

**UNIVERSITY OF HOUSTON SYSTEM**  
**Audit and Compliance Committee Meeting**  
**December 9, 2008**

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## AGENDA

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

**DATE:** Tuesday, December 9, 2008

**TIME:** 1:45 p.m.

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

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**Chair:** Dennis D. Golden  
**Vice Chair:** Nelda L. Blair  
**Members:** Jacob M. Monty  
Welcome W. Wilson, Sr., Ex Officio

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#### AUDIT AND COMPLIANCE COMMITTEE

1. Call to Order
2. Review and Approval of Audit Report and Financial Statements, University of Houston Charter School, FY 2008 – University of Houston A&C 1  
  
**Action:** Approval
3. BOR Policy Revision – Code of Ethics – UH System A&C 2  
  
**Action:** Approval
4. BOR Conflict of Interest Certification Statement – UH System A&C 4  
  
**Action:** Approval
5. Board of Regents Policy – Identity Theft Prevention Program – UH System A&C 10  
  
**Action:** Approval

6. Internal Audit Report – Briefing Booklet – UH System A&C 12

**Action:** Information

7. Institutional Compliance Status Report for the Three Months Ended September 30, 2008 – UH System A&C 13

**Action:** Information

8. External Audit Reports – UH System A&C 18

- SAO Report 09-002 – Student Fees at Selected Higher Education Institutions (excerpts)
- SAO Report 09-009 – Campus Safety and Security Emergency Management Plans (excerpts)

**Action:** Information

9. Ethics and Conflict of Interest Policies – UH System A&C 34

**Action:** Information

10. Annual Fraud Prevention and Awareness Report – UH System A&C 35

**Action:** Information

11. Update on Analyses conducted at UH associated with the “Breakthrough Solutions” – University of Houston A&C 43

**Action:** Information

12. 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 2008

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Approval is requested for the Audit Report and Financial Statements of the University of Houston Charter School for Fiscal Year 2008. 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).

FISCAL NOTE:

SUPPORTING DOCUMENTATION: Audit Report and Financial Statements of the UH Charter School for FY 2008 and Texas Education Agency required Certification Form (under separate cover)

ACTION REQUESTED: Approval

COMPONENT: University of Houston

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

*Don F. Guyton*

Don F. Guyton

\_\_\_\_\_  
11/18/08  
DATE

\_\_\_\_\_  
CHANCELLOR

*Renu Khator*

Renu Khator

\_\_\_\_\_  
11/25/08  
DATE

UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance  
ITEM: BOR Policy Revision – Code of Ethics

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The purpose of the proposed revision to this policy is to require an annual conflict of interest certification by members of the board affirming their compliance with their official oath and specific provisions of Texas statutes related to ethical behavior.

FISCAL NOTE:

SUPPORTING DOCUMENTATION: Proposed Revision to BOR Policy 57.01, Code of Ethics

ACTION REQUESTED: Approval

COMPONENT: University of Houston System

DIRECTOR, INTERNAL AUDITING	<u>Don F. Guyton</u> Don F. Guyton	<u>11/18/08</u> DATE
CHANCELLOR	<u>Renu Khator</u> Renu Khator	<u>11/25/08</u> DATE

## 57.01 Code of Ethics

**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 Employment (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.

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UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance  
ITEM: BOR Conflict of Interest Certification Statement

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The board of regents conflict of interest certification statement meets the requirements of the revisions to BOR Policy 57.01, Code of Ethics. This annual certification affirms the board members' compliance with their official oath and specific provisions of Texas statutes related to ethical behavior.

FISCAL NOTE:

SUPPORTING DOCUMENTATION: Proposed Conflict of Interest Certification Statement and related statutes  
ACTION REQUESTED: Approval  
COMPONENT: University of Houston System

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

*Don F. Guyton*  
Don F. Guyton

*11/18/08*  
\_\_\_\_\_  
DATE

\_\_\_\_\_  
CHANCELLOR

*Renu Khator*  
Renu Khator

*11/25/08*  
\_\_\_\_\_  
DATE



UNIVERSITY OF HOUSTON SYSTEM BOARD OF REGENTS

CONFLICT OF INTEREST CERTIFICATION

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

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

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

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



Vernon's Ann.Texas Const. Art. 16, § 1

Vernon's Texas Statutes and Codes Annotated Currentness  
Constitution of the State of Texas 1876 (Refs & Annos)

Article XVI, General Provisions

⇒§ 1. Official Oath

Sec. 1. (a) All elected and appointed officers, before they enter upon the duties of their offices, shall take the following Oath or Affirmation:

"I, \_\_\_\_\_, do solemnly swear (or affirm), that I will faithfully execute the duties of the office of \_\_\_\_\_ of the State of Texas, 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."

(b) All elected or appointed officers, before taking the Oath or Affirmation of office prescribed by this section and entering upon the duties of office, shall subscribe to the following statement:

"I, \_\_\_\_\_, do solemnly swear (or affirm) 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 for the giving or withholding of a vote at the election at which I was elected or as a reward to secure my appointment or confirmation, whichever the case may be, so help me God."

(c) Members of the Legislature, the Secretary of State, and all other elected and appointed state officers shall file the signed statement required by Subsection (b) of this section with the Secretary of State before taking the Oath or Affirmation of office prescribed by Subsection (a) of this section. All other officers shall retain the signed statement required by Subsection (b) of this section with the official records of the office.

V.T.C.A., Government Code § 572.051

Vernon's Texas Statutes and Codes Annotated Currentness  
Government Code (Refs & Annos)

Title 5. Open Government; Ethics (Refs & Annos)

Subtitle B. Ethics

Chapter 572. Personal Financial Disclosure, Standards of Conduct, and Conflict of Interest (Refs & Annos)

Subchapter C. Standards of Conduct and Conflict of Interest Provisions

⇒§ 572.051. Standards of Conduct; State Agency Ethics Policy

(a) A state officer or employee should not:

(1) accept or solicit any gift, favor, or service that might reasonably tend to influence the officer or employee in the discharge of official duties or that the officer or employee knows or should know is being offered with the intent to influence the officer's or employee's official conduct;

(2) accept other employment or engage in a business or professional activity that the officer or employee might reasonably expect would require or induce the officer or employee to disclose confidential information acquired by reason of the official position;

(3) accept other employment or compensation that could reasonably be expected to impair the officer's or employee's independence of judgment in the performance of the officer's or employee's official duties;

(4) make personal investments that could reasonably be expected to create a substantial conflict between the officer's or employee's private interest and the public interest; or

(b) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the officer's or employee's official powers or performed the officer's or employee's official duties in favor of another.

(b) A state employee who violates Subsection (a) or an ethics policy adopted under Subsection (c) is subject to termination of the employee's state employment or another employment-related sanction. Notwithstanding this subsection, a state officer or employee who violates Subsection (a) is subject to any applicable civil or criminal penalty if the violation also constitutes a violation of another statute or rule.

(c) Each state agency shall:

(1) adopt a written ethics policy for the agency's employees consistent with the standards prescribed by Subsection (a) and other provisions of this subchapter; and

(2) distribute a copy of the ethics policy and this subchapter to:

(A) each new employee not later than the third business day after the date the person begins employment with the agency; and

(B) each new officer not later than the third business day after the date the person qualifies for office.

(d) The office of the attorney general shall develop, in coordination with the commission, and distribute a model policy that state agencies may use in adopting an agency ethics policy under Subsection (c). A state agency is not required to adopt the model policy developed under this subsection.

(e) Subchapters E and F, Chapter 571, do not apply to a violation of this section.

(f) Notwithstanding Subsection (e), if a person with knowledge of a violation of an agency ethics policy adopted under Subsection (c) that also constitutes a criminal offense under another law of this state reports the violation to an appropriate prosecuting attorney, then, not later than the 60th day after the date a person notifies the prosecuting attorney under this subsection, the prosecuting attorney shall notify the commission of the status of the prosecuting attorney's investigation of the alleged violation. The commission shall, on the request of the prosecuting attorney, assist the prosecuting attorney in investigating the alleged violation. This subsection does not apply to an alleged violation by a member or employee of the commission.

(g) to (i) Expired.

CREDIT(S)

V.T.C.A., Government Code § 572.021

Vernon's Texas Statutes and Codes Annotated [Currentness](#)

Government Code ([Refs & Annos](#))

Title 5. Open Government; Ethics ([Refs & Annos](#))

Subtitle B. Ethics

[Chapter 572](#). Personal Financial Disclosure, Standards of Conduct, and Conflict of Interest ([Refs & Annos](#))

[Subchapter B](#). Personal Financial Statement

**§ 572.021. Financial Statement Required**

Except as provided by [Section 572.0211](#), a state officer, a partisan or independent candidate for an office as an elected officer, and a state party chair shall file with the commission a verified financial statement complying with [Sections 572.022 through 572.0252](#).

V.T.C.A., Government Code § 572.058

Vernon's Texas Statutes and Codes Annotated [Currentness](#)

Government Code ([Refs & Annos](#))

Title 5. Open Government; Ethics ([Refs & Annos](#))

Subtitle B. Ethics

⌘Chapter 572. Personal Financial Disclosure, Standards of Conduct, and Conflict of Interest (Refs & Annos)

⌘Subchapter C. Standards of Conduct and Conflict of Interest Provisions

⇒§ 572.058. Private Interest in Measure or Decision; Disclosure; Removal from Office for Violation

(a) An elected or appointed officer, other than an officer subject to impeachment under Article XV, Section 2, of the Texas Constitution, who is a member of a board or commission having policy direction over a state agency and who has a personal or private interest in a measure, proposal, or decision pending before the board or commission shall publicly disclose the fact to the board or commission in a meeting called and held in compliance with Chapter 551. The officer may not vote or otherwise participate in the decision. The disclosure shall be entered in the minutes of the meeting.

(b) An individual who violates this section is subject to removal from office on the petition of the attorney general on the attorney general's own initiative or on the relation of a resident or of any other member of the board or commission. The suit must be brought in a district court of Travis County or of the county where the violation is alleged to have been committed.

(c) If the court or jury finds from a preponderance of the evidence that the defendant violated this section and that an ordinary prudent person would have known the individual's conduct to be a violation of this section, the court shall enter judgment removing the defendant from office.

(d) A suit under this section must be brought before the second anniversary of the date the violation is alleged to have been committed, or the suit is barred.

(e) The remedy provided by this section is cumulative of other methods of removal from office provided by the Texas Constitution or a statute of this state.

(f) In this section, "personal or private interest" has the same meaning as is given to it under Article III, Section 22, of the Texas Constitution, governing the conduct of members of the legislature. For purposes of this section, an individual does not have a "personal or private interest" in a measure, proposal, or decision if the individual is engaged in a profession, trade, or occupation and the individual's interest is the same as all others similarly engaged in the profession, trade, or occupation.

CREDIT(S)

Added by Acts 1993, 73rd Leg., ch. 268, § 1, eff. Sept. 1, 1993.

V.T.C.A., Penal Code § 39.02

Vernon's Texas Statutes and Codes Annotated Currentness

Penal Code (Refs & Annos)

Title 8. Offenses Against Public Administration

⌘Chapter 39. Abuse of Office (Refs & Annos)

⇒§ 39.02. Abuse of Official Capacity

(a) A public servant commits an offense if, with intent to obtain a benefit or with intent to harm or defraud another, he intentionally or knowingly:

(1) violates a law relating to the public servant's office or employment; or

(2) misuses government property, services, personnel, or any other thing of value belonging to the government that has come into the public servant's custody or possession by virtue of the public servant's office or employment.

(b) An offense under Subsection (a)(1) is a Class A misdemeanor.

(c) An offense under Subsection (a)(2) is:

(1) a Class C misdemeanor if the value of the use of the thing misused is less than \$20;

(2) a Class B misdemeanor if the value of the use of the thing misused is \$20 or more but less than \$500 ;

- (3) a Class A misdemeanor if the value of the use of the thing misused is \$500 or more but less than \$1,500;
  - (4) a state jail felony if the value of the use of the thing misused is \$1,500 or more but less than \$20,000;
  - (5) a felony of the third degree if the value of the use of the thing misused is \$20,000 or more but less than \$100,000;
  - (6) a felony of the second degree if the value of the use of the thing misused is \$100,000 or more but less than \$200,000; or
  - (7) a felony of the first degree if the value of the use of the thing misused is \$200,000 or more.
- (d) A discount or award given for travel, such as frequent flyer miles, rental car or hotel discounts, or food coupons, are not things of value belonging to the government for purposes of this section due to the administrative difficulty and cost involved in recapturing the discount or award for a governmental entity.

CREDIT(S)

Acts 1973, 63rd Leg., p. 883, ch. 399, § 1, eff. Jan. 1, 1974. Amended by Acts 1983, 68th Leg., p. 3241, ch. 558, § 7, eff. Sept. 1, 1983. Renumbered from V.T.C.A., Penal Code § 39.01 and amended by Acts 1993, 73rd Leg., ch. 900, § 1.01, eff. Sept. 1, 1994.

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

**COMMITTEE:** Audit & Compliance

**ITEM:** Board of Regents Policy – Identity Theft Prevention Program

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Federal Trade Commission issued a regulation known as the Red Flag Rule under sections 114 and 315 of the Fair and Accurate Credit Transactions Act. The Red Flag Rule is intended to reduce the risk of identity theft by requiring institutions to implement an Identity Theft Prevention Program that includes reasonable policies and procedures to detect or mitigate identity theft. Mandatory compliance with the Red Flag Rule requires the Board of Regents to approve the initial written program. The purpose of this policy is to establish the framework for the Identity Theft Prevention Program and to provide the necessary approval of the program by the Board of Regents. The Red Flag Rule allows the Board to delegate responsibility for the program to the Chancellor.

**FISCAL NOTE:**

**SUPPORTING DOCUMENTATION:** Proposed Identity Theft Prevention Program

**ACTION REQUESTED:** Approval

**COMPONENT:** University of Houston System

\_\_\_\_\_  
**DIRECTOR, INTERNAL AUDITING** *Don F. Guyton* 11/18/08  
Don F. Guyton **DATE**

\_\_\_\_\_  
**CHANCELLOR** *Renu Khator* 11/25/08  
Renu Khator **DATE**

## 42.02 Identity Theft Prevention Program

The Chancellor, as Chief Executive Officer of the System, is responsible for ensuring the implementation of an identity theft prevention program which adheres to the Federal Trade Commission's Red Flag Rule under sections 114 and 315 of the Federal Fair and Accurate Credit Transactions Act. At least annually, the System-wide compliance officer prepares an executive summary of all activities of the Identity Theft Prevention Programs of the component institutions.

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

**COMMITTEE:**        Audit & Compliance

**ITEM:**                Internal Audit Report – Briefing Booklet

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Internal Audit Briefing Booklet contains an Internal Audit Activity Outline, Internal Audit Reports issued since the August 12, 2008, Audit & Compliance Committee Meeting of the Board of Regents, and an explanation of the external review process and proposed peer review team.

**FISCAL NOTE:**

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

**ACTION REQUESTED:**                Information

**COMPONENT:**                University of Houston System

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

*Don F. Guyton*  
Don F. Guyton

\_\_\_\_\_  
**DATE**                11/18/08

\_\_\_\_\_  
**CHANCELLOR**

*Renu Khator*  
Renu Khator

\_\_\_\_\_  
**DATE**                11/25/08

UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: Institutional Compliance Status Report for the Three Months Ended  
September 30, 2008

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

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

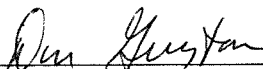
FISCAL NOTE:

SUPPORTING DOCUMENTATION: Institutional Compliance Status Report

ACTION REQUESTED: Information

COMPONENT: University of Houston System

DIRECTOR, INTERNAL AUDITING

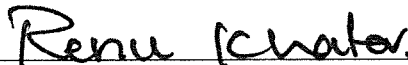


Don F. Guyton

DATE

11/18/08

CHANCELLOR



Renu Khator

DATE

11/25/08



**UNIVERSITY OF HOUSTON SYSTEM  
INSTITUTIONAL COMPLIANCE STATUS REPORT  
For the 3 months ended September 30, 2008**

Institutional compliance activities at each university during the three months ended September 30, 2008 are as follows:

<u>Activity</u>	<u>UH/UHS</u>	<u>UHCL</u>	<u>UHD</u>	<u>UHV</u>
Risk Assessments Completed	0	0	0	0
Risk Assessments Updated	2	0	0	0
Compliance Audits Conducted	198	0	2	3
Compliance Committee Meetings Held	1	0	1	1
Risk Mitigation Implemented:				
Specific Control Activities (pol. & proc.)	21	0	26	14
New Training Program / Activities	2	0	3	11
Hot-line Reports:				
Number Received during quarter	2	0	0	0
Reports Resolved during quarter	11	0	0	0
Unresolved Reports as of Sept. 30, 2008	2	0	0	0

**UHS:**

A system-wide meeting of the institutional compliance officers was held on July 16, 2008 to discuss institutional compliance activities. Included on the meeting agenda were the following:

- Review of report to be presented to the audit and compliance committee on August 5, 2008
- Cooperative Problem Solving – Sharing of Ideas (discussion by all compliance officers of major concerns / accomplishments)
- Presentation by Mary Cook – Facilitation of Institutional Compliance Committee Meeting
- Presentation by Mike Glisson – Result of student auditors P-Card audits and P-Card management reports
- Presentation by Emily Messa – Training monitoring update

**UH:** September 9, 2008 the Division of Research hosted an open invitation video broadcast entitled “Good Customer Service” presented by the National Council of Research Administrators.

The UH Department of Public Safety published the 2007 Annual Security Report as required by the Jeanne Cleary Disclosure of Campus Security Policy and Campus Crime Statistics Act.

Environmental Health and Risk Management conducted regulatory training as follows:

- General Laboratory Safety (Presented 6 Times)
- Biological Safety (Presented 2 Times)
- Biohazardous Materials Shipping
- Bloodborne Pathogens (Presented 4 Times)
- Principal Investigator Recombinant DNA
- Radioactive Material Safety (Presented 2 Times)
- X-ray Safety Training
- Laser Safety Training
- Online Annual Radioactive Material Safety Refresher
- Online Annual Laser Safety Refresher
- Online Hazardous Waste Procedures
- Online Indoor Air Quality and Mold
- Online Bloodborne Pathogens Refresher

Environmental Health and Risk Management conducted regulatory audits at 198 laboratories. The department also completed the City of Houston registration process for grease traps, lint traps and grit traps on campus. A project was also initiated during the quarter to repair or install safety showers and emergency eyewashes at 12 locations in Science and Research 1 Building.

UH Finance departments updated the mandatory role-based training courses for FY09. Faculty and staff with related job responsibilities are enrolled in appropriate online training and must complete it by December 31, 2008. The FY09 role-based training courses are as follows:

- 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

On September 23, 2008, UH Finance departments participated in the following national audio conference: "Critical Issues in Unclaimed Property: Guidelines to Ensure Compliance."

All UH credit card merchants completed a PCI (Payment Card Industry) Questionnaire to determine their current level of compliance with PCI Standards. The PCI team reviewed all questionnaires and notified each merchant whether any additional actions were needed to be certified as fully compliant. The PCI team continues to work with merchants that are not yet certified to achieve full compliance.

**UHCL:** The quarterly meeting planned for September 11, 2008 was cancelled due to campus closure for Hurricane Ike and was not able to be rescheduled within that quarter.

**UHD:** During the quarterly meeting:

- We reviewed our progress-to-date versus:
  - Our FY08 goals and
  - The “Components of and Effective Compliance Program”.
- We reviewed the goals for FY09.
- Subject matter experts gave reports on the identified institutional risk areas. The reports highlighted failures detected by the monitored controls, actions taken to mitigate future failures, training, new policies, procedures or regulations and new areas of compliance concerns.
- Three areas were identified that will require a bottom-up risk assessment and the completed development/redevelopment of a risk management plan.
- Other new areas of compliance concerns were discussed.

Policies have been updated effective September 29, 2008, on “Sexual Harassment”, “Staff Grievance”, “Title IX and Other Discrimination Complaints” and “Cash Handling”.

Employment Services and Operations published the “Staff Handbook” that provides information about UHD policies, procedures, benefits and working conditions.

The current draft of the Employee Standards of Conduct Guide is currently under Academic review.

Development of the UHD Institutional Compliance Website continues. Progress has been slowed as UHD moves toward launch of its totally re-engineered web site (February 2009).

IT Risk Management Plan activities include the following:


- Initial training materials were developed to address several IT Risk Management Plan action items aimed at improving protection of sensitive and confidential data available through UHD's information systems. They were reviewed in a pilot project during August and September 2007. Enhancements will be made based on the pilot project and additional input from application owners and the training will be delivered to faculty and staff.
- Significant improvements in accessibility and ADA Compliance have been made to university's new web site (February 2009 launch).
- Results are pending for the TAC 202 Audit of UHD Information Technology that took place during May and June of 2008.

**UHV:** The quarterly campus compliance meeting was held on July 31<sup>st</sup>. Minutes are available online.

During the quarter, notable compliance related activities included:

- Texas Veterans Commission audited the campus Financial Aid VA Program in August. No findings were reported.
- State Office of Risk Management (SORM) conducted a two day on-site Risk Management Program Review on July 15-16 and made two recommendations for improvement along with several notable observations. ( To view, scroll down to 18 a. <http://www.uhv.edu/Business/CampusSafety.asp>)
- No known Hotline or other reports of fraud were received during the quarter.
- Formal Employee Wellness Program, outlined in UHV policy C-32, was approved.
- IT Policies G-2, Acceptable Use Policy for Technology Resources and G-4, Software Management, were updated.
- Campus Business Continuity Plan was activated by the President as Victoria prepared for Hurricane Ike's landfall. UHV was closed from Thursday, 9/11 and re-opened noon, 9/15.
- The Office of International Programs began face-to-face orientations for students participating in study abroad programs. Part of orientation addresses safety/risk concerns when traveling abroad.
- Annual mandatory SORM Indoor Air Quality training review for employees in certain positions was coordinated by the Safety & Risk Manager.
- State Auditor's Office, in assessment of UHV's Business Continuity Plan, reported that 17 of 29 required NIMS elements were in the UHV emergency plan. Current plan will be updated.

The information in this report is taken from a more detailed campus departmental report of activities. The full report (Quarterly Report, 3rd Qtr Calendar Year 2008) will be available October 10th on the compliance website:  
<http://www.uhv.edu/compliance/reports.asp>




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Don F. Guyton  
 System-wide Compliance Officer  
 October 9, 2008

UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: External Audit Reports

- SAO Report No. 09-002 – Student Fees at Selected Higher Education Institutions (excerpts)
- SAO Report No. 09-009 – Campus Safety and Security Emergency Management Plans (excerpts)

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

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

FISCAL NOTE:

SUPPORTING DOCUMENTATION: External Audit Reports

ACTION REQUESTED: Information

COMPONENT: University of Houston System

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DIRECTOR, INTERNAL AUDITING

*Don F. Guyton*  
Don F. Guyton

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DATE

*11/18/08*

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CHANCELLOR

*Renu Khator*  
Renu Khator

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DATE

*11/25/08*



John Keel, CPA  
State Auditor

An Audit Report on

# **Student Fees at Selected Higher Education Institutions**

September 2008

Report No. 09-002



An Audit Report on

## Student Fees at Selected Higher Education Institutions

SAO Report No. 09-002  
September 2008

### Overall Conclusion

The five higher education institutions audited spent and transferred funds collected from 30 of 40 student fees tested in accordance with applicable laws and policies.<sup>1</sup> However, improvements should be made to ensure that all student fee revenues are spent and transferred appropriately. The higher education institutions audited included:

- Texas Tech University.
- Sam Houston State University.
- The University of Houston.
- The University of Texas at San Antonio.
- The University of North Texas.

Higher education institutions should improve monitoring of student fee account balances. At the end of fiscal year 2007, there were accumulated balances in incidental student fee accounts at all higher education institutions audited.

Higher education institutions could interpret student fee requirements more consistently if the Texas Education Code and internal policies were more specific. A lack of specificity in the Texas Education Code and internal policies at higher education institutions prevented auditors from determining whether certain student fees were collected, transferred, and spent in accordance with applicable laws and policies. The lack of specificity also led to inconsistent classification of student fee revenue among the five institutions audited.

#### Background Information

The Texas Education Code grants higher education institutions the authority to charge student fees to cover the costs of privileges or services provided to students.

During fiscal year 2007, Texas higher education institutions collected \$812,462,767 in fees from students (an average of \$1,948 per full-time student during the fiscal year).

From fiscal year 2004 to fiscal year 2007:

- Total student fees collected by all Texas higher education institutions increased by 14.1 percent.
- At some higher education institutions, total fees collected increased by as much as 139 percent.

See Appendix 2 for a list of specific fees that auditors tested at each higher education institution.

See Appendix 4 for excerpts from Texas Education Code, Chapter 54.

<sup>1</sup> Laboratory fees tested at each higher education institution were treated as a single fee for testing purposes.

This audit was conducted in accordance with Texas Government Code, Section 321.0131.

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

Higher education institutions should account for student fee revenue in a manner that allows them to ensure they collect and spend funds in accordance with applicable laws and policies. Higher education institutions receive funds from sources other than student fee revenue and they often deposit these funds in the same accounts as student fee revenue. This commingling of funds prevented auditors from determining whether higher education institutions spent student fee revenue in accordance with applicable laws and policies.

### **Key Points**

**Texas Tech University should account for student fee revenue in a manner that ensures compliance with applicable laws and policies.**

Texas Tech University (TTU) does not consistently account for student fees in separate accounts, which prevented auditors from determining whether TTU spent laboratory fee revenue, TECHniques Center fee revenue<sup>2</sup>, and Student Union fee revenue in accordance with applicable laws and policies. However, TTU collected, spent, and transferred three incidental fees and one designated fee tested in accordance with applicable laws and policies.

**Sam Houston State University should manage student fee revenue in a manner that ensures compliance with applicable laws and policies, and it should ensure that it spends student fee revenue appropriately.**

Sam Houston State University (SHSU) commingled laboratory fee revenue with other funds, which prevented auditors from determining whether SHSU collected and spent laboratory fee revenue in accordance with applicable laws and policies. SHSU also did not always appropriately manage and spend incidental fees in accordance with applicable laws and policies. It collected, spent, and transferred designated fees in accordance with applicable laws and policies.

**The University of Houston spent most student fee revenue in accordance with applicable laws and policies, but it should improve its management of laboratory fees and its monitoring of fund balances in certain student fee accounts.**

The University of Houston (UofH) appropriately spent and transferred most incidental fees and designated fees. Auditors were unable to determine whether UofH collected laboratory fees in accordance with applicable laws and policies. UofH should improve its monitoring of fund balances for incidental and laboratory fees.

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<sup>2</sup> TTU's TECHniques Center is an academic enhancement program within the Student Disability Services Office.



The University of Texas at San Antonio spent most student fee revenue in accordance with applicable laws and policies, but it should improve its monitoring of fund balances in certain student fee accounts.

The University of Texas at San Antonio (UTSA) spent and transferred incidental fees, most laboratory fees, and most designated fees in accordance with applicable laws and policies. UTSA should improve its monitoring of fund balances for incidental and laboratory fees. In addition, auditors were unable to determine whether UTSA spent University Center fee revenue in accordance with applicable laws and policies.

The University of North Texas should improve its monitoring of fund balances in certain student fee accounts.

The University of North Texas (UNT) spent and transferred incidental fees, most laboratory fees, and designated fees in accordance with applicable laws and policies. UNT should improve its monitoring of fund balances for incidental and laboratory fees.

### ***Summary of Management's Response***

The higher education institutions audited agreed with the recommendations in this report.

### ***Summary of Information Technology Review***

The information technology component of this audit focused on the review and testing of input controls, processing controls, and output controls for the automated systems involved in the creation, billing, and posting of student fees at the higher education institutions audited. Additionally, auditors reviewed access controls over the automated system(s) involved in the student fee process to determine whether established levels of access were appropriate for individual job duties.

Auditors did not identify any significant deficiencies in the automated controls related to the student fee process at four of the five higher education institutions audited. However, one of the five higher education institutions had users with excessive modification authority over fee tables. Specifically, users at UTSA had excessive levels of access to fee-related screens; this access would allow them to create, modify, or delete fee information. Excessive levels of access increase the risk that inappropriate data modifications could be made and create a lack of separation of duties. UTSA corrected these users' levels of access prior to the conclusion of this audit.

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

The audit objectives were to:

- Determine whether selected higher education institutions' budgeting for and distribution and expenditure of selected student fees are in compliance with applicable laws, policies, and procedures to ensure that fees are assessed on a cost-recovery basis.
- Determine whether selected higher education institutions that have any fee accounts with unexpended balances at year-end have prepared justifications for maintaining the balances in accordance with the cost-recovery nature of the fees.

The audit scope covered a review and analysis of selected higher education institutions' budgeting, management, and expenditure of student fee revenues collected during fiscal year 2007.

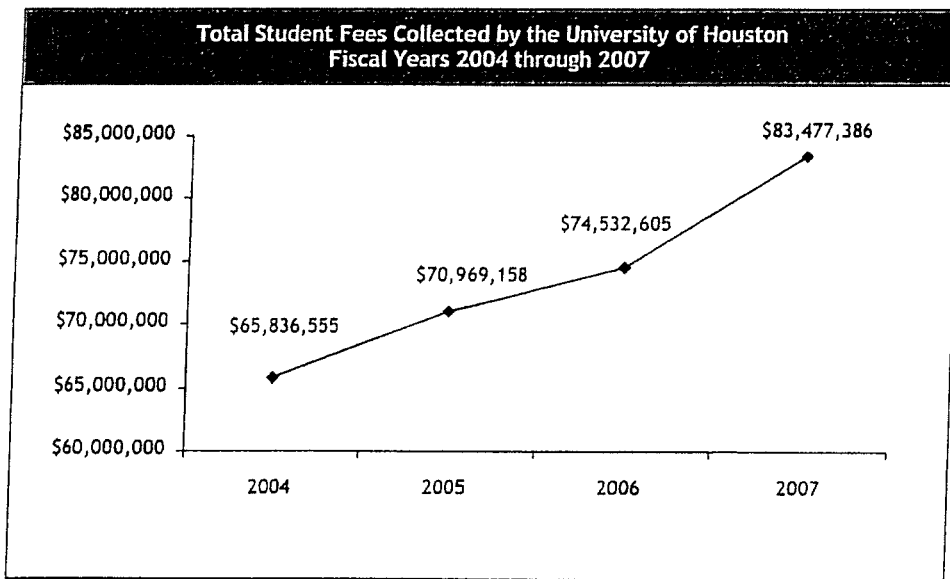
The audit methodology included collecting and reviewing information and documentation, analyzing account information for selected student fees, testing selected transactions, analyzing and evaluating the results of testing, and conducting interviews with the audited institutions' management and staff.

*The University of Houston Spent Most Student Fee Revenue in Accordance with Applicable Laws and Policies, But It Should Improve Its Management of Laboratory Fees and Its Monitoring of Fund Balances in Certain Student Fee Accounts*

The University of Houston (UofH) appropriately spent and transferred most incidental fees and designated fees. Auditors were unable to determine whether UofH collected laboratory fees in accordance with applicable laws and policies. UofH should improve its monitoring of fund balances for incidental and laboratory fees.

Figure 4 shows the trend in total student fees that UofH collected from fiscal year 2004 to fiscal year 2007.

Figure 4



Source: Unaudited information self-reported by the University of Houston.

UofH spent and transferred most incidental fees in accordance with applicable laws and policies. However, it should improve its monitoring of account balances.

**Student Fees Audited at UofH**

**Incidental fees:**

- Undergraduate Business Services fee.
- College of Natural Sciences and Mathematics Thesis and Dissertation Binding fee.
- Engineering Resource fee.
- Physics Incidental fee.
- Application fee.

**Laboratory fee:**

- Pharmacy Lab fee.

**Designated fees:**

- Student Services fee.
- Recreation and Wellness fee.

**Total Student Fee Revenue**

During fiscal year 2007, UofH collected \$83,477,386 in fees from students (an average of \$2,907 per full-time student during the fiscal year).

UofH spent and transferred most incidental fees in accordance with applicable laws and policies.

Texas Education Code, Section 54.504, states that “the rate of an incidental fee must reasonably reflect the actual cost to the university of the materials or services for which the fee is collected.” However, UofH had account balances in four of the incidental fee accounts tested at the end of fiscal year 2007. Allowing unspent fee revenue to be carried forward each fiscal year could result in the accumulation of balances. If not considered when setting future fee amounts, this accumulation could result in future fee rates being set too high. Specific account balance information at the end of fiscal year 2007 was as follows:

- UofH spent \$64,945 (57.2 percent) of the \$113,586 in Physics Incidental fee revenue collected in fiscal year 2007, ending the year with a balance of \$123,328 in that fee account. UofH plans to spend those funds on new laboratory equipment, including computers, printers, and scientific instruments.
- UofH spent \$16,362 (76.5 percent) of the \$21,395 in College of Natural Sciences and Mathematics Thesis and Dissertation Binding fee collected in fiscal year 2007, ending the year with a balance of \$9,750 in that fee account. UofH collected Thesis and Dissertation Binding fee revenue at the end of fiscal year 2007; however, it did not make payments for binding services until fiscal year 2008. UofH asserts that this time frame is expected, given the natural business cycle of the services involved.
- UofH spent \$510,788 (74.0 percent) of the \$689,914 in Engineering Resource fee revenue collected in fiscal year 2007, ending the year with a balance of \$305,018 in that fee account.
- UofH ended fiscal year 2007 with a balance of \$666,723 in the Undergraduate Business Services fee account. UofH spent \$546,181 (81.9 percent) of the available balance during fiscal year 2008 on seating, blinds, and other items for classroom renovations. These expenditures were for purposes other than “materials or services for which the fee was collected,” as required by Texas Education Code, Section 54.504.

Information regarding the amounts collected and the account balances for selected incidental fees is presented in Table 2.

Table 2

Selected Incidental Fee Account Balances at UofH As of the End of Fiscal Year 2007		
Fee Name	Fee Revenue Collected in Fiscal Year 2007	Fee Account Balance as of the End of Fiscal Year 2007
Physics Incidental Fee	\$ 113,586	\$123,328
College of Natural Sciences and Mathematics Thesis and Dissertation Binding Fee	\$ 21,395	\$ 9,750
Engineering Resource Fee	\$ 689,914	\$305,018
Undergraduate Business Services Fee	\$4,825,726	\$666,723

Auditors were unable to determine whether UofH collected laboratory fees in accordance with applicable laws and policies. Additionally, UofH should improve its monitoring of laboratory fee account balances.

UofH spent laboratory fees in accordance with applicable laws and policies. However, auditors were unable to determine whether UofH collected laboratory fees in accordance with Texas Education Code, Section 54.501, which states that laboratory fee rates “may not exceed the cost of actual materials and supplies used by the student.”

**Pharmacy Lab Fee Account  
Balance and Revenue  
Information**

UofH collected \$27,002 in Pharmacy Lab fee revenue during fiscal year 2007. UofH ended the fiscal year with a balance of \$140,679 in that fee account.

The reason auditors were unable to determine whether this fee was collected in accordance with statute was because UofH made expenditures related to pharmacy laboratory operations with funds from other accounts, rather than with funds it collected from the Pharmacy Lab fee. This caused an increase in the fund balance for the Pharmacy Lab fee account. UofH spent \$2,761 (10.2 percent) of the \$27,002 collected as Pharmacy Lab fee revenue during fiscal year 2007, ending the year with a balance of \$140,679 in that fee account. UofH accumulated this balance to fund a planned update of its Pharmacy Skills Laboratory.

UofH appropriately collected, spent, and transferred all designated fees in accordance with applicable laws and policies.

UofH collected, spent, and transferred Student Services fees and Recreational and Wellness fees as required by the Texas Education Code, Sections 54.5061 and 54.528, respectively.

## Recommendations

UofH should:

- Account for student fees in a manner that allows it to ensure that it collects and spends funds in accordance with applicable laws and policies.
- Regularly review and determine whether it sets student fee rates in accordance with applicable laws and policies.
- Monitor student fee account balances to ensure that it continues to set student fee rates in accordance with applicable laws and policies.

## Management's Response

*Thank you for the opportunity to provide comments in response to your recommendations for the University of Houston in your report on student fees at selected higher education institutions. The University of Houston recognizes its responsibility for the management of fees levied upon students and uses a comprehensive organization of fee revenue and expenditures in the University's chart of accounts to identify the uses of these funds. Additionally, the University requires an annual report of collections and expenditures of each fee which is then subjected to analysis and review. Finally, any new fee or change to an existing fee is brought before the University Tuition and Fee Committee for recommendation to the President and to the Board of Regents. Our responses to your recommendations in your report on student fees at selected higher education institutions are as follows:*

***Recommendation: Account for student fees in a manner that allows it to ensure that it collects and spends funds in accordance with applicable laws and policies.***

*To ensure compliance with applicable laws and policies, the University will modify the existing training for fee management and reporting. The University of Houston establishes specific cost centers in the chart of accounts for every incidental fee to monitor collection and expenditure of each fee, and requires an annual review of revenue and expenditure by each cost center manager. Reporting processes and training materials will be updated to emphasize identification of potentially inappropriate expenditures and correction of those expenditures.*

***Person responsible for implementing corrective actions:***

*Executive Director, Academic Budgets and Administration, University of Houston*

***Timeline for implementation:***

*This action will be complete by December 31, 2008.*

***Recommendation: Regularly review and determine whether it sets student fee rates in accordance with applicable laws and policies.***

*The University of Houston will incorporate review of incidental student fee rates into the college budget building process in order that rates are in accordance with applicable laws and policies. The University's budget cycle for fiscal year 2009 will begin in December, 2008 and complete in August, 2009.*

***Person responsible for implementing corrective actions:***

*Executive Director Academic Budgets and Administration, University of Houston*

***Timeline for implementation:***

*This action will be complete by August 31, 2009.*

***Recommendation: Monitor student fee account balances to ensure that it continues to set fee rates in accordance with applicable laws and policies.***

*The University of Houston will review its policies for ending balances in student fee cost centers to ensure that those policies are in compliance with applicable law. Policy review will be completed by December 31, 2008 and revised policies will be incorporated into the fee review cycle for fiscal year 2009.*

***Person responsible for implementing corrective actions:***

*Executive Director, Academic Budgets and Administration, University of Houston*

***Timeline for implementation:***

*This action will be complete by May 31, 2009.*



John Keel, CPA  
State Auditor

An Audit Report on  
**Campus Safety and Security  
Emergency Management Plans  
at Texas Public Universities**

October 2008  
Report No. 09-009





An Audit Report on

## **Campus Safety and Security Emergency Management Plans at Texas Public Universities**

SAO Report No. 09-009  
October 2008

### **Overall Conclusion**

Texas's 35 public universities (universities) have developed emergency management plans for various potential hazards. The concepts addressed in these plans and the implementation statuses of the plans differ among the universities. State requirements are unclear as to whether universities are required to adopt National Incident Management System (NIMS) standards, which are designed to provide a consistent approach to emergency management among differing agencies and institutions. Additionally, the State does not have emergency management requirements for higher education institutions or a central point of authority specific to emergency management at higher education institutions to standardize, coordinate, and monitor emergency preparedness at the institutions.

The 35 universities have identified dozens of potential hazards for which to plan a response, such as threats of violence, weather, health emergencies, and transportation accidents. Among the events affecting Texas public universities from January 2008 through August 2008 were a campus lockdown, a tropical storm, hurricanes, infectious disease cases, and a serious boating accident that resulted in a death.

The State's 35 public universities reported that 1,100 crimes were committed on or around their campuses in 2006. These reported crimes included 657 burglaries, 96 aggravated assaults, and 67 sex offenses. Because of the variety of potential hazards, it is important that universities take an all-hazard approach to emergency planning and perform campus-specific risk assessments, testing, and monitoring to increase the likelihood of an appropriate response in the event of an actual emergency.

#### **Emergency Management**

Emergency management is the continuous process of mitigating the effects of and preparing for emergencies and then responding and recovering from emergencies once they occur.

An emergency management plan outlines concepts of operations for coordinated efforts by all responders to perform emergency functions.

According to the Governor's Division of Emergency Management, "It has been repeatedly demonstrated [that] pre-planning emergency operations saves time in getting operations underway, facilitates integrated effort, and helps ensure essential activities are carried out efficiently."

#### **Texas Public Universities**

For the fall 2007 semester, 497,195 students were enrolled at the state's 35 public universities, and 33,802 faculty were employed by these universities.

Sources: *Local Emergency Management Planning Guide*, Governor's Division of Emergency Management; and the Higher Education Coordinating Board.

*This audit was conducted in accordance with Texas Government Code, Section 321.0134.*

*For more information regarding this report, please contact Sandra Yice, Assistant State Auditor, or John Keel, State Auditor, at (512) 936-9500.*

## **Key Points**

**Key elements and implementation statuses of emergency management plans vary among universities.**

The universities have developed emergency management plans that differ in terms of concepts addressed. Auditors evaluated the universities' emergency management plans using 11 broad categories of state planning standards most applicable to higher education institutions. The majority of the plans reviewed contained the recommended elements for three categories: concept of operations, organization and assignment of responsibilities, and direction and control.

However, universities could improve their emergency planning activities in four categories: emergency management plan approval and implementation, identification of situations and assumptions, development and maintenance of the emergency management plan, and consistent identification of emergency readiness levels. In addition, the universities are at various stages of implementing their emergency management plans. While 30 universities have completed emergency management plans, only 9 of these plans have been approved by university executive management. Five universities' emergency management plans were still in draft form. In the event of an actual emergency, an approved emergency management plan that includes a standardized set of elements would allow multiple entities to work together and coordinate a response.

**Universities could improve their reporting of campus security and crime to better comply with the federal Clery Act.**

The federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) requires higher education institutions to disclose campus crime statistics and security information to current and prospective students and employees. The Clery Act also requires higher education institutions to publish annual security reports that describe their campus security policies and contain statistics regarding crime that occurred on and around campus. Texas universities self-report this information to the U.S. Department of Education. There is no central reporting point at the state level to receive, analyze, and monitor this information. For calendar year 2007:

- Two universities did not produce and distribute these required annual security reports.
- Seventeen universities did not include all required information in their annual security reports.
- Daily crime logs that auditors reviewed at two of the six universities visited did not contain all the elements required by the Clery Act.

**Universities could take additional steps to increase their preparedness for emergencies.**

Universities have taken steps to prepare for emergencies such as reviewing and updating their emergency management plans and implementing emergency notification systems. However, universities could take additional measures to increase their ability to effectively prepare for emergencies. Specifically, universities could:

- Include risk assessments in their emergency management plans.
- Provide emergency training to all personnel with a role in emergency response.
- Increase the frequency of emergency plan exercises.

**Universities have taken steps to mitigate their exposure to hazards.**

To reduce the risk or potential loss from emergency events, universities have implemented a number of mitigation activities. These include providing mental health services to the campus community, offering education and outreach programs, and implementing physical security measures around their campuses. Universities could enhance their mitigation efforts by training faculty, staff, and students on emergency protocol and offering outreach programs on how to identify students exhibiting at-risk behaviors. Auditors reviewed 20 previous reports on campus safety produced by organizations and universities in other states; 90 percent of these reports included a similar recommendation.

**Universities are not fully accessing emergency management resources currently available to them.**

A number of federal, state, and other resources are currently available to assist universities in their emergency planning efforts; however, some universities are not aware of or fully using these resources. For example, the U.S. Department of Homeland Security and the Governor's Division of Emergency Management provide tools and checklists for developing emergency management plans. Additionally, the Texas Engineering Extension Service and the Law Enforcement Management Institute of Texas provide emergency operations training, while the Texas School Safety Center acts as a clearinghouse for higher education-related safety information. However, emergency management personnel at the universities were not always aware of these resources.

**Other states have recommended or mandated new campus security measures.**

A number of universities, task forces, and state legislatures have reviewed the status of campus security and recommended or enacted a variety of different measures to improve campus safety at higher education institutions. Among the most common recommendations are recommendations for higher education institutions to:

- Establish campus-specific emergency management plans.
- Conduct regular training and exercises of their emergency management operations.
- Implement emergency notification systems to alert the campus community during an emergency.

### ***Explanation of Management Response***

The recommendations in this report are not directed to the 35 public universities included in this audit; as a result, auditors did not request management responses. To ensure the accuracy of reported information, auditors provided each university an opportunity to review the information about its emergency management plan, annual security report, and significant incidents. Auditors also requested and incorporated, as appropriate, technical comments from the Governor's Division of Emergency Management.

The recommendations in this report require legislative action to enact and could potentially affect all Texas higher education institutions. Therefore, the recommendations are directed to the Legislature for its consideration.

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

The objective of the audit was to determine if the State's public universities have designed and implemented campus safety and security emergency management plans that include ongoing risk assessment, monitoring, and testing of the plans to ensure an appropriate response in the event of an actual emergency.

The scope of the audit covered the current emergency management plans for Texas's 35 public universities and on-site reviews of emergency management programs at six universities.

The audit methodology included reviewing emergency management plans, surveying university personnel about their emergency management practices, reviewing annual security reports, conducting site visits at six public universities, reviewing recommendations from other reports about campus safety, and reviewing other states' laws regarding campus safety.

UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: Ethics and Conflict of Interest Policies

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

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

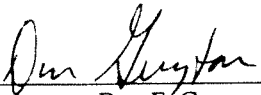
FISCAL NOTE:

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

ACTION REQUESTED: Information

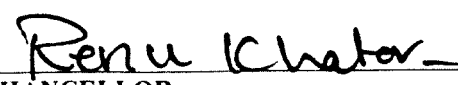
COMPONENT: University of Houston System

DIRECTOR, INTERNAL AUDITING

  
Don F. Guyton

11/18/08  
DATE

INTERIM CHANCELLOR

  
Renu Khator

11/25/08  
DATE

UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: Annual Fraud Prevention and Awareness Report

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

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

FISCAL NOTE:

SUPPORTING DOCUMENTATION: Annual Fraud Prevention and Awareness Report

ACTION REQUESTED: Information

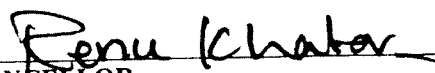
COMPONENT: University of Houston System

DIRECTOR, INTERNAL AUDITING

  
Don F. Guyton

11/18/08  
DATE

INTERIM CHANCELLOR

  
Renu Khator

11/25/08  
DATE

**University of Houston System  
Annual Fraud Prevention and Awareness Report  
FY 2008**

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 2008, UH and UHSA departments completed their fourth annual online Department Fraud Risk Survey for FY08 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 second 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. 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. Beginning September 4, 2008, P-Card applicants are also required to pass a criminal history investigation prior to receiving a P-Card.

Though department administrators are primarily responsible for reviewing the P-Card transactions within their department, Accounts Payable increased oversight of P-Card activity in the last quarter of FY08. Two students from the UH Bauer College of Business were hired to review P-Card transactions and report instances of non-compliance, such as inadequate documentation or other violations of university policy. After three instances of non-compliance involving unauthorized charges, the card is cancelled. Any non-compliance that appears to involve fraudulent activity is reported to Internal Audit for investigation.

Finally, UH Finance maintains a link to fraud and institutional compliance frequently asked questions on the Finance home page ([www.uh.edu/finance](http://www.uh.edu/finance)), which includes instructions for reporting suspected fraud and non-compliance through the MySafeCampus telephone hotline or web link. Employees were also reminded about MySafeCampus in the *Employee Focus* and *Business Notes and News* electronic newsletters, which are distributed by email to UH faculty and staff.

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

The University of Houston – Clear Lake expanded its fraud prevention and awareness activities with the formal establishment of the campus Institutional Compliance program on October 29, 2002. On September 29, 2004, to comply with Executive Order #RP36, a fraud prevention/awareness activity plan was submitted to the Governor’s Office. Our Vice President of Administration and Finance is designated as the campus contact person for fraud and prevention.

The university has made steady progress towards its fraud awareness goals. During new employee orientation, new hires are made aware of our institutional compliance program, My Safe Campus, and are shown the internal controls video. The campus has standards in place when hiring new employees, including background checks of security sensitive positions and verification of education credentials of faculty. UHS and campus Employee Standards of Conduct policies are distributed annually by email to every employee so that they are aware they are accountable to a code of conduct and high ethical standards. The University of Houston – Clear Lake collects on-line External Consulting and Professional Services Reporting, Related Party Disclosure, and the Expert Witness Forms. All employees have been informed that suspected fraudulent or non-compliant activities should be reported confidentially by use of the MySafeCampus hotline or MySafeCampus on-line reporting, or UHCL mailbox 373. New employees receive this information during New Employee Orientation.

The Director for General Accounting, Mr. David Kelling, CFE, CPA, for the University of Houston – Clear Lake, developed a fraud survey that was implemented in the FY 2007 and FY 2008. Mr. Kelling completed 40 CPE hours directly related to fraud in FY 2006 and FY 2007 to maintain his CFE. This assessment survey will be used as a tool to discover weaknesses and strengths of each business unit’s internal controls.

On-line training was well received in the past, and University of Houston – Clear Lake agreed at the July 25, 2006, meeting of the UHS Institutional Compliance Officers to implement the on-line training on Fraud Awareness being developed by UHS. The University of Houston – Clear Lake Compliance Committee completed an audit of Risk Assessments in FY 2007 on: Major property damage/destruction, FERPA, Travel risks, and TDLR and in FY 2009 will be evaluating:

- Expansion of Committee
- Optimization Forms Access
- Compliance section worksheets



In preparation for the possibility of a Sarbanes for State Agency regulation, the University of Houston – Clear Lake Compliance Committee Assistant attended Society of Corporate Compliance and Ethics Conference for Effective Compliance Systems in Higher Education.

The FY2007 Overall Fraud Risk Assessment report for the University of Houston-Clear Lake follows:

**Overall Fraud Risk Assessment  
University Of Houston – Clear Lake  
January 5, 2007**

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**Report Scope**

Using the following 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), and 9 - Very High (provides a very high opportunity for fraudulent activity and requires design and implementation of strategy for improvement immediately), recommended control measures existing or not existing were rated for University of Houston - Clear Lake ("the University") for fraud risk categories (Information, General Accounting, General Resources, Assets, Petty Cash and Cash Receipts, Inventory, Owned Vehicles, Accounts Payable and Travel, General Purchasing, Purchase of Services, Human Resources, Payroll, and Computing). A total of 93 recommended control measures were rated.

**Fraud Risk Assessment Results**

<u>Fraud Risk Category</u>	<u>Number Control Measures Rated</u>	<u>Sum of Fraud Risk Assessment Ratings</u>	<u>Average Fraud Risk Assessment Rating</u>
Information	4	4	1.0
General Accounting	6	8	1.3
General Resources	6	6	1.0
Assets	5	5	1.0
Petty Cash and Cash Receipts	9	9	1.0
Inventory	7	7	1.0
Owned Vehicles	5	5	1.0
Accounts Payable and Travel	6	6	1.0
General Purchasing	5	5	1.0
Purchase of Services	9	11	1.2
Human Resources	8	12	1.5
Payroll	8	8	1.0
Computing	15	19	1.3
<b>Totals for the University</b>	<b>93</b>	<b>105</b>	<b>1.1</b>

**Overall Fraud Risk Assessment Rating**

Based on the fraud risk assessment results, the University as of January 5, 2007, has an overall fraud risk assessment rating of "Very Low" to "Low."

**Finding And Recommendation**

Finding: From the fraud risk assessment evaluation of Computing, it was learned that regular reviews of internet browsing usage to detect excessive usage and reviews of websites visited are not being performed.

Recommendation: To strengthen the internal control over employee usage of the internet, regular reviews of internet browsing usage and websites visited should be performed to detect potential excessive usage and/or fraudulent or illegal usage.

**Overall Fraud Risk Assessment  
University Of Houston – Clear Lake  
February 20, 2008**

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The FY2008 Overall Fraud Risk Assessment report for the University of Houston-Clear Lake follows:

**Report Scope**

Using the following 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), and 9 - Very High (provides a very high opportunity for fraudulent activity and requires design and implementation of strategy for improvement immediately), recommended control measures existing or not existing were rated for University of Houston - Clear Lake ("the University") for fraud risk categories (Information, General Accounting, General Resources, Assets, Petty Cash and Cash Receipts, Inventory, Owned Vehicles, Accounts Payable and Travel, General Purchasing, Purchase of Services, Human Resources, Payroll, and Computing) and were confirmed with the University's Business Coordinators as either existing or not existing. A total of 91 recommended control measures were rated.

**Fraud Risk Assessment Results**

<b><u>Fraud Risk Category</u></b>	<b><u>Number Control Measures Rated</u></b>	<b><u>Sum of Fraud Risk Assessment Ratings</u></b>	<b><u>Average Fraud Risk Assessment Rating</u></b>
Information	4	4	1.00
General Accounting	6	6	1.00

General Resources	6	6	1.00
Assets	5	5	1.00
Petty Cash and Cash Receipts	9	9	1.00
Inventory	5	5	1.00
Owned Vehicles	5	5	1.00
Accounts Payable and Travel (A)	6	10	1.67
General Purchasing (A)	5	7	1.40
Purchase of Services	9	11	1.22
Human Resources	8	12	1.50
Payroll	8	8	1.00
Computing	15	19	1.27
<b>Totals for the University</b>	<b>91</b>	<b>107</b>	<b>1.18</b>

**Note (A)**

During Fiscal Year 2007, an Executive Director of Procurement/Payables was named to manage and supervise the Procurement, Accounts Payable, and Travel functions for the University which; on the surface, would appear to be a violation of the "separation of duties premise" of proper internal control that states that no person should be assigned or have duties whereby they can both perpetrate and conceal fraud. It was determined from a thorough review of the job duties currently assigned to the Executive Director of Procurement/Payables and the internal control procedures currently in place under the authority of the Executive Director of Procurement/Payables that there is not a violation of the "separation of duties premise."

**Overall Fraud Risk Assessment Rating**

Based on the fraud risk assessment results, the University as of February 20, 2008, has an overall fraud risk assessment rating of "Very Low" to "Low." Also, it was confirmed from the formal review and testing of the responses obtained from the University's Business Coordinators that adequate control procedures do exist to substantiate an overall fraud risk assessment rating of "Very Low" to "Low".

**University of Houston-Downtown**

The annual Fraud Risk Survey was conducted in June and July 2008. The survey was sent to the heads of 42 departments and 39 surveys were completed in the allotted timeframe. (93%) The missing responses were mainly due to changing department heads during the summer months. Next year the survey will be sent primarily to the Business Managers to ensure that they are involved in this process. The Fraud Survey is more a tool to remind the departments of all of those requirements that must be completed and processes that must be followed during normal operations in order to minimize the risk of fraud and to help detect and correct situations that may be conducive to fraudulent activity.

The policy statement for General Procurement/Procurement Card has been updated to address identified weaknesses and is pending final review/approval. All P-Card users are required to attend annual training and sign a statement certifying that they understood the training and that they will only use their P-Cards as appropriate per policy. Individuals not in compliance will have a hold placed on their P-Card until the requirement is met. UHD has a position in its Purchasing department that is dedicated exclusively to administration of the P-card program. This individual reviews all P-Card transactions as they are submitted and forwards information on questionable charges to the Director of Budget & Procurement and, if warranted, to the VP for Administration & Finance.

The "Risk Evaluation and Planning System Survey" was completed as requested by the State Office of Risk Management (SORM) prior to the on-site comprehensive review of our risk management program in March 2008. The SORM representatives made several recommendations on how UHD could improve and maintain the effectiveness of its program. UHD leadership has taken initial steps to dedicate more resources to ensure a viable comprehensive risk management program.

The re-engineered UHD website that will be launched in February will have a heightened MySafeCampus presence. A link to MySafeCampus will be available from numerous pages on the revamped site, including **Faculty and Staff, Employment Services and Operations, and Contract Administration**. Additionally, the Institutional Compliance Committee members have been asked to raise awareness of MySafeCampus during meetings and in training sessions. Information on the anonymous incident reporting system is also included in the New Employee Orientation training.

The risk management component of the UHD Compliance Program was completed during FY08. The process began with the identification of 170 risks. The Monitoring Plan, which covers 32 high impact risks, is considered best practice and was presented by the UHD Compliance Officer during the June 2008 Conference for Effective Compliance Systems in Higher Education. Subject Matter Experts report quarterly on the failures identified by the controls in place to prevent and detect incidents of non-compliance. The report includes the cause of the failure as well as actions taken to mitigate repetitive failures.

Training materials have been developed to improve the protection of sensitive and confidential data available through UHD's information system.

### **University of Houston-Victoria**

UH-Victoria continued its efforts in fraud prevention and fraud awareness during FY08 in various ways. Campus fraud prevention and awareness activities remain integrated within UHV's Institutional Compliance Program.

As part of prevention and awareness measures, new staff continue to be introduced to fraud prevention and institutional compliance as part of the new employee orientation program. During the final part of the fraud awareness orientation, employees previewed a short film, "How Fraud Hurts You and Your Government Organization", obtained from the State Auditor's

Office, which emphasizes the personal consequences of employee involvement in fraudulent activities.

As a UHS component, UHV fully participated in the employee mandatory training program. Employees were automatically enrolled in online Fraud Prevention and Awareness Training and Code of Ethics training. Certain employees were also enrolled in the online Related Party Disclosure module.

During FY08, employees and students were routinely reminded, via the monthly Campus Incident Reports newsletter ([http://www.uhv.edu/fin/safety/manual/Incident\\_Log/Incidlog.htm](http://www.uhv.edu/fin/safety/manual/Incident_Log/Incidlog.htm)) to report suspected fraud or other non-compliance issues confidentially through MySafeCampus online or the 1-800 hotline number. For this reporting period, one incident of suspected fraud was reported anonymously through MySafeCampus. Upon investigation, the incident was found to involve fraud and resulted in the employee's dismissal for fraudulent purchases using a procurement card. To help prevent future incidents, control procedures were changed to require detailed receipts to be obtained for credit card purchases and uploaded into PeopleSoft; approving supervisors are now regularly reminded of their responsibility to review cardholder purchases and supporting receipts for appropriateness. Additionally, the ProCard Administrator now reviews the bank master credit card expense report in an effort to flag possible compliance issues.

Financial Aid employees, for the second year, were required to sign a Standards of Conduct and Conflict of Interest Certification. Each Financial Aid employee acknowledges a list of specific activities that are prohibited and acknowledges responsibility to report any real or apparent conflict of interest, violations of laws or regulations, fraud, theft or other financial aid irregularities promptly.

In conclusion, the FY08 Department Fraud Risk Survey will be completed by December 15<sup>th</sup>. The purpose of the survey is to increase supervisor awareness, discover weaknesses in operations and strengthen a department's internal controls. Unit heads will be required to sign and acknowledge their responsibility to comply with university policies and procedures and maintain effective fraud prevention controls within their department.

UNIVERSITY OF HOUSTON SYSTEM  
BOARD OF REGENTS AGENDA

COMMITTEE: Audit and Compliance

ITEM: Update on analyses conducted at UH associated with the  
"Breakthrough Solutions"

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Board will receive a report on the status of analyses conducted at the University of Houston related to specific recommendations made to the Board by the Pappas Consulting Group related to the "Breakthrough Solutions." Those analyses related to compliance will be presented to the Audit and Compliance Committee.

FISCAL NOTE:

SUPPORTING DOCUMENTATION: Executive Summary, Selected Analyses related to the  
Seven Breakthrough Solutions at the University of Houston

ACTION REQUESTED: Information

COMPONENT: University of Houston

PRESIDENT	<u>Renu Khator</u>	Renu Khator	<u>11/25/08</u>
			DATE
DIRECTOR, INTERNAL AUDITING	<u>Don Guyton</u>	Don Guyton	<u>11/24/08</u>
			DATE
CHANCELLOR	<u>Renu Khator</u>	Renu Khator	<u>11/25/08</u>
			DATE



### “Breakthrough Solutions”

This document describes the status of the University of Houston with respect to 5 of 7 “breakthrough solutions”, prior to any additional actions being taken as a result of the recent initiative presented to university regents at the Governor’s Higher Education Summit held on May 21, 2008. As described below, there are many recurring processes and initiatives underway at UH consistent with these solutions. We are in the process of considering appropriate modifications.

In a conference call held on June 16, 2008, Texas regents collectively decided not to address solutions #6 and #7 given that these are expected to be addressed by the Legislature and/or the Texas Higher Education Coordinating Board.

### STATUS of UH

#### Solutions #1, #2 & #4 – Teaching Efficiency, Effectiveness, & Rewards

##### Scholars and Teaching

- University of Houston faculty members are more than teachers; they are scholars, innovators, and explorers. They teach their students how to be teachers, researchers, explorers, innovators and entrepreneurs. They teach them how to think beyond what has already been discovered.

##### Teaching Excellence

- The University of Houston expects and values high quality teaching by all instructional faculty members, be they tenured, tenure-track, or non-tenure track.

##### Student Satisfaction

- Each student is encouraged to express his or her level of satisfaction upon completion of each course. End of course evaluations are administered to give students the opportunity to reveal and document their level of satisfaction with the course materials and the quality of instruction.
- Teaching effectiveness, as evidenced by student evaluations, contributes data for the annual merit review process for all faculty members. The merit review process is tied to a faculty member’s annual salary.

- Student satisfaction findings contribute to faculty evaluations and the identification of opportunities for improving instruction.

#### Public Disclosure of Student Satisfaction Ratings

- Student satisfaction ratings of teaching performance are compiled for each instructor by course and posted for public review in the university library. Students have access to these ratings.

#### Monetary Awards for Excellent Teaching

- The University of Houston Teaching Excellence Awards for outstanding faculty and teaching assistants/fellows carry cash prizes of \$5,000 for faculty and \$1,000 for teaching assistants/fellows. Eight Teaching Excellence awards are granted to faculty: four awards are reserved for exceptional tenure or tenure-track professors, two awards are reserved for tenured or tenure-track faculty who teach University Undergraduate Core Curriculum courses, one award is reserved for faculty who have demonstrated excellence in innovative teaching using instructional technology, possibly including but not limited to hybrid courses, online courses, and instructional television, and one award is reserved for outstanding faculty who do not have tenured or tenure-track positions, including Instructors, Clinical Faculty, Research Faculty, Artist Affiliates, and Lecturers. There are two awards reserved for teaching assistants/fellows.

#### Teaching Excellence & Tenure

- Tenure is awarded to a faculty member either upon appointment or following a probationary period. Tenure is awarded only after a rigorous review at the department, the college, and the university level based on criteria including evidence of teaching excellence.
- The post tenure performance review process “intended to ensure that each tenured faculty member consistently performs at an acceptable professional level” is utilized. This process provides recurring reviews of teaching performance.

#### Student Learning Outcomes

- Learning outcomes are defined for each program. The extent to which students learn specified outcomes is regularly assessed. Assessment findings contribute information for improving teaching and learning.



### Solution #3 – Split Research & Teaching Budgets to Encourage Excellence in Research & Teaching

#### Teaching and Research mission

- As a metropolitan research university, UH is engaged in innovation, teaching, knowledge generation, instruction, service, and commercialization. Teaching excellence at UH involves linking inquiry to instruction, which is the unique mission of a research university.
- Separating research from teaching would deprive our students of learning from scholars.

#### Faculty Expectations

- Faculty members are expected to conduct research and scholarly activities; effectively teach new knowledge; and provide service to their communities. These integrated activities are tracked through faculty assignments and reviewed annually.
- Research faculty are encouraged to use external research funding to support their salaries during the summer, with the result of incrementing their annual salaries.

#### Budgets

- Departmental budgets are primarily derived from student enrollment and supplemented by research budgets.
- Separate budgets are assigned to grants, contracts, and sponsored research initiatives.
- The Office of Research is putting in place a formula for allocation and reallocation of indirect cost funding based on whether or not the college or department met specific sponsored research targets.

#### Recognition

- Annually UH publicly celebrates the research accomplishments of faculty with monetary awards.
- Tenure is awarded to faculty, either upon appointment or following a probationary period, only after review at department and/or college as well as university level based on criteria that include evidence of research excellence. Annual merit reviews and resulting salary adjustments place significant emphasis on evidence of scholarly activity. In disciplines where external funding opportunities exist, the amount of external funding weighs heavily on faculty evaluations.

## Solution #5 – Results based contracts with students

### Excellence

- The UH degree signifies that a person has not only acquired basic knowledge, but has learned how to innovate and explore in their field. It is the interaction with a faculty of scholars that makes this possible.

### Student success information

- Student success is dependent on a student's ability to access information, complete degree and course requirements. UH provides information to each student in university catalogs, on web sites, and through advisement services.
- Students are provided with information on specific degree requirements by their advisors, in admissions materials, catalogs, and the university web site.

### Student "contracts"

- Once enrolled students are provided academic advising to assist them in identifying a planned program of studies to guide their completion of required and elective courses. Program plans are signed by individual students. Program requirements are posted on college and department web sites for easy access by students.
- Each UH instructor provides a syllabus for each course. Syllabi specify learning outcomes, course activities, and expectations for success.

### Learning outcomes

- Consistent with the accreditation requirements of the Southern Association of Colleges and Schools, learning outcomes are specified for each program, each course, and subject to recurring assessment.
- UH participates in the Voluntary System of Accountability (VSA) and provides information to students and families on institutional performance related to student success and satisfaction.