MINUTES
UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS
AUDIT & COMPLIANCE COMMITTEE

August 12, 2008

The Chair, Dennis D. Golden, convened the meeting of the Audit & Compliance Committee of the University of Houston System Board of Regents, at 3:40 p.m., in Room 128 E. Cullen, University of Houston, on Tuesday, August 12, 2008, with the following members present: Nelda L. Blair; Jacob M. Monty; and Welcome W. Wilson, Sr., Ex Officio.

Mr. Don Guyton, Director of Internal Auditing, presented the items.

Mr. Guyton stated there was one open point from the last Audit Committee meeting. The regents had discussed whether or not to sign an annual conflict of interest statement, similar to the statement signed by faculty and staff. The University of Texas System is in the process of drafting such a statement for their regents and the Texas Tech University System is considering this as well, but they have not finalized their statements. Various examples of these statements have been collected and were forwarded to Ms. Dona Cornell, General Counsel, and Dr. Dan Gardner, Chief of Staff, to help draft one for the UH System Board of Regents for their consideration.

The Audit and Compliance Committee Planner requires an annual review by the committee of the ethics and conflict of interest policies of the Board and each of the institutions at the December committee meeting. The conflict of interest statement draft will be presented to the committee and the Board for their approvals at that time.

1. **Action Items:**

   A. UHS Internal Auditing Department Long-Range Internal Audit Plan for Fiscal Years 2009-2011 - UH System

      Board review and approval was requested for the Audit Plan. This plan had been prepared to meet the requirements of the Board of Regents policy and the Texas Internal Auditing Act (Texas Government Code, Sec. 2102), as amended. The plan contained a risk assessment for all components. Risk assessment techniques had been employed to identify auditable areas and to ensure that the accounting systems and controls, the administrative systems and controls, and other major systems and controls had been reviewed on a periodic basis.

      Audits of higher risk areas help to mitigate some of the risk. A separate risk analysis for each campus had been prepared and input from key personnel throughout the entire system, including the chancellor and the

chair of the audit compliance committee, were received. Regent Monty moved committee approval and Regent Blair seconded the motion, and members of the committee concurred. This item will be presented to the Board for final approval at the August 19, 2008 meeting.

B. Audit and Compliance Committee Charter and Checklist – UH System

This item recommended guidelines for the operation of the Audit & Compliance Committee. Item 26 in the checklist required an annual review and update of this document. Minor changes had been made to the Charter and Checklist which addressed the committee membership and name and the addition of the annual compliance report of support organizations, since the University Advancement Committee had been abolished. Regent Blair moved committee approval; Regent Monty seconded the motion, and members of the committee concurred. This item required committee approval only.

C. Audit and Compliance Committee Planner – UH System

The minor changes to the planner were related to the changes to the committee meeting dates and the addition of the annual compliance report of support organizations, since the University Advancement Committee had been abolished. In addition, the annual review of the Audit and Compliance Committee Charter and Checklist will be presented at the August meeting to coincide with the review of the Planner. Regent Blair moved committee approval; Regent Monty seconded the motion, and committee members concurred. This item required committee approval only.

2. **Information Items:**

A. Internal Audit Report – Briefing Booklet – UH System

Mr. Guyton reported there were four internal audit reports prepared since the April Audit Committee meeting. These reports addressed areas which were included in the Board-approved Audit Plan for fiscal year 2008 and included reviews of one UH-Downtown college, cash handling activity, internal audit's follow-up, and Information Technology audit activity. These reports will be submitted to the Governor's Office of Budget and Planning, the Legislative Budget Board, the Sunset Advisory Committee, and the State Auditor, as required by the Texas Government Code.

Internal Audit's follow-up report addressed the status of 38 action items in 16 individual audit reports. They verified that 22 of the action items had been implemented and 16 were partially implemented. Updated management responses had been obtained on the partially implemented actions. There were two high risk items listed in the report and one of them had been fully implemented and the other will be implemented soon.

There were various Special Projects in Progress. The State Auditor's Office (SAO) had conducted their fieldwork on fees at five (5) institutions, including the University of Houston. Other institutions audited were the University of North Texas, Sam Houston State, Texas Tech, and UT San Antonio. Their primary audit objective was to make certain that fees had been collected and were being spent for their intended purposes.

The SAO had questioned whether or not the fund balances on three (3) incidental fees and one (1) lab fee were excessive and whether or not one (1) incidental fee had been used as intended.

The SAO also identified some statewide issues: lack of specificity in education code and two (2) other issues which were not an issue at UH – comingling of funds and transfer issues. Internal Auditing also addressed academic fees during their college reviews and their work program and the reports related to fees and this was shared with the SAO. This report will be issued August 29, 2008.

The SAO reviewed Campus Security and Emergency Management. Surveys were conducted of all public higher education institutions and site visits were conducted at four (4) institutions, including UH, which were conducted during the week of July 14. In September 2008, SAO will commence its annual fieldwork for the annual statewide audit at UH, which will include the University of Houston's Federal financial aid programs.

An explanation of the requirements for the external review of the Internal Audit Department, along with the biographies of the three (3) peer review team members: Dick Dawson, UT at San Antonio; Mike Hill, Medical College of Georgia; and Doug Horr, Stevens Institute of Technology, were mentioned. This review will start the week of December 1, 2008 and the report should be issued shortly thereafter. The results will be in the Internal Auditing Briefing Booklet or presented as a separate item at the February 2009 Audit and Compliance Committee meeting. This report was filed in the Board office.

B. Institutional Compliance Status Report for Three Months Ended June 30, 2008, and Annual Compliance Plan for FY2009 – UH System

This item summarized the information provided by each institution for their respective compliance functions. The activities included risk assessments, compliance audits, compliance committee meetings, risk mitigation, and hot-line reports. Mr. Guyton stated "My Safe Campus" has been working out quite well for the university and stated it was a unanimous report mechanism used to gather some of this information. This report was filed in the Board office.

C. Report on Compliance of Private Support Organizations and Foundations UH System

Mr. Michael Rierson presented this item and stated it had been the first time that all private support organizations were reported. This report had been originally prepared for presentation at the May meeting but had been tabled until the August committee meeting.

D. Presentation – Overview of Internal Audit Process – UH System

Mr. Guyton gave an overview of the Internal Audit Process which included the following:

- Definition of Internal Auditing;
- Reasons to have Internal Auditing Program;
- Texas Internal Auditing Act;
- UHS Board of Regents Policy;
- UHS Administrative Memoranda;
- IIA Code of Ethics;
- Standards for the Professional Practice of Auditing;
- Internal Audit Planning Process;
- Internal Audit Reporting Process;
- Legislation – H.B. 2906 (75th Legislature); and
- Legislation – H.B. 905 (79th Legislature)

A copy of this presentation was filed in the board office.

There being no further business to come before the committee, the meeting was adjourned at 5:00 p.m.

All documentation submitted to the Committee in support of the foregoing action items, including but not limited to "Passed" agenda items and supporting documentation presented to the Committee, is incorporated herein and made a part of these minutes for all purposes; however, this does not constitute a waiver of any privileges contained herein.

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Others Present:

Carl Carlucci	Michael Rierson	Dan Gardner	Ed Jones
Dona Cornell	Don Guyton	Russ Hoskins	Gerry Mathisen
Elwyn Lee	Diane Murphy	Ed Hugetz	