

**MINUTES**  
**UNIVERSITY OF HOUSTON SYSTEM**  
**BOARD OF REGENTS**  
**AUDIT AND COMPLIANCE COMMITTEE**

Thursday, November 14, 2019 – The members of the Audit and Compliance Committee of the University of Houston System Board of Regents convened at 10:35 a.m. on Thursday, November 14, 2019, at the Hilton University of Houston Hotel, Conrad Hilton Ballroom, Second Floor, 4450 University Drive, Houston, Texas, with the following members participating:

ATTENDANCE –

Members Present

Jack B. Moore, Chair  
Steve I. Chazen, Vice Chair  
Durga D. Agrawal, Member  
Gerald W. McElvy, Member  
John A. McCall, Jr., Member  
Tilman J. Fertitta, Ex Officio Member

Non-Member(s) Present

Beth Madison, Regent  
Doug H. Brooks, Regent  
Alonzo Cantu, Regent  
John D. Fields, Student Regent Non-voting

Regent Moore began by recognizing the presence of Peter K. Taaffe, former Regent and Chair of the Audit and Compliance Committee. He thanked him for his many years of service and was glad that he was present at this meeting.

Following this announcement, in accordance with a notice being timely posted with the Secretary of State and there being a quorum in attendance, the Chair of the Committee, Jack B. Moore called the meeting to order at approximately 10:35 a.m. He stated the committee would be presented with one (1) action item for its consideration and approval and nine (9) items presented for information only.

Regent Moore stated the first order of business would be Item B, the approval of the minutes from the August 22, 2019, Audit and Compliance Committee meeting listed on the committee's agenda; but before moving to this first action item, Chairman of the Board, Tilman J. Fertitta stated he wanted to take this opportunity to swear-in two (2) new regents, Alonzo Cantu and John A. McCall, Jr.

Chairman Fertitta said that both Regent Cantu and Regent McCall had recently been appointed to the Board by Governor Greg Abbott, along with Regent Durga D. Agrawal, who had been reappointed to the Board - each serving for a six (6) year term. The effective date of their appointments was November 8, 2019 and they will serve until August 31, 2025. Regent Alonzo Cantu and Regent John A. McCall, Jr., along with Chancellor Renu Khator were asked to step up to the podium for the swearing-in ceremony. Following each regent's Oath of Office, they received their regent's medallion, which depicts the seal of the University of Houston, and very appropriately, is derived from the family crest of Sam Houston, along with a lapel pin, which

identifies them as a University of Houston System Regent. The Chairman congratulated all three (3) regents on their appointments and stated he was looking forward to working with all of them.

After the swearing-in ceremonies were completed, Chair of the Committee, Regent Jack Moore, called for the approval of the minutes from the August 22, 2019 meeting as they were distributed.

**Action Item(s):**

1. Approval of Minutes – Item B

On motion of Regent Chazen, seconded by Regent McElvy, and by unanimous vote of the regents in attendance, the following minutes from the meeting listed below was approved:

- August 22, 2019, Audit and Compliance Committee Meeting

Following the approval of the minutes, at 10:42 a.m., Regent Moore stated he was taking the agenda out of order and moved to Section II listed on the agenda, the Executive Session. He said the committee would go into Executive Session pursuant to the sections of the Texas Government Code listed on page 2 of the agenda; and as a member of a Special Committee, under Bylaw 5.8.1, Regent Moore asked former Regent Peter Taaffe to remain as well as Mr. Don Guyton, Ms. Dona Cornell and Mr. Chris Pezman.

**Executive Session:**

Regent Moore reconvened the committee meeting in open session at 11:35 a.m. and stated the Board had met in Executive Session and discussed personnel matters and consulted with the General Counsel on legal matters. There was no action taken by the Board in Executive Session.

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**AGENDA ITEMS**

Regent Moore moved to the remaining items listed on the agenda and asked Mr. Don Guyton, Chief Audit Executive to present these items.

Mr. Guyton opened by saying that there were no open points from the August committee meeting. The first information item addressed was Item C, a Report on University of Houston System, Institutional Compliance Status Report for the three months ended September 30, 2019 – University of Houston System. Mr. Guyton stated this report referred to the Institutional Compliance Status Report for the three (3) months ended September 30, 2019. This report listed activities which included risk assessments, compliance audits, compliance committee meetings, risk mitigation and hot-line reports; and it was noted that the Institutional Compliance Status Report summarizes the information provided by each institution for their compliance functions.

This item was presented for information only and no further committee action is required.

The next item addressed from the agenda was Item D, a Report on University of Houston System, Internal Audit Briefing Booklet including Audit Activity Outline / Audit Plan Status, Internal Audit Reports – University of Houston System. Mr. Guyton stated this item referred to the Internal Audit Briefing Booklet. The first section in the Briefing Booklet contained an Activity Outline. As observed from this outline, Internal Audit (“IA”) had prepared nine (9) Internal Audit Reports, which included one (1) Special Project Report, since the August 22, 2019, Audit and Compliance Committee meeting. On Items 2 and 3 of this outline, there were various scheduled audits in the Fieldwork in Progress phase or in the Planning phase. These audits were included in the Board-approved Internal Audit Plan for 2019 and 2020. As noted on Item 4 in the report, IA had various Special Projects in Progress. These included the FEMA audits and the State Auditor’s follow-up work on the FY2018 audit and work on contracts at the University of Houston. Behind the Activity Outline was the Audit Plan Status. The shaded areas were completed and the footnotes indicated the status on the other areas.

The Executive Summaries of the Internal Audit Reports were discussed in the Briefing Booklet as well as the Individual Reports. These reports addressed areas included in the Board-approved Audit Plan and included a Departmental Review of the UH-Downtown College of Sciences and Technology; Reviews of the Board of Regents and Chancellor’s/President’s Office Travel and Entertainment; Internal Audit’s Annual Non-Compliance Report; IA’s Reviews of the Purchasing Function at UH-Clear Lake, UH-Downtown and UH-Victoria; a Review of the UH-Downtown Joint Admission Medical Program; and a Special Project on University of Houston Student-Athlete Health & Safety. IA’s Follow-up Status Report and their Report on Construction and Other Contracts Requiring Board Approval and Follow-up Activity were also included in the materials. These reports will be submitted to the Governor’s Office of Budget, Planning and Policy; the Legislative Budget Board; and the State Auditor, as required by the Texas Government Code.

Audit Report No. 2020-01 was Internal Audit’s Follow-up Report, which addressed the status of 15 action items in six (6) Individual Audit Reports. Internal Audit verified that 12 of the action items had been implemented, two (2) partially implemented, and one (1) not implemented. Updated management responses had been obtained on the partially implemented and not implemented action items. There were no high risk items in this report; and there were no items that had not been completed that required an explanation from management.

Audit Report No. 2020.02 was IA’s Report on Construction and Other Contracts Requiring Board approval. This is a standing report in the Briefing Booklet, similar to IA’s Follow-up Status Report. The objective of Internal Audit’s review was to determine whether the University of Houston System was complying with its policies and procedures and state statutes, particularly, the Texas Education Code in selecting its contractors for its major construction projects and other contracts requiring BOR approval. This report covers the activity from July 1, 2019 through September 30, 2019. The scope of the Internal Audit Review was listed in this report and also showed that Internal Audit had performed audit procedures on three (3) of the projects listed. Internal Audit had noted there were no unusual items or other matters that they considered non-compliant with university policies and procedures or state statutes.

Audit Report No. 2020-03 was the UH System Annual Non-Compliance Report of Departmental Reviews for FY2019. This report was a compilation of areas of non-compliance for FY2019 for all of Internal Audit's Departmental Reviews. This report will help management take action to address repetitive instances of non-compliance. These actions may include modifying its current online training programs or provide additional training.

Audit Reports Nos. 2020-04 and 2020-05 were Internal Audit's Annual Reviews of Travel and Entertainment Expenditures of the Chancellor/President and members of the Board of Regents. In IA's opinion, all expenditures were appropriately documented and allowable under university policies.

Audit Report 2020-06 was IA's Departmental Review of the UH-Downtown College of Sciences and Technology. There were no significant items noted in this report.

Audit Report 2020-07 – This was an Internal Audit Operational Review of the Purchasing function at UH-Clear Lake, UH-Downtown, and UH-Victoria. Each institution has agreed to enhance its policies and procedures related to customer service. There were no significant items noted in this report.

Audit Report 2020-08 – This is a report on UH-Downtown Joint Admissions Medical Program for FY 2019. This is a required internal audit as part of the terms and conditions of a grant. There were no findings of non-compliance with this grant.

Special Project Report 2020-01 was an Audit Report on UH Student-Athlete Health and Safety at the request of the Audit and Compliance Committee. The General Counsel determined that the description of the event asserted in a KPRC newscast that aired on June 11, 2019, which described a February 2018 women's soccer team workout as "torture," triggered the University's Hazing Policy, and as a result, requested reviews by Internal Audit and the UH Police Department. This workout was excessive and included having team members complete 250 – 300 up-down repetitions. This workout resulted in a student athlete being diagnosed and hospitalized with Rhabdomyolysis or "Rhabdo." In a separate incident, upon returning from the holiday break in January 2019, the soccer team underwent a workout that was too strenuous for the first workout of the Spring semester. Several soccer student athletes were diagnosed and hospitalized with Rhabdo. Based on these incidents, the Athletics Department terminated the Assistant Strength Coach who conducted these workouts.

The objectives of this review were to determine whether the Assistant Strength Coach, Head Women's Soccer Coach, Athletic Department Management and UH Senior Management had complied with University policies and guidelines and acted appropriately; and whether the Athletic Department had the right policies and procedures in place to address student-athlete health and safety and what improvements had been made to them. The scope of their work included interviews and reviews of various correspondence, documentation and other materials. During the last several years, student-athlete health and safety has been emphasized by both the NCAA and Athletics and Senior Management throughout the nation. On April 30, 2019, the NCAA Board of Governors endorsed the Interassociation Recommendations: Preventing Catastrophic Injury and Death in Collegiate Athletes and the NCAA clarified this endorsement by

issuing frequently asked questions in July 2019. Included in this report was a timeline related to this investigation and it contained a listing of many of the actions taken by management after learning about the Rhabdo incidents. Internal Audit concluded that the Assistant Strength Coach conducted an excessive workout in February 2018 and ignored the guidelines issued by the Sports Medicine staff when conducting the January 2019 workout that resulted in several student-athletes being hospitalized and diagnosed with Rhabdo. The Head Women's Soccer Coach acted appropriately in stopping the workout although he should have stopped the February 2018 workout before it became excessive. Athletics management acted appropriately and has continued to enhance its communication and policies and procedures related to student-athletes Health and Safety; and University Senior Management acted promptly and appropriately.

This item was for information only and no further committee action was required.

Item E, the Report on University of Houston System, Ethics and Conflict of Interest Policies of the Board of Regents and each of the Universities, Fiscal Year 2020 – University of Houston System, was the next item addressed. Mr. Guyton stated this report referred to the Ethics and Conflicts of Interest Policies of the Board and each of the universities. Item No. 23 in the Audit Committee Charter and Checklist requires an annual review of these policies to ensure that these policies are in place at all levels. Not only are these policies very important for all institutions, they are also required in order to have effective Compliance Programs and some Federal agencies such as the National Science Foundation (NSF), National Institute of Health (NIH), Department of Agriculture and the Department of Energy require conflicts of interest policies as part of the terms and conditions of awards. Internal Audit had included a summary of the policies and the changes to the policies since they were last reviewed by the Audit and Compliance Committee in November 2018. There were no policy changes of any significant substance. All of the changes referred to in the summary were marked for changes in these policies.

This item was presented for information only and no further committee action was required.

Mr. Guyton presented the next item on the agenda, Item F, a Report on University of Houston System, Annual Fraud Prevention and Awareness Report, Fiscal Year 2019 – University of Houston System. Mr. Guyton stated this item referred to the Annual Fraud Prevention and Awareness Report. The Audit Committee Planner, Item 5.05, requires the Committee to evaluate management's identification of fraud risks, the implementation of anti-fraud 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. This report also satisfies one of the requirements of Former Governor Perry's Executive Order RP-36 relating to preventing, detecting and eliminating fraud, waste and abuse. This report is a compilation of each university's comments on the status of their Fraud Prevention and Awareness Programs.

This item was presented for information only and no further committee action was required.

Next on the agenda was Item G, a Report on University of Houston System, Identity Theft Prevention Program – Executive Summary, Fiscal Year 2019 – University of Houston System.

Mr. Guyton stated this report referred to the Executive Summary of the UH System's Identity Theft Prevention Program. The Board of Regents Policy 42.02, Identity Theft Prevention Program, requires the System-wide Compliance Officer to annually prepare an Executive Summary of all activities of the Identity Theft Prevention Programs of the component institutions. This Executive Summary describes the progress that each institution has made in establishing and implementing their programs.

This item was presented for information only and no further committee action was required.

Mr. Guyton moved to Item H, a Report on University of Houston System, Annual Procurement Report, Fiscal Year 2019 – University of Houston System, and stated this report referred to the Annual Procurement Report of the University of Houston System. Board of Regents Policy 55.01.4 requires that an annual report be submitted to the Board listing all payments for professional or consulting services during the previous fiscal year to any single entity from System-wide sources greater than \$250,000; for all payments for construction, equipment, goods, and service contracts during the previous fiscal year from System-wide sources to a single entity that exceeded \$1,000,000; and all contracts that required enhanced contract or performance monitoring under several sections of the Texas Government Code. The Internal Auditing Department reviewed the methodology for compiling the report, including the procedures and criteria used to create the report. In the opinion of Internal Audit, the report preparation methodology appeared to be reasonable and the report satisfied the annual reporting requirement for procurement activity.

This item was presented for information only and no further committee action was required.

Item I, a Report on University of Houston System Internal Auditing Department Annual Report for FY2019 was the next item addressed on the agenda. Mr. Guyton said this item referred to the University of Houston System Internal Auditing Department Annual Report for FY2019. This report is required by the Texas Government Code. The State Auditor's Office prescribes the format of this report which is required to be distributed to the Governor's Office, State Auditor's Office, Legislative Budget Board, members of the UH System Board of Regents and the Chancellor. This is a comprehensive report on the activities of the Internal Auditing Department including an Executive Summary, a comparison budget to actual, a Report on Peer Review of the Internal Audit Department which is conducted every three (3) years, and various other information items.

This item was presented for information only and no further committee action was required.

Mr. Guyton presented the next item listed on the agenda, Item J, a Report on University of Houston System, Fraud and Non-Compliance Reports, Summary Report, Fiscal Year 2019 – University of Houston System. Mr. Guyton stated this report referred to the Report on Fraud and Non-Compliance Reports, Summary Report, Fiscal Year 2019. During the Fall of each year, the Chancellor sends an email reminding the entire UH System community of the vital part of our commitment to provide an environment free from discrimination, misconduct, fraudulent activity and general non-conformance with the University's policies and rules. This report summarized the receipt of these anonymous reports and their disposition for FY2019. As noted from the

report, IA received 116 reports through the Convercent Anonymous Reporting System. This report listed the types of reports received (harassment / discrimination, non-compliance, HR-type reports, IT-type reports, fraud, safety concerns and various miscellaneous reports. In addition, we received 4 additional reports through other mechanisms, including the State Auditor's Office. Of the 122 reports resolved during the fiscal year, 31 resulted in disciplinary action.

This item was presented for information only and no further committee action was required.

The last item addressed by Mr. Guyton was Item K, a Report on University of Houston System, External Audit Report – Texas Comptroller of Public Accounts Post Payment Audit of the University of Houston-Clear Lake – University of Houston System. This item referred to the UH System, External Audit Report – Texas Comptroller of Public Accounts Post Payment Audit of UH-Clear Lake.

Mr. Guyton stated the scope of the audit for UH-Clear Lake included samples of payroll and purchase transactions during the period beginning December 1, 2016 through November 30, 2017. The purpose of the audit was to determine compliance with applicable state laws. The audit showed that the university had complied with the General Appropriations Act (GAA), other relevant statutes, and Comptroller requirements. Auditors found no issues with purchase / procurement, contracts, security processes or property management. The audit report stated the university should consider making improvement to its payroll processes and segregation of duties over expenditure processing. The university satisfactorily addressed these recommendations. Also in the report is a summary table that is a good snapshot of the areas of the audit and the status of each area.

The State Comptroller's Office performs post-payment audits of each institution approximately every two (2) to three (3) years.

This item was presented for information only and no further committee action was required.

Following Mr. Guyton's presentation on this item, Regent Moore thanked Mr. Guyton for his presentations at this meeting; and turned the meeting over to Chairman Fertitta, who wanted to make a few comments.

As this was Mr. Guyton's last meeting (he will be retiring from the University of Houston System/University of Houston on January 31, 2020 after 32 years of service), Chairman Fertitta stated it had been a pleasure working with him the last 10 years. The Chairman said he didn't like internal auditors who had been around that long; he felt that they get too comfortable. He stated that he believed he had mentioned that to Don 9 or 10 years ago. But, the Chairman reiterated that Don had done an unbelievable job in the term the Chairman has been here. Don has been as thorough as he could be. Chairman stated the Board has had so many meetings over the years and that Don had truly stepped up; and he believes that the last two (2) years of Don's service had been his best 10 years! Don has looked at things like an internal auditor should look at things. Don never made things bigger than they should be; always handled things in the most professional way. The Chairman stated that it was important for people to know that Don answered to no one but the Board; and that he was the individual put in place. He was going to be

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sorely missed and thanked him for his 32 years of service; and hopes that the individual who takes his place can do 50 percent of the job he has done over the last 32 years! Chairman Fertitta concluded by saying, "Thank you, Don, so very much for your great service to the University of Houston!"

Regent Moore thanked the Chairman for his remarks on behalf of the Board; and he also congratulated Don for his great service to the University and to all of its constituents.

Following these remarks, Mr. Guyton said he wanted to make one final comment. He said it had been a pleasure for him to serve at the pleasure of the Board for these last 32 years. The Board has never really told him what to do; they pretty much let him do what he thought he should do; and that is the way it should happen with this function; it is an independent function. Mr. Guyton thanked the Board very much for this opportunity and said he had learned a lot; and now he was going to enjoy life!

There being no further business to come before the committee, this meeting was adjourned at 11:48 a.m.

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Others Present:

Renu Khator  
Jim McShan  
Paula Myrick Short  
Dona Cornell  
Richard Walker  
Juan Sánchez Muñoz  
Chance Glenn  
Lisa Holdeman  
Mike Johnson  
Barbara White  
Wayne Beran  
Dan Maxwell  
Tony Moreno  
Kim Gerry  
Eric Porter  
Jeff Collier  
Lt. Walter Lucas  
Joe Brueggman  
Ed Castello  
Marquette Hobbs

Don Guyton  
Raymond Bartlett  
David Oliver  
Steve Berberich  
Chris Paul  
Mark Denney  
Mark Clarke  
Gaston Reinoso  
Chris Pezmn  
Chris Pezman  
Caesar Moore  
Off. Roland Henderson  
Tamara Davis  
Connie Applebach  
Elias McClellan  
Emily Tran  
Matthew Castello  
Jon Aldrich  
Randy Wong  
Gerry Mathisen

Russ Hoskens  
Sandra Dahlke  
Mario Diez  
Sabrina Hassumani  
Jason Marquez  
Wayne Beran  
Jeff Palmer  
David Bradley  
Karin Livingston  
Leonard Baynes  
Shannon Harrison  
Chris Stipes  
Brandee O'Neal  
Randy Wong  
Aaron Hart  
Ed Castello  
Macie Kelly  
Shannon Harrison  
Brenda Robles