(PeopleSoft Student & Academic Administration - Post Implementation Review)	
Enterprise Information Systems (UH)	600
Instructional Technology, Multimedia Services, Student Computing (UH)	400
TAC 202 (UH)	400
RESEARCH CENTERS (600)	
Center for Materials Chemistry (UH)	150
Institute for Space System Operations (UH/UHCL)	150
Texas Center for Superconductivity (UH)	300
QUALITY ASSURANCE REVIEWS (200)	
Internal Auditing Internal Quality Assurance Review	100
Internal Auditing External Quality Assurance Review	100
INITIATED DURING FY 2011 - TO BE COMPLETED/REPORTED IN FY 2012	546
Total Hours Scheduled for Fiscal Year 2012	**13,546**

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
INTERNAL AUDIT PLAN, FY 2011-2013
SCHEDULED AUDITS - FY 2013

AUDIT ACTIVITY	BUDGET HOURS
ANNUAL ASSISTANCE / MANDATES (3,250 hours)	
Annual External Audits - Liaison	100
Athletics - Football Attendance Audit	100
Athletics - NCAA Rules-Compliance	400
Board of Regents Travel, FY 2013	250
Chancellor/President's Travel, FY 2013	100
Follow-up Reviews	500
Special Projects/Police Investigations	1,600
State Auditor's Office Liaison	
Audit Assistance - General	100
Follow-up Reports	100
SYSTEM-WIDE AUDITS (5,300)	
Academic Fees	1,000
Endowments (UHCL and UHD)	1,000
Financial Aid	900
Payroll	1,200
Property Management (Fixed Assets)	1,200
DEPARTMENTAL REVIEWS (1,500 hours)	
UH Administration & Finance	300
UH Business	200
UH Engineering	250
UH Library	200
UH Natural Sciences & Mathematics	300
UH Technology	150
UHD Business	50
UHD Humanities & Social Sciences	50
INFORMATION TECHNOLOGY (2,300 hours)	
IT - Review and Monitor of IT Systems	700
Enterprise Infrastructure and Services (UH)	300
Network Infrastructure and Services	300
Operations, Data Center, Print Services	300
Telephony	300
TAC 202 (UHCL, UHD, and UHV)	400
RESEARCH CENTERS (600)	
Center for Computational Sciences & Advanced Distributed Simulation (UHD)	300
Wind Center (UH)	300
INITIATED DURING FY 2012 - TO BE COMPLETED/REPORTED IN FY 2013	596
Total Hours Scheduled for Fiscal Year 2013	**13,546**

AUDIT – 13.1.71

Section 8

Procured External Audit Services

AUDIT – 13.1.72

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
ANNUAL ACTIVITY REPORT
PROCURED EXTERNAL AUDIT SERVICES
FISCAL YEAR 2010

Audit Area	Service Provided
KUHT (TV) and Association for Community Television	Annual financial Audit of KUHT (TV) and Affiliate.
KUHF (FM)	Annual financial audit of KUHF (FM).
Endowment Fund	Annual financial audit of the University of Houston System Endowment Fund.
Athletics	Annual agreed-upon procedures engagement of Intercollegiate Athletic Department.
Charter School	Annual financial audit of the Charter School.
New Construction	Construction audit of Calhoun Lofts.

AUDIT – 13.1.73

Section 9

Reporting Suspected Fraud and Abuse

AUDIT – 13.1.74

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
ANNUAL ACTIVITY REPORT
REPORTING SUSPECTED FRAUD AND ABUSE
FISCAL YEAR 2010

Actions taken to implement the requirements of:
- ***Fraud Reporting.*** *Article IX, Section 17.05, the General Appropriations Act (81st Legislature).*
- ***Reporting Requirements.*** *Article XII, Section 5(c), the General Appropriations Act (81st Legislature).*
- *Texas Government Code, Section 321.022.*

The University of Houston System has implemented the following in order to be in compliance with reporting of suspected fraud and abuse:

- System-wide policy on reporting and investigation fraudulent acts (SAM 01.C.04, Reporting/Investigating Fraudulent Acts).

- 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.

- An Annual Fraud Prevention and Awareness Report containing actions taken by each University component is submitted to the Audit and Compliance Committee of the Board of Regents. A copy of the Annual Fraud Prevention and Awareness Report for FY 2009 is attached.

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), 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

Fraud Risk Category	Number Control Measures Rated	Sum of Fraud Risk Assessment Ratings	Average Fraud Risk Assessment Rating
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
Totals for the University	**88**	**102**	**1.16**

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) 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.