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# AGENDA

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## UNIVERSITY OF HOUSTON SYSTEM AUDIT AND COMPLIANCE COMMITTEE MEETING

**DATE:** Thursday, August 20, 2020

**TIME:** 10:30 AM

**PLACE:**

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**Chair:** Beth Madison  
**Vice Chair:** Jack B. Moore  
**Members:** Durga D. Agrawal  
Alonzo Cantu  
John A. McCall, Jr.  
Alvaro De La Cruz  
Tilman J. Fertitta, Ex Officio

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- I. **Audit and Compliance Committee**
- A. Call to Order
  - B. Approval of Committee Minutes
    - February 27, 2020, Audit and Compliance Committee Meeting
    - May 21, 2020, Audit and Compliance Committee Meeting
  - C. Report on University of Houston System, Audit and Compliance Committee Charter and Checklist - University of Houston System 3
  - D. Report on University of Houston System, Audit and Compliance Committee Planner - University of Houston System 11
  - E. Report on University of Houston System, Internal Audit Reports - University of Houston System 17
  - F. Report on University of Houston System, Institutional Compliance Status Report for the three months ended June 30, 2020, and Annual Plan for FY2021 - University of Houston System 57
  - G. Report on updated and revised Risk Assessment - University of Houston System 64
  - H. Report on University of Houston System, Annual Internal Audit Plan, FY2021 - University of Houston System 75
- II. **Executive Session**
- A. Consultation with System Attorney Regarding Legal Matters and/or Contemplated Litigation or Settlement Offers  
TEXAS GOV'T CODE SECTION 551.071

- B. Deliberations Regarding the Purchase, Exchange, Sale or Value of Real Property  
TEXAS GOV'T CODE SECTION 551.072
- C. Deliberations Regarding a Prospective Gift  
TEXAS GOV'T CODE SECTION 551.073
- D. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees including, but not limited to the Chancellor, Presidents, Vice Chancellors, in the Division of Athletics and members of the Board of Regents  
TEXAS GOV'T CODE SECTION 551.074
- E. Confidentiality of government information related to security or infrastructure issues for computers  
TEXAS GOV'T CODE SECTION 552.139

III. **Report and Action from Executive Session**

IV. **Adjourn**

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

**COMMITTEE:** Audit and Compliance

**ITEM:** Report on University of Houston System, Audit and Compliance Committee Charter and Checklist

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

Attached for your review and approval is the Audit & Compliance Committee Charter and Checklist. The Audit & Compliance Committee Charter and Checklist are recommended guidelines for the operation of the Audit & Compliance Committee. The Board of Regents Bylaw 5.2.1 and the Audit & Compliance Committee Charter and Checklist, item number 26, requires an annual review and update. There are no suggested changes to this document.

**SUPPORTING DOCUMENTATION:** Audit & Compliance Committee Charter and Checklist

**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Administration recommends approval of this item

**COMPONENT:** University of Houston System



8/3/2020

\_\_\_\_\_  
**CHIEF AUDIT AND COMPLIANCE EXECUTIVE** Phillip W. Hurd

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

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

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

# University of Houston System

## **Audit & Compliance Committee Charter of the Board of Regents of The University of Houston System**

### **Role**

The Audit & Compliance Committee (“the Committee”) of the Board of Regents (“the Board”) of The University of Houston (“U. H.”) System assists the Board in fulfilling its responsibilities for:

- ◆ Oversight of the quality and integrity of the accounting and financial reporting practices, including the annual financial statements, and the system of internal controls;
- ◆ Oversight and direction of the internal auditing function, any external auditors or other outside expertise whom the Committee may employ, and engagements with the State Auditor;
- ◆ Oversight and direction for the System-wide institutional compliance function;
- ◆ Oversight of the review of effective institutional management practices which provide for effective risk management, accountability and stewardship at all U. H. System components; and
- ◆ Other duties as directed by the Board.

The Committee’s role includes a particular focus on U. H. System’s processes to manage business and financial risk, and for compliance with significant applicable legal, ethical, and regulatory requirements.

### **Membership**

The membership of the Committee shall consist of not less than three regents, nor more than four. The Committee will have a committee chair, vice chair, and one or two additional regents, all of whom shall be appointed by the chair of the board. The chair of the board will serve as ex-officio for the Committee and will count for purposes of determining a quorum. A quorum is three for the Committee. One to four advisory members may be appointed to the Committee with the unanimous approval of the chair of the board, the chancellor, and the chair of the Committee. The advisory members will serve one-year terms from September 1 through August 31 and may be reappointed each year. Advisory members will not have voting authority.

### **Reporting**

The Chief Audit Executive, System-wide Compliance Officer, and executive management shall provide periodic reports related to audit, compliance, and management review to the Committee. Any public accounting firm or other outside expertise employed by the Committee shall report directly to the Committee. The State Auditor’s reports will be submitted to this committee. The Committee is expected to maintain free and open communications, which shall include private

## University of Houston System

executive sessions, at least annually, with these parties, as it deems appropriate and is permitted by law.

The Committee chairperson shall regularly report Audit & Compliance Committee activities to the full Board of Regents, particularly with respect to:

- (i.) any issues that arise regarding compliance with legal or regulatory requirements and the performance and independence of internal and external auditing and assurance functions; and
- (ii.) such other matters as are relevant to the Committee's discharge of its responsibilities.

### **Education**

U. H. System executive management is responsible for providing the Committee with educational resources related to accounting principles and procedures, risk management, and other information that may be requested by the Committee. U. H. System executive management shall assist the Committee in maintaining appropriate financial and compliance literacy.

### **Authority**

The Committee, in discharging its oversight role, is empowered to study or investigate any matter related to audit, compliance, and management of interest or concern that the Committee, in its sole discretion, deems appropriate for study or investigation by the Committee. The Committee shall be given full access to all U. H. System employees and operations as necessary to carry out this authority. The Committee through its chair is authorized to engage outside expertise, to the extent permitted by applicable law, should it choose to do so.

### **Responsibilities**

The Committee's specific responsibilities in carrying out its oversight role are delineated in the Audit & Compliance Committee Responsibilities Checklist. The responsibilities checklist will be updated annually by the Committee to reflect changes in regulatory requirements, authoritative guidance, and evolving oversight practices. As the compendium of Committee responsibilities, the most recently updated responsibilities checklist will be considered to be an addendum to this charter.

The Committee relies on the expertise and knowledge of management, the internal auditors, the State Auditor, and any public accounting firm or other outside expertise they may employ in carrying out its oversight responsibilities. U. H. System executive management is responsible for preparing complete and accurate financial statements and for monitoring internal controls and compliance with all applicable laws, regulations, and internal policies and procedures. Any public accounting firm or other outside expertise hired by the Committee is responsible for performing the services specified in the hiring contract.

# University of Houston System

## CHECKLIST

### **Responsibilities Checklist for the Audit & Compliance Committee of the Board of Regents of The University of Houston System**

1. The Committee will perform such other functions as assigned by law or the Board of Regents of The University of Houston System (“the Board”).
2. The Committee shall meet four times per year or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.
3. The agenda for Committee meetings will be prepared in consultation between the Committee chair (with input from the Committee members), U. H. System executive management, the Chief Audit Executive, and the System-wide Compliance Officer.
4. The Committee shall verify that its membership is familiar with the Committee’s Charter, goals, and objectives.
5. The Committee shall review the independence of each Committee member based on applicable independence laws and regulations.
6. The Committee shall review and approve the appointment or change in the Chief Audit Executive.
7. The Committee shall have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities.
8. The Committee shall provide an open avenue of communication between the State Auditor, internal auditors, any public accounting firm or other outside expertise employed, executive management, and the Board. The Committee chairperson shall report Committee actions to the Board with such recommendations as the Committee may deem appropriate.
9. For the purpose of preparing or issuing an audit report or related work, the Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any employed public accounting firm (including the resolution of disagreements between management and the auditor regarding financial reporting) or

## University of Houston System

other outside expertise. This does not preclude an individual component institution from hiring a public accounting firm to perform work at the component level.

10. The Chief Audit Executive has responsibility for ensuring that no conflicts of interest exist between public accounting firms performing consulting services and firms conducting financial statement audits. The Chief Audit Executive shall report annually on the status and integrity of U. H. System's engagements with public accounting firms.
11. The Committee shall review with executive management, the Chief Audit Executive, the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm the coordination of efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of resources.
12. The Committee shall inquire of executive management, the Chief Audit Executive, the System-wide Compliance Officer, and any employed public accounting firm or other outside expertise about significant risks or exposures and assess the steps management has taken to minimize such risk to U. H. System.
13. The Committee shall consider and review with the Chief Audit Executive, the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm or other outside expertise:
  - a. The adequacy of U. H. System's internal controls including computerized information system controls and security;
  - b. The adequacy and efficiency of senior-level management with respect to fiscal operations and compliance functions at all component institutions;
  - c. Any related significant findings and recommendations of the State Auditor, independent public accountants, and internal audit together with management's responses thereto.
14. Regarding the U.H. System's financial statements, the Committee shall review with executive management and/or the Chief Audit Executive:
  - a. U. H. System's annual financial statements and related footnotes;
  - b. Any audit and assurance work performed on components of the annual financial statements;
  - c. Any significant changes to the financial statements requested by the State Auditor, internal audit, or any independent public accountants;
  - d. Any serious difficulties or disputes with management encountered during assurance work on components of the financial statements;

## University of Houston System

- e. Other matters related to the conduct of assurance services that are to be communicated to the Committee under generally accepted government auditing standards.
15. The Committee shall require the U. H. System Chancellor and U.H. System Chief Financial Officer certify the annual financial statements for the U. H. System as a whole, and that each component President and Chief Financial Officer certify the annual financial statements for their respective component institution.
  16. The Committee shall review legal and regulatory matters that may have a material impact on the financial statements, internal auditing and/or compliance activities.
  17. The Committee shall review with executive management and the Chief Audit Executive at least annually U. H. System's critical accounting policies, including any significant changes to Generally Accepted Accounting Procedures (GAAP), Regents' Bylaws and Policies, and/or operating policies or standards.
  18. On an annual basis, the Committee shall review, recommend, and approve the annual audit plan, including the allocation of audit hours and internal audit budget and staffing.
  19. Regarding audits, the Committee shall consider and review with executive management and the Chief Audit Executive:
    - a. Significant findings during the year and management's responses thereto;
    - b. Any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information;
    - c. Any changes required in the planned scope of the audit plan.
  20. The Committee shall conduct an annual performance review and evaluation of the Chief Audit Executive.
  21. The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding internal controls or auditing matters; and the confidential anonymous submission by employees of concerns regarding questionable auditing matters.
  22. The Committee shall monitor The University of Houston System Institutional Compliance Program and review with executive management and the System-wide Compliance Officer the status of the program and the results of its activities, including:
    - a. Significant institutional risks identified during the year and mitigating actions taken;

## University of Houston System

- b. Significant findings during the year and management's responses thereto;
  - c. Any difficulties encountered in the course of inspections or assurance activities, including any restrictions on the scope of work or access to required information;
  - d. Any changes required in planned scope of the compliance action plan.
23. The Committee shall conduct an annual review of the ethics and conflict of interest policies of the Board and each of the universities and receive a status update on the annual regent certification statements.
24. The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding compliance issues and the confidential anonymous submission by employees of concerns regarding ethically or legally questionable matters.
25. The Committee shall meet with the Chief Audit Executive, the System-wide Compliance Officer, executive management, or any employed external auditors or other outside expertise in executive session to discuss any matters that the Committee or the before named believe should be discussed privately with the Committee, to the extent permitted by applicable law.
26. The Committee shall review and update the Audit & Compliance Committee Responsibilities Checklist annually.
27. The Committee shall conduct an annual review of the report on compliance of each support organization.
28. The Committee shall receive an annual fraud prevention and awareness report which summarizes the fraud risk analyses and related risk mitigation strategies.
29. The Committee shall receive an annual report of all activities of the Identity Theft Prevention program.
30. The Committee shall receive an annual report to the Board listing all professional services and consulting contracts to a single entity greater than \$250,000 and for all other procurements (except investment agreements) where total compensation for system-wide sources to a single entity is expected to exceed \$1,000,000.
31. The Committee shall receive an annual report on the activities of the Internal Auditing Department in the format prescribed by the State Auditor's Office (Texas Government Code 2102.009).

## University of Houston System

32. The Committee shall receive an audit report on the safety and security of the institution's facilities at least once every three years (Texas Education Code 51.217).

| Last reviewed ~~8/22/19~~ 8/20/20

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

**COMMITTEE:** Audit and Compliance

**ITEM:** Report on University of Houston System, Audit and Compliance Committee Planner

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Audit and Compliance Committee Planner lists all actions required of the Audit & Compliance Committee with recommended schedules for these activities. Item 2.04 of the Planner requires the Audit & Compliance Committee to approve the Planner for the upcoming year. Minor changes are indicated on the document.

**SUPPORTING DOCUMENTATION:** Audit and Compliance Committee Planner

**FISCAL NOTE:** None

**RECOMMENDATION/  
ACTION REQUESTED:** Administration recommends approval of this item

**COMPONENT:** University of Houston System



8/3/2020

\_\_\_\_\_  
**CHIEF AUDIT AND COMPLIANCE EXECUTIVE** Phillip W. Hurd

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

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

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

# University of Houston System Audit & Compliance Committee Planner

| Item  | Frequency                                       | Jan-<br>Mar | Apr-<br>Jun | Jul-<br>Sep | Oct-<br>Dec |
|---|---|-------------|-------------|-------------|-------------|
| <b>Note: (#'s)</b> The numbers noted in parenthesis at the bottom right of the item description refer to the number in the Responsibilities Checklist for the Audit & Compliance Committee. | Q - Quarterly<br>A - Annually<br>AN - As needed |             |             |             |             |

| 1. General & Administrative:     |  |    |   |   |   |   |
|----------------------------------|--|----|---|---|---|---|
| .01                              | Meet four times per year or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.<br>(2)   | Q  | X | X | X | X |
| .02                              | Prepare agenda for Committee meetings in consultation between the Committee chair (with input from the Committee members), U. H. System executive management, the Chief Audit Executive, and the System-wide Compliance Officer.<br>(3)  | Q  | X | X | X | X |
| .03                              | Approve minutes of previous meeting.   | Q  | X | X | X | X |
| 2. Audit & Compliance Committee: |  |    |   |   |   |   |
| .01                              | Verify that membership is familiar with the Committee's Charter, goals, and objectives.<br>(4)   | AN |   |   |   |   |
| .02                              | Review the independence of each Committee member based on applicable independence laws and regulations.<br>(5)   | AN |   |   |   |   |
| .03                              | Review and update the Audit & Compliance Committee Charter and Responsibilities Checklist annually.<br>(26)  | A  |   |   | X |   |
| .04                              | Approve Audit & Compliance Committee planner for upcoming year.  | A  |   |   | X |   |
| .05                              | Provide orientation for new members.   | AN |   |   |   |   |
| .06                              | Conduct or authorize investigations into any matters within the Committee's scope of responsibilities.<br>(7)  | AN |   |   |   |   |
| .07                              | Provide an open avenue of communication between the State Auditor, internal auditors, any public accounting firm or other outside expertise employed, executive management, and the Board. The Committee chairperson shall report Committee actions to the Board with such recommendations as the Committee may deem appropriate.<br>(8) | AN |   |   |   |   |
| 3. Audit:                        |  |    |   |   |   |   |
| .01                              | Review and approve the appointment or change in the Chief Audit Executive.<br>(6)  | AN |   |   |   |   |
| .02                              | Conduct an annual performance review and evaluation of the Chief Audit Executive.<br>(20)  | A  |   | X |   |   |
| .03                              | Review Board of Regents policies on Internal Audit and Institutional Compliance; approve any changes.  | A  | X |   |   |   |
| .04                              | Review, recommend, and approve the annual audit plan, including the allocation of audit hours and internal audit budget and staffing.<br>(18)  | A  |   |   | X |   |

# University of Houston System Audit & Compliance Committee Planner

| <b>Item</b>   |  | <b>Frequency</b><br>Q - Quarterly<br>A - Annually<br>AN - As needed | <b>Jan-Mar</b> | <b>Apr-Jun</b> | <b>Jul-Sep</b> | <b>Oct-Dec</b> |
|---|--|---|----------------|----------------|----------------|----------------|
| <b>Note: (#'s)</b> The numbers noted in parenthesis at the bottom right of the item description refer to the number in the Responsibilities Checklist for the Audit & Compliance Committee. |  |   |                |                |                |                |
| .05   | Consider and review with executive management and the Chief Audit Executive any changes required in the planned scope of the audit plan.<br><br>(19c)  | AN  |                |                |                |                |
| .06   | Review the status of actual work performed relative to the approved annual plan.   | Q<br>A  | X              | X              | X              | X<br>X         |
| .07   | Review with executive management, the Chief Audit Executive, the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm the coordination of efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of resources.<br><br>(11)  | AN  |                |                |                |                |
| .08   | Review the effectiveness of the internal audit function including compliance with <u>The Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing</u> and the Texas Internal Auditing Act.  | At least every 3 years  |                |                |                |                |
| .09   | For the purpose of preparing or issuing an audit report or related work, the Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any employed public accounting firm (including the resolution of disagreements between management and the auditor regarding financial reporting) or other outside expertise. This does not preclude an individual component institution from hiring a public accounting firm to perform work at the component level.<br><br>(9)   | AN  |                |                |                |                |
| .10   | Review the external Auditors' proposed audit scope and approach (for audits and consulting projects), including coordination of audit effort with internal audit.  | AN  |                |                |                |                |
| .11   | Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.  | AN  |                |                |                |                |
| .12   | Regarding the U.H. System's financial statements, the Committee shall review with executive management and/or the Chief Audit Executive:<br>a. U. H. System's annual financial statements and related footnotes;<br>b. Any audit and assurance work performed on components of the annual financial statements;<br>c. Any significant changes to the financial statements requested by the State Auditor, internal audit, or any independent public accountants;<br>d. Any serious difficulties or disputes with management encountered during assurance work on components of the financial statements;<br>e. Other matters related to the conduct of assurance services that are to be communicated to the Committee under generally accepted government auditing standards.<br><br>(14) | A   | X              |                |                |                |

# University of Houston System Audit & Compliance Committee Planner

| <b>Item</b>   |  | <b>Frequency</b><br>Q - Quarterly<br>A - Annually<br>AN - As needed | <b>Jan-Mar</b> | <b>Apr-Jun</b> | <b>Jul-Sep</b> | <b>Oct-Dec</b> |
|---|--|---|----------------|----------------|----------------|----------------|
| <b>Note: (#'s)</b> The numbers noted in parenthesis at the bottom right of the item description refer to the number in the Responsibilities Checklist for the Audit & Compliance Committee. |  |   |                |                |                |                |
| .13   | The Committee shall require the U. H. System Chancellor and U.H. System Chief Financial Officer certify the annual financial statements for the U. H. System as a whole, and that each component President and Chief Financial Officer certify the annual financial statements for their respective component institution. (Effective 2/1/07)<br>(15)  | A   | X              |                |                |                |
| .14   | Review legal and regulatory matters that may have a material impact on the financial statements, internal auditing and/or compliance activities.<br>(16)   | AN  |                |                |                |                |
| .15   | Review with executive management and the Chief Audit Executive at least annually U. H. System's critical accounting policies, including any significant changes to Generally Accepted Accounting Procedures (GAAP), Regents' Bylaws and Policies, and/or operating policies or standards.<br>(17)  | A   | X              |                |                |                |
| .16   | Regarding audits, the Committee shall consider and review with executive management and the Chief Audit Executive any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information.<br>(19b)  | AN  |                |                |                |                |
| .17   | The Committee shall consider and review with the Chief Audit Executive, the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm or other outside expertise any related significant findings and recommendations of the State Auditor, independent public accountants, and internal audit together with management's responses thereto.<br>(13c) & (19a) | Q   | X              | X              | X              | X              |
| .18   | The Chief Audit Executive has responsibility for ensuring that no conflicts of interest exist between public accounting firms performing consulting services and firms conducting financial statement audits. The Chief Audit Executive shall report annually on the status and integrity of The University of Houston System's engagements with public accounting firms.<br>(10)              | AN  |                |                |                |                |
| .19   | The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding internal controls or auditing matters; and the confidential anonymous submission by employees of concerns regarding questionable auditing matters.<br>(21)  | Q   | X              | X              | X              | X              |
| .20   | The Committee shall receive an annual report on the activities of the Internal Auditing Department in the format prescribed by the State Auditor's Office (Texas Government Code 2102.009).<br>(31)  | A   |                |                |                | X              |
| <b>4. Compliance:</b>   |  |   |                |                |                |                |
| .01   | Review the annual compliance plan completed by the Compliance Officer and/or Compliance Office.  | A   |                |                | X              |                |

# University of Houston System Audit & Compliance Committee Planner

| <b>Item</b> | <b>Frequency</b><br>Q - Quarterly<br>A - Annually<br>AN - As needed | <b>Jan-Mar</b> | <b>Apr-Jun</b> | <b>Jul-Sep</b> | <b>Oct-Dec</b> |
|-------------|---|----------------|----------------|----------------|----------------|
|-------------|---|----------------|----------------|----------------|----------------|

**Note: (#'s)** The numbers noted in parenthesis at the bottom right of the item description refer to the number in the Responsibilities Checklist for the Audit & Compliance Committee.

|     |  |   |   |   |   |   |
|-----|--|---|---|---|---|---|
| .02 | Monitor The University of Houston System Institutional Compliance Program and review with executive management and the System-wide Compliance Officer the status of the program and the results of its activities, including significant institutional risks identified during the year and mitigating actions taken.<br><br><span style="float: right;">(22a)</span>  | Q | X | X | X | X |
| .03 | Monitor The University of Houston System Institutional Compliance Program and review with executive management and the System-wide Compliance Officer the status of the program and the results of its activities, including significant findings during the year and management's responses thereto.<br><br><span style="float: right;">(22b)</span>  | Q | X | X | X | X |
| .04 | Monitor The University of Houston System Institutional Compliance Program and review with executive management and the System-wide Compliance Officer the status of the program and the results of its activities, including any difficulties encountered in the course of inspections or assurance activities, including any restrictions on the scope of work or access to required information.<br><br><span style="float: right;">(22c)</span> | Q | X | X | X | X |
| .05 | Monitor The University of Houston System Institutional Compliance Program and review with executive management and the System-wide Compliance Officer the status of the program and the results of its activities, including any changes required in planned scope of the compliance action plan.<br><br><span style="float: right;">(22d)</span>  | Q | X | X | X | X |
| .06 | The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding compliance issues and the confidential anonymous submission by employees of concerns regarding ethically or legally questionable matters.<br><br><span style="float: right;">(24)</span>  | Q | X | X | X | X |
| .07 | The Committee shall conduct an annual review of the ethics and conflict of interest policies of the Board and each of the universities and receive a status update on the annual regent certification statements.<br><br><span style="float: right;">(23)</span>   | A |   |   |   | X |
| .08 | The Committee shall conduct an annual review of the report on compliance of each support organization.<br><br><span style="float: right;">(27)</span>  | A |   | X |   |   |

| <b>5. Other:</b> |  |        |  |  |  |   |
|------------------|--|--------|--|--|--|---|
| .01              | The Committee shall meet with the Chief Audit Executive, the System-wide Compliance Officer, executive management, or any employed external auditors or other outside expertise in executive session to discuss any matters that the Committee or the before named believe should be discussed privately with the Committee, to the extent permitted by applicable law.<br><br><span style="float: right;">(25)</span> | A & AN |  |  |  | X |

# University of Houston System Audit & Compliance Committee Planner

| <b>Item</b>   |  | <b>Frequency</b>   | <b>Jan-Mar</b> | <b>Apr-Jun</b> | <b>Jul-Sep</b> | <b>Oct-Dec</b> |
|---|--|--|----------------|----------------|----------------|----------------|
| <b>Note: (#'s)</b> The numbers noted in parenthesis at the bottom right of the item description refer to the number in the Responsibilities Checklist for the Audit & Compliance Committee. |  | <b>Q</b> - Quarterly<br><b>A</b> - Annually<br><b>AN</b> - As needed |                |                |                |                |
| .02   | Inquire of and discuss with executive management, the Chief Audit Executive, and the System-wide Compliance Officer any instances of fraud, errors, and illegal acts.  | AN   |                |                |                |                |
| .03   | The Committee shall inquire of executive management, the Chief Audit Executive, the System-wide Compliance Officer, and any employed public accounting firm or other outside expertise about significant risks or exposures and assess the steps management has taken to minimize such risk to The University of Houston System.<br>(12)   | A  |                |                | X              |                |
| .04   | The Committee shall consider and review with the Chief Audit Executive, the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm or other outside expertise:<br>a. The adequacy of U. H. System's internal controls including computerized information system controls and security; and<br>b. The adequacy and efficiency of senior-level management with respect to fiscal operations and compliance functions at all component institutions.<br>(13a & b) | A  |                | X              |                |                |
| .05   | The Committee shall 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.<br>(28)   | A  |                |                |                | X              |
| .06   | The Committee shall receive an annual report of the Identity Theft Prevention program.<br>(29)   | A  |                |                |                | X              |
| .07   | The Committee shall receive an annual procurement report.<br>(30)  | A  |                |                |                | X              |
| .08   | The Committee shall receive an audit report on the safety and security of the institution's facilities at least once every three years (Texas Education Code 51.217)<br>(32)   | Every 3 years  | X              |                |                |                |

Last reviewed ~~8/22/19~~ 8/20/20

**Legend:**

- Q** - Quarterly
- A** - Annually
- AN** - As Needed

Frequency indicates a minimum requirement. If issues arise that require attention, they should be addressed regardless of the frequency or time period indicated.

**X** - indicates the month/s in which the activity occurs

**(#'s)**

The numbers noted in parenthesis at the bottom right of the item description refer to the number of the item in the Responsibilities Checklist for the Audit & Compliance Committee (AC Checklist).

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

**COMMITTEE:** Audit and Compliance

**ITEM:** Report on University of Houston System, Internal Audit Reports

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Internal Audit Reports issued since the May 21, 2020 Audit & Compliance Committee Meeting of the Board of Regents are:

- University of Houston System, Construction and Other Contracts Requiring Board of Regents Approval, Activity from April 1, 2020 to June 30, 2020;
- University of Houston System, State Benefits Proportionality, FY 2018-2019; and
- University of Houston, College of Liberal Arts and Social Sciences, Departmental Reviews

These reports include an Executive Summary, Summary of Recommendations by Area, and Management Action Plans, if applicable, with risk levels ranked High/Medium/Low.

The Internal Audit Reports included will be filed with the Governor's Office of Budget, Planning, and Policy; the State Auditor; and the Legislative Budget Board, within the next 30 days, as required by the Texas Government Code, Section 2102.0091.

**SUPPORTING**

**DOCUMENTATION:** Internal Audit Reports

**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Information

**COMPONENT:** University of Houston System

  
\_\_\_\_\_  
**CHIEF AUDIT AND COMPLIANCE EXECUTIVE** Phillip W. Hurd

8/5/2020  
\_\_\_\_\_  
**DATE**

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

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

# UNIVERSITY OF HOUSTON SYSTEM INTERNAL AUDITING DEPARTMENT

## INTERNAL AUDIT REPORTS

|           |  |
|-----------|--|
| AR2020-17 | Construction and Other Contracts Requiring BOR Approval              |
| AR2020-18 | UHS State Benefits Proportionality, FY 2018-2019                     |
| AR2020-19 | UH College of Liberal Arts and Social Sciences, Departmental Reviews |

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

# UNIVERSITY OF HOUSTON SYSTEM

## INTERNAL AUDIT REPORT

# UNIVERSITY OF HOUSTON SYSTEM

## CONSTRUCTION AND OTHER CONTRACTS REQUIRING BOARD OF REGENTS APPROVAL

Activity from April 1, 2020 to  
June 30, 2020

REPORT NO. AR2020-17



UNIVERSITY OF HOUSTON SYSTEM  
Internal Auditing Department  
Houston, Texas 77204-0930  
(713)743-8000  
Fax: (713)743-8015

## MEMORANDUM

**TO:** Mr. Jack B. Moore  
Chair, Audit and Compliance Committee

Dr. Renu Khator  
Chancellor/President, UHS/UH

**FROM:** Phillip W. Hurd  
Chief Audit and Compliance Executive

**DATE:** August 7, 2020

**SUBJ:** Internal Audit Report – Construction and Other Contracts Requiring Board of Regents Approval

I have attached for your review the final draft of the above referenced internal audit report. This report has been distributed to/discussed with key personnel of the University of Houston System. This report is summarized as follows:

### **Executive Summary:**

The internal audit review of procurement of construction and other contracts requiring Board of Regents approval covers the time period from April 1, 2020 through June 30, 2020. For each project, we review the following: 1. the solicitation documents posted on the State Comptroller's Electronic State Business Daily, the solicitation requirements checklist, subcontracting probability form, and the HUB subcontracting compliance form to determine whether the appropriate evaluation criteria was used by the Purchasing Department/selection team evaluation members; 2. the Purchasing Department's compilation of the selection team members' rankings of RFQ / RFP for clerical accuracy and agreement of evaluation criteria to RFQ / RFP and evaluation criteria provided to selected firms in instances where RFP's were not applicable; 3. the Purchasing Department's recommendation of RFQ / RFP evaluations to the VC/VP for reasonableness; 4. the VC/VP evaluation of the Purchasing Department's recommendation of RFQ / RFP for reasonableness; 5. the invitation to bid or sole source justification form, if applicable, for reasonableness/completion. We noted no unusual items or other matters that we considered non-compliant with university policies and procedures or state statutes.

This audit report is scheduled to be included in the agenda materials for the August 20, 2020, meeting of the Audit and Compliance Committee of the Board of Regents. Please let me know if you have any questions.

Attachments

University of Houston System  
Internal Auditing Department  
Construction and Other Contracts Requiring Board of Regents Approval  
April 1, 2020 through June 30, 2020

**Background:** UHS procures construction services under the provisions of the Texas Education Code, Sections 51.778 – 51.785. These statutes address the following construction contract methods: Design-Build, Construction Manager-Agent, Construction Manager-At-Risk, Construction Services through Competitive Sealed Proposals and Job Order Contracts. The UHS Facilities, Planning and Construction Department and the Purchasing Department have developed policies and procedures to help ensure compliance with these statutes. For major construction projects, UHS primarily uses the Design-Build and Construction Manager-At-Risk contract methods. The Internal Auditing Department reviews the construction RFQ / RFP evaluation process on an ongoing basis. The Internal Audit Department also reviews the procurement process for other contracts requiring Board of Regents approval (RFQ/RFP, Invitation to Bid, and Sole Source).

**Objective:** The objectives of this review are to determine whether UHS is complying with its policies and procedures and the Texas Education Code in selecting its contractors for its major construction projects and other contracts requiring Board of Regents approval.

**Scope of Work:** The internal audit review of procurement of construction and other contracts requiring Board of Regents approval covers the time period from April 1, 2020 through June 30, 2020.

**Audit Procedures:** For each solicitation we review the following:

1. The solicitation documents posted on the State Comptroller's Electronic State Business Daily and the solicitation requirements checklist and subcontracting probability form and HUB subcontracting compliance form to determine whether the appropriate evaluation criteria was used by the Purchasing Department/selection team evaluation members.
2. The Purchasing Department's compilation of the selection team members' rankings of RFQ / RFP for clerical accuracy and agreement of evaluation criteria to RFQ / RFP and evaluation criteria provided to selected firms in instances where RFP's were not applicable.
3. The Purchasing Department's recommendation of RFQ / RFP evaluations to the VC/VP for reasonableness.
4. The VC/VP evaluation of the Purchasing Department's recommendation of RFQ / RFP for reasonableness.
5. The invitation to bid or sole source justification form, if applicable, for reasonableness/ completion.

**Appendices:** Attached is an analysis of internal audit activity related to the construction projects and other contracts requiring Board of Regents approval award evaluations (Appendix 1), the Purchasing Department Flowchart for major construction projects (Appendix 2), the Purchasing Department Flowchart for other contracts requiring board approval (Appendix 3).

**Conclusion:** We noted no unusual items or other matters that we considered non-compliant with university policies and procedures or state statutes.

  
Phillip W. Hurd  
Chief Audit and Compliance Executive  
June 30, 2020

UHS Construction and Other Contracts Requiring Board of Regents Approval  
Internal Audit Activity  
April 1, 2020 to June 30, 2020

BOR Approval      Internal Audit Review

BOR Approval

| <u>Project or Contract Description</u>                                      | <u>Solicitation Type</u> | (\$<br>Millions)<br><u>Amount</u> | <u>BOR Approval</u>                     |  | <u>Initiated</u> | <u>Completed</u> |
|---|--------------------------|-----------------------------------|---|--|------------------|------------------|
|   |                          |                                   | FCMP<br>Comm.<br>(Scope)<br><u>Date</u> | F&A<br>Comm.<br>(Financing)<br><u>Date</u> |                  |                  |
| <b><u>Construction Projects \$10 Million and Over</u></b>                   |                          |                                   |   |  |                  |                  |
| UHV - Student Center and Learning Commons - FE                              | ITB                      | 1.3                               | 11/19/2015                              | 11/19/2015                                 |                  |                  |
| UHV - STEM Building - FE  | ITB                      | 1.0                               | 5/19/2016                               | 5/19/2016                                  |                  |                  |
| UH - John M. O'Quinn Law Building - FE                                      | ITB                      | 1.5                               | 8/22/2019                               | 8/22/2019                                  |                  |                  |
| <b><u>Construction Projects Over \$1 Million and Under \$10 Million</u></b> |                          |                                   |   |  |                  |                  |
| UH - Tennis Complex   | RFP                      | 1.8                               | N/A                                     | 2/18/2016                                  |                  |                  |
| UH - Repairs to Cullen Fountain   | RFP                      | 1.9                               | N/A                                     | 2/18/2016                                  |                  |                  |
| UH - Indoor Air Quality Control Update to Architecture Building             | RFP                      | 1.2                               | N/A                                     | 2/18/2016                                  |                  |                  |
| UH - Build-Out of University North Shell Space                              | RFP                      | 6.0                               | N/A                                     | 2/18/2016                                  |                  |                  |
| UHS - Road/Parking Maintenance (up to 3 awards at 2.5M/each)                | RFP                      | 2.5                               | N/A                                     | 2/28/2019                                  |                  |                  |
| UHCL - Exterior Wayfinding Signage (multiple awards)                        | RFP                      | 1.6                               | N/A                                     | 8/22/2019                                  |                  |                  |
| <b><u>Non-Construction Contracts Over \$1 Million</u></b>                   |                          |                                   |   |  |                  |                  |
| UH - Housing Access Control   | RFP                      | 4.0                               | N/A                                     | 2/27/2020                                  |                  |                  |
| UH - Student Health Center Laboratory Services                              | RFP                      | 1.5                               | N/A                                     | 2/27/2020                                  | ✓                | ✓                |
| UHS - Blackbaud CRM Implementation Services                                 | RFP                      | 2.0                               | N/A                                     | 2/27/2020                                  | ✓                | ✓                |
| UHD - Campus Elevator Maintenance and Modernization                         | RFP                      | 2.3                               | N/A                                     | 2/27/2020                                  |                  |                  |
| UHS - Parking Permit and Enforcement Management Software and PARCS          | RFP                      | 2.3                               | N/A                                     | 2/27/2020                                  | ✓                | ✓                |
| UHS - Investments Consulting Services                                       | RFP                      | 2.9                               | N/A                                     | 2/27/2020                                  | ✓                |                  |
| UH - Library Subscription Services  | RFP                      | 18.4                              | N/A                                     | 5/21/2020                                  |                  |                  |
| UH - Athletics Production Services  | RFP                      | 2.0                               | N/A                                     | 5/21/2020                                  |                  |                  |
| UH - Ambulatory Surgical Center   | RFP                      | 8.4                               | N/A                                     | 5/21/2020                                  |                  |                  |

CMAR - Construction Manager at Risk

AE - Architectural and Engineering Services (RFQ only)

SS - Sole Source

ITB - Invitation to Bid

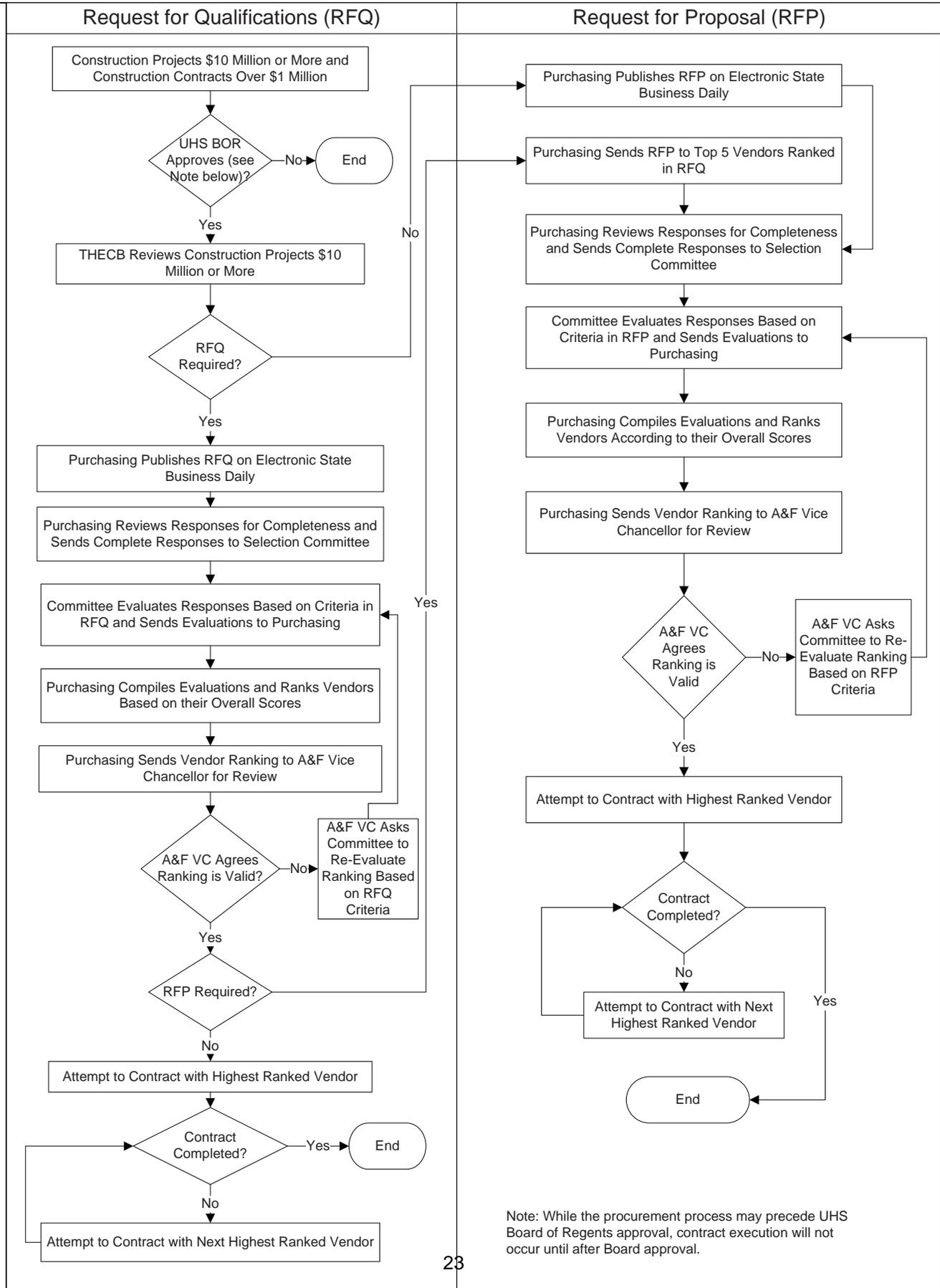
✓ - Initiated or Completed audit procedures, as specified in report.

RFP - Request for Proposal

RFQ - Request for Qualifications

FE - Furnishings and Equipment

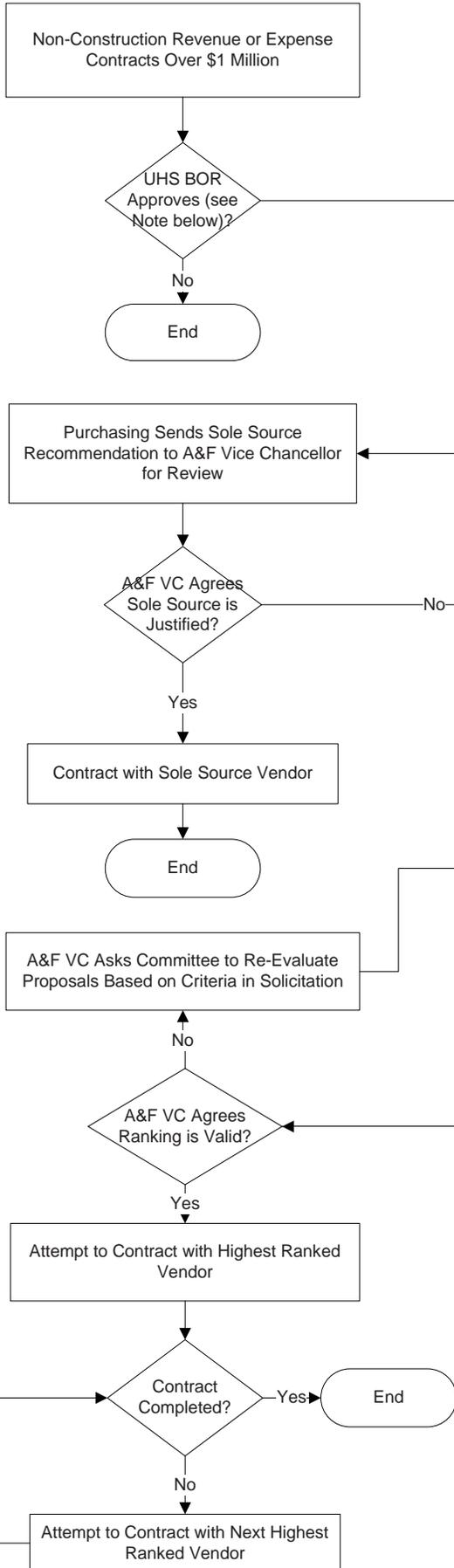
University of Houston System Construction Projects \$10 Million or More and Construction Contracts Over \$1 Million



Note: While the procurement process may precede UHS Board of Regents approval, contract execution will not occur until after Board approval.

Approval Process

Procurement Process



Note: While the procurement process may precede UHS Board of Regents approval, contract execution will not occur until after Board approval.

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM  
STATE BENEFITS PROPORTIONALITY  
FY 2018-2019

REPORT NO. AR2020-18



UNIVERSITY OF HOUSTON SYSTEM  
Internal Auditing Department  
Houston, Texas 77204-0930  
(713)743-8000  
Fax: (713)743-8015

## MEMORANDUM

**TO:** Mr. Jack B. Moore  
Chair, Audit and Compliance Committee

Dr. Renu Khator  
Chancellor/President, UHS/UH

**FROM:** Phillip W. Hurd  
Chief Audit and Compliance Executive

**DATE:** August 7, 2020

**SUBJ:** Internal Audit Report – UHS State Benefits Proportionality, Fiscal Years 2018-2019

I have attached for your review the final draft of the above referenced internal audit report. This report has been distributed to/discussed with key personnel of the University of Houston System and is summarized as follows:

### **Executive Summary:**

The Internal Auditing Department conducted a review of the Benefits Proportional by Fund Reports (APS 011) for FY 2018 - 2019 submitted by the University of Houston System universities to determine compliance with the State Comptroller's Accounting Policy Statement, Benefits Proportional by Fund. UHS universities did not comply with all requirements of the General Appropriations Act, 86<sup>th</sup> Legislature, Article IX, Section 6.08, Benefits Paid Proportional by Fund when completing the APS 011 reports. We noted an instance of non-compliance related to financing sources. Management is in the process of addressing this instance of non-compliance.

This audit report is scheduled to be included in the agenda materials for the August 20, 2020 meeting of the Audit and Compliance Committee of the Board of Regents. Please let me know if you have any questions.

Attachment

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON SYSTEM  
STATE BENEFITS PROPORTIONALITY**

**BACKGROUND:**

The General Appropriations Act (GAA) 86<sup>th</sup> Legislature, Conference Committee Report, rider 8, page III-48, directed higher education institutions to conduct an internal audit of benefits proportional by fund for fiscal years 2017, 2018 and 2019 (fiscal year 2017 was included in the prior audit) using a methodology approved by the State Auditor's Office (SAO). The GAA requires an institution of higher education's payments for benefits to be proportional to the funding from appropriated general revenue and other sources of funding. GAA Article IX, Section 6.08, Benefits Paid Proportional by Fund states, in order to maximize balances in the General Revenue Fund, payment for benefits paid from appropriated funds shall be proportional to the source of funds, unless otherwise provided. General Revenue Fund appropriations may not be expended for employee benefit costs if the salaries or wages are paid from a source other than the General Revenue Fund. Payments for employee benefit costs for salaries and wages paid from sources other than the General Revenue Fund shall be made in proportion to the source of funds from which the respective salary or wage is paid.

Institutions of higher education are required to file with the State Comptroller's Office and SAO an annual report demonstrating proportionality. The report shall be filed before November 20<sup>th</sup> following the close of the fiscal year for the salaries, wages and benefits of the preceding year ended August 31. The State Comptroller's Accounting Policy Statement, Benefits Proportional by Fund includes instructions for completing the Benefits Proportional by Fund Report (APS 011 report) to determine the proportionality of an institution's funding from appropriated funds and other sources and to calculate the proper amount of benefit payments to be paid from each of these sources for the prior appropriation year.

**OBJECTIVE:**

The objective of our review was to determine whether UHS universities were in compliance with the requirements of the GAA Article IX, Section 6.08, Benefits Paid Proportional by Fund.

**SCOPE OF WORK:**

The scope of the audit included the review of all UHS universities for fiscal years 2018 and 2019, including compliance with requirements identified in Section 6.08, page IX-28 of the GAA (86<sup>th</sup> Legislature) and the accuracy of the reports.

We reviewed the APS 011 reports and supporting documentation; compared the information in the reports with information recorded in the UHS accounting system and the Uniform Statewide Accounting System (USAS); interviewed Finance personnel; reviewed State

regulations, State Comptroller Office guidelines, and university procedures; and performed other audit procedures, as appropriate.

**CONCLUSION:**

UHS universities did not comply with all requirements of the General Appropriations Act, 86<sup>th</sup> Legislature, Article IX, Section 6.08, Benefits Paid Proportional by Fund when completing the APS 011 reports. We noted an instance of non-compliance related to financing sources. Management is in the process of addressing this instance of non-compliance.

Appendix A lists the instance of non-compliance noted during the audit, a recommendation that will enhance the control environment in the area, and management's response.



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Phillip W. Hurd

Chief Audit and Compliance Executive

July 23, 2020

## APPENDIX A

### INSTANCES OF NON-COMPLIANCE

#### General Revenue-Dedicated Financing Sources

The benefits proportionality calculation is derived from the Benefits Proportional by Fund Report (APS 011). Benefits proportionality is based on the amount of financing from general revenue (GR) and general revenue-dedicated (GRD), as recorded in the Uniform State Accounting System (USAS). GR consists of appropriations received from the State. According to the Legislative Budget Board, Legislative Primer, 5<sup>th</sup> Edition, GRD consists primarily of statutory tuition, premium tuition authorized by the Board, interest from state treasurer accounts, laboratory fees, and course fees.

GRD for all four UHS universities agreed with the amounts recorded in USAS. However, universities had different methods for calculating GRD for reporting purposes. Each UHS university calculates GRD in accordance with the Comptroller's instructions for completing the APS 011; however, the accounting basis is not consistent. UH and UHD currently use the cash method (deposits to Comptroller based upon cash receipts). UHCL and UHV currently use the accrual method (based upon revenue recognition).

Based on the methodology used by the UHS universities, we identified the following understatement of GRD in USAS.

- UH reported GRD to be the total tuition revenue payments made to the state during fiscal year 2019, which was less than net tuition revenue recognized in the PeopleSoft Finance System. This resulted in an understatement in GRD and benefits paid of approximately \$1,100,000 and \$39,600, respectively.

**RECOMMENDATION (UHS):** Management should review processes to help ensure that established procedures are followed, including properly completing the APS 011 report. In addition, management should work with the State Comptroller's Office to determine the resolution of this instance of non-compliance where there was an overpayment of benefits made by the state.

**MANAGEMENT'S RESPONSE (UHS):** UH will work with the State Comptroller's Office to resolve any underpayment of benefits and review its cash estimation processes to help ensure that cash estimates are adequate representations of tuition revenues. We will resolve any underpayments and update our cash estimation processes by December 31, 2020.

**University of Houston System  
Internal Auditing Department**

**UHS State Benefits Proportionality, FY 2018-2019 - AR2020-18  
Action Plan**

| <b>Est. Compl.<br/>Date</b>                 | <b>Responsibility for Action<br/>Name/Title</b>                | <b>Action To Be Taken</b>  |
|---|--|--|
| <b>Risk Level:    High    Medium    Low</b> |  |  |
| December 31, 2020                           | Karin Livingston<br>Assistant VP for Finance and<br>Controller | Review and update cash estimation processes to help ensure compliance with the State Comptroller's Office Accounting Policy Statements, including completing the APS 011 report.         |
| December 31, 2020                           | Karin Livingston<br>Assistant VP for Finance and<br>Controller | Work with the State Comptroller's Office to ensure that any non-compliance issues resulting from an underpayment of benefits are resolved in accordance with state accounting standards. |

**Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.**

# UNIVERSITY OF HOUSTON SYSTEM

## INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

COLLEGE OF LIBERAL ARTS  
AND SOCIAL SCIENCES  
DEPARTMENTAL REVIEWS

REPORT NO. AR2020-19



UNIVERSITY OF HOUSTON SYSTEM  
Internal Auditing Department  
Houston, Texas 77204-0930  
(713)743-8000  
Fax: (713)743-8015

## MEMORANDUM

**TO:** Mr. Jack B. Moore  
Chair, Audit and Compliance Committee  
  
Dr. Renu Khator  
Chancellor/President, UHS/UH

**FROM:** Phillip W. Hurd  
Chief Audit and Compliance Executive

**DATE:** August 7, 2020

**SUBJ:** Internal Audit Report – UH College of Liberal Arts and Social Sciences,  
Departmental Reviews

I have attached for your review the final draft of the above referenced internal audit report. This report has been distributed to/discussed with key personnel of the University of Houston and University of Houston System. This report is summarized as follows:

### Executive Summary:

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed 18 departmental reviews in the College of Liberal Arts and Social Sciences. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. Although we noted no matters we considered to be significant risk exposures and control issues, we noted an opportunity for improvement related to insufficient financial and administrative oversight. We also noted that the College was not in compliance with certain policies. Management agreed to implement action plans for certain areas of non-compliance and informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

This audit report is scheduled to be included in the agenda materials for the August 20, 2020, meeting of the Audit and Compliance Committee of the Board of Regents. Please let me know if you have any questions.

Attachment

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

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

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed 18 departmental reviews in the College of Liberal Arts and Social Sciences. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. Although we noted no matters we considered to be significant risk exposures and control issues, we noted an opportunity for improvement related to insufficient financial and administrative oversight. We also noted that the College was not in compliance with certain policies. Management agreed to implement action plans for certain areas of non-compliance and informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

The attachments listed below contain additional information related to the departmental reviews and the College:

- Opportunity for Improvement
- Compliance Matrix
- Instances of Non-Compliance
- Action Plan
- Background
- Financial Summary



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Phillip W. Hurd  
Chief Audit and Compliance Executive  
February 14, 2020

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON  
COLLEGE OF LIBERAL ARTS AND SOCIAL SCIENCES  
OPPORTUNITY FOR IMPROVEMENT**

**Financial and Administrative Oversight**

The College manages and administers its business and financial operations at the department level. The Department Business Administrators are responsible for financial and administrative tasks within their departments.

MAPP 01.02.01, Business Administration, states that college business administrators are charged with ensuring the adherence to university policies and procedures within their college. In addition, the department business administrators report to the college business administrator and their respective department chair. MAPP 01.03.01, Baseline Standards, states that in a decentralized organizational structure the college business administrator has primary responsibility for management and oversight of the financial processes, while the department business managers have primary responsibility for the execution of the financial processes. The college business administrator is responsible for the following: 1) communicating policy and procedures changes to departments, 2) ensuring that departments have adequate support to fulfill their responsibilities, and 3) ensuring that departments have appropriate procedures in place to comply with minimum processing standards. The college business administrator is ultimately responsible for the control procedures in place at each department.

We noted that the College did not operate with a direct reporting line between the Department Business Administrators and the Executive Director of Business Operations.

**Recommendation:** The College should establish a direct reporting line between the Department Business Administrators and the Executive Director of Business Operations to help ensure adherence to university policies and procedures.

**Management Response:** The Dean met with Department Chairs and Department Business Administrators and issued a memo to communicate the establishment of a direct reporting line between Department Business Administrators and the Executive Director of Business Operations effective February 1, 2020.

**University of Houston System  
Internal Auditing Department**

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

| <b>COMPLIANCE MATRIX</b>                               |                      |                          |  |                     |
|--|----------------------|--------------------------|--|---------------------|
| <b>Compliance Area</b>                                 | <b>Dean's Office</b> | <b>Aerospace Studies</b> | <b>African American Studies, Philosophy, and Women's Studies Program</b> | <b>Arte Publico</b> |
| Management Oversight                                   | Ø                    | ✓                        | ✓  | ✓                   |
| Policies, Procedures, Required Training, And Reporting | ✓                    | ✓                        | (1)  | (1)                 |
| Cost Center Management                                 | ✓                    | (1)                      | (1)  | (1)                 |
| Payroll  | ✓                    | ✓                        | ✓  | ✓                   |
| Human Resources  | (1)                  | ✓                        | ✓  | ✓                   |
| Change Funds And Cash Receipts                         | (1)                  | N/A                      | (1)  | (1)                 |
| Procurement And Travel Cards                           | (1)                  | (1)                      | (2)  | ✓                   |
| Departmental Expenses                                  | ✓                    | ✓                        | ✓  | ✓                   |
| Contract Administration                                | ✓                    | ✓                        | ✓  | (1)                 |
| Property Management                                    | (3)                  | (1)                      | (3)  | ✓                   |
| Scholarships   | ✓                    | ✓                        | ✓  | N/A                 |
| Research   | ✓                    | N/A                      | ✓  | N/A                 |

- ✓ **Fully Complies**
- Ø **Opportunity for Improvement**
- ( ) **Number of action items required to address non-compliance**
- N/A **Not Applicable**

**University of Houston System  
Internal Auditing Department**

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

| <b>COMPLIANCE MATRIX</b>                               |  |                                  |                      |   |
|--|--|----------------------------------|----------------------|---|
| <b>Compliance Area</b>                                 | <b>Center for Mexican American Studies</b> | <b>Center for Public History</b> | <b>Communication</b> | <b>Communication Sciences and Disorders</b> |
| Management Oversight                                   | ✓  | ✓                                | ✓                    | ✓   |
| Policies, Procedures, Required Training, And Reporting | ✓  | ✓                                | ✓                    | (1)   |
| Cost Center Management                                 | (1)  | (2)                              | ✓                    | (1)   |
| Payroll  | ✓  | ✓                                | (1)                  | (1)   |
| Human Resources  | ✓  | (1)                              | (1)                  | (1)   |
| Change Funds And Cash Receipts                         | (2)  | (3)                              | ✓                    | (2)   |
| Procurement And Travel Cards                           | ✓  | ✓                                | (2)                  | (3)   |
| Departmental Expenses                                  | ✓  | ✓                                | ✓                    | ✓   |
| Contract Administration                                | ✓  | (1)                              | (1)                  | ✓   |
| Property Management                                    | ✓  | (2)                              | (1)                  | (3)   |
| Scholarships   | ✓  | ✓                                | ✓                    | ✓   |
| Research   | N/A  | (1)                              | ✓                    | (2)   |

- ✓ **Fully Complies**
- ⊖ **Opportunity for Improvement**
- ( ) **Number of action items required to address non-compliance**
- N/A **Not Applicable**

**University of Houston System  
Internal Auditing Department**

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

| <b>COMPLIANCE MATRIX</b>                               |   |                |                                     |                         |
|--|---|----------------|-------------------------------------|-------------------------|
| <b>Compliance Area</b>                                 | <b>Comparative Cultural Studies and Economics</b> | <b>English</b> | <b>Health and Human Performance</b> | <b>Hispanic Studies</b> |
| Management Oversight                                   | ✓   | ✓              | ✓                                   | ✓                       |
| Policies, Procedures, Required Training, And Reporting | (2)   | (1)            | ✓                                   | (1)                     |
| Cost Center Management                                 | (2)   | ✓              | (1)                                 | (1)                     |
| Payroll  | ✓   | (1)            | (2)                                 | ✓                       |
| Human Resources  | (2)   | (2)            | ✓                                   | (1)                     |
| Change Funds And Cash Receipts                         | N/A   | ✓              | (1)                                 | ✓                       |
| Procurement And Travel Cards                           | ✓   | (2)            | (2)                                 | ✓                       |
| Departmental Expenses                                  | ✓   | (2)            | ✓                                   | ✓                       |
| Contract Administration                                | (2)   | ✓              | ✓                                   | ✓                       |
| Property Management                                    | (3)   | (3)            | ✓                                   | (1)                     |
| Scholarships   | ✓   | ✓              | ✓                                   | ✓                       |
| Research   | N/A   | N/A            | (2)                                 | N/A                     |

- ✓ **Fully Complies**
- ⊖ **Opportunity for Improvement**
- ( ) **Number of action items required to address non-compliance**
- N/A **Not Applicable**

**University of Houston System  
Internal Auditing Department**

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

| <b>COMPLIANCE MATRIX</b>                               |                |                         |                                       |  |
|--|----------------|-------------------------|---------------------------------------|--|
| <b>Compliance Area</b>                                 | <b>History</b> | <b>Military Science</b> | <b>Modern and Classical Languages</b> | <b>Political Science and Public Administration Program</b> |
| Management Oversight                                   | ✓              | ✓                       | ✓                                     | ✓  |
| Policies, Procedures, Required Training, And Reporting | ✓              | (1)                     | ✓                                     | (1)  |
| Cost Center Management                                 | ✓              | ✓                       | ✓                                     | (1)  |
| Payroll  | ✓              | ✓                       | ✓                                     | ✓  |
| Human Resources  | ✓              | ✓                       | ✓                                     | ✓  |
| Change Funds And Cash Receipts                         | ✓              | (1)                     | ✓                                     | (3)  |
| Procurement And Travel Cards                           | ✓              | (1)                     | (1)                                   | (1)  |
| Departmental Expenses                                  | ✓              | ✓                       | ✓                                     | (4)  |
| Contract Administration                                | (2)            | (1)                     | ✓                                     | ✓  |
| Property Management                                    | ✓              | ✓                       | ✓                                     | (2)  |
| Scholarships   | ✓              | ✓                       | ✓                                     | ✓  |
| Research   | ✓              | N/A                     | ✓                                     | (1)  |

- ✓ Fully Complies
- ⊖ Opportunity for Improvement
- ( ) Number of action items required to address non-compliance
- N/A Not Applicable

**University of Houston System  
Internal Auditing Department**

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

| <b>COMPLIANCE MATRIX</b>                               |                   |                  |
|--|-------------------|------------------|
| <b>Compliance Area</b>                                 | <b>Psychology</b> | <b>Sociology</b> |
| Management Oversight                                   | ✓                 | ✓                |
| Policies, Procedures, Required Training, And Reporting | (1)               | (1)              |
| Cost Center Management                                 | (2)               | ✓                |
| Payroll  | (3)               | ✓                |
| Human Resources  | (2)               | (1)              |
| Change Funds And Cash Receipts                         | (1)               | ✓                |
| Procurement And Travel Cards                           | (2)               | ✓                |
| Departmental Expenses                                  | (1)               | ✓                |
| Contract Administration                                | ✓                 | (1)              |
| Property Management                                    | ✓                 | (2)              |
| Scholarships   | ✓                 | ✓                |
| Research   | (3)               | ✓                |

- ✓ Fully Complies
- ⊖ Opportunity for Improvement
- ( ) Number of action items required to address non-compliance
- N/A Not Applicable

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON  
COLLEGE OF LIBERAL ARTS AND SOCIAL SCIENCES  
DEPARTMENTAL REVIEWS  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. We recommended and management agreed to implement action plans to address the areas of non-compliance indicated by an asterisk below. In addition, management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**DEAN'S OFFICE**

**Management Oversight**

- Department Business Administrators were not reporting directly to the College's Executive Director of Business Operations (See Opportunity for Improvement).

**Human Resources**

- A Termination ePAR was not executed timely.

**Change Funds and Cash Receipts**

- A Cash Deposit Summary Form was not signed by two employees.

**Procurement and Travel Cards**

- Cardholders did not comply with university P-Card and T-Card guidelines.

**Property Management**

- The Designation of Property Custodian form was not completed.\*
- The Inventory Confirmation form was not completed.\*
- Request for Authority to Remove Equipment from Campus forms were not always completed.\*

**AEROSPACE STUDIES**

**Cost Center Management**

- Cost center verifications were not always prepared and approved timely.\*

**Procurement Cards**

- Expense reports were not always prepared and approved timely.

### **Property Management**

- The Designation of Property Custodian form was not completed timely.

## **AFRICAN AMERICAN STUDIES, PHILOSOPHY AND WOMEN'S STUDIES PROGRAM**

### **Policies, Procedures, Required Training, and Reporting**

- Mandatory training was not completed by all applicable employees.

### **Cost Center Management**

- Cost center verifications were not always prepared and approved timely.

### **Change Funds and Cash Receipts**

- The same employee is responsible for preparing deposits and monthly verifications.

### **Procurement and Travel Cards**

- Cardholders did not comply with P-Card guidelines.
- A travel card contained a liability account balance at fiscal year-end.

### **Property Management**

- Designation of Property Custodian forms were not completed timely.
- Annual inventories were not completed timely.
- Request for Authority to Remove Equipment from Campus forms were not renewed timely.

## **ARTE PUBLICO**

### **Policies, Procedures, Required Training, and Reporting**

- Role based training was not completed by all applicable employees.

### **Cost Center Management**

- Cost center verifications were not always approved timely.\*

### **Change Funds and Cash Receipts**

- Accounts Receivable are not updated monthly.

### **Contract Administration**

- A university official without delegated contractual authority signed a contract.

## **CENTER FOR MEXICAN AMERICAN STUDIES**

### **Cost Center Management**

- Cost center verifications were not always approved timely.

### **Change Funds and Cash Receipts**

- The same employee is responsible for preparing deposits and monthly verifications.
- The annual PCI Data Security Standard certification was not completed timely.

## **CENTER FOR PUBLIC HISTORY**

### **Cost Center Management**

- Cost center verifications were not always prepared and approved timely.\*
- Cost center verification documentation was not always maintained.\*

### **Human Resources**

- A Termination ePAR was not prepared and executed timely.

### **Change Funds and Cash Receipts**

- The same employee is responsible for preparing deposits and monthly verifications.
- Checks deposited were not made payable to the University of Houston.
- A Cash Deposit Journal was not prepared timely.

### **Contract Administration**

- A contract and contract coversheet were not signed prior to the effective date.

### **Property Management**

- The Designation of Property Custodian form was not completed timely.
- A Request for Authority to Remove Property from Campus form was not renewed timely.

### **Research**

- Disallowable expenses were charged to a sponsored research project.

## **COMMUNICATION**

### **Payroll**

- An employee was not clocking out to record time worked.

### **Human Resources**

- An eTermination Checklist was not completed.

**Procurement and Travel Cards**

- Cardholders did not comply with university P-Card and T-Card guidelines.
- An expense report did not contain supporting documentation.

**Contract Administration**

- A contract was not reviewed and approved by all required parties.

**Property Management**

- Request for Authority to Remove Equipment from Campus forms were not renewed timely.

**COMMUNICATION SCIENCES AND DISORDERS****Policies, Procedures, Required Training, and Reporting**

- Mandatory and role based training was not completed by all applicable employees.\*

**Cost Center Management**

- Cost center manager was not updated timely.\*

**Payroll**

- Employees were not clocking in and out to record time worked.

**Human Resources**

- An eTermination Checklist was not completed timely.

**Change Funds and Cash Receipts**

- The same employee is responsible for preparing deposits and monthly verifications.\*
- Cash receipts were not deposited timely.

**Procurement and Travel Cards**

- Expense reports did not always contain supporting documentation.\*
- Expense reports were not adequately reviewed and approved timely.\*
- An expense report was not completed.\*

**Property Management**

- The Designation of Property Custodian form was not completed timely.
- An annual inventory was not completed timely.
- Request for Authority to Remove Equipment from Campus forms were not renewed timely.

### **Research**

- A grant cost center had a deficit budgetary balance.\*
- Expired grant cost centers were not deactivated.\*

## **COMPARATIVE CULTURAL STUDIES AND ECONOMICS**

### **Policies, Procedures, Required Training, and Reporting**

- The Baseline Standards were not submitted timely.
- Mandatory training was not completed by all applicable employees.

### **Cost Center Management**

- Cost center verifications were not always prepared and approved timely.\*
- Cost center verification documentation was not always maintained. \*

### **Human Resources**

- An eTermination Checklist was not completed.
- A Termination ePAR was not prepared and executed timely.

### **Contract Administration**

- Contracts and contract coversheets were not signed prior to the effective date.
- A contract was not signed by a university official with delegated contractual authority.

### **Property Management**

- The Designation of Property Custodian forms were not completed timely.
- Annual inventories were not completed timely.
- A Request for Authority to Remove Equipment from Campus form was not renewed timely.

## **ENGLISH**

### **Policies, Procedures, Required Training, and Reporting**

- Mandatory training was not completed by all applicable employees.

### **Payroll**

- Absence requests for a non-exempt employee were not always submitted timely.

### **Human Resources**

- eTermination Checklists were not completed timely.
- A Termination ePAR was not prepared and executed timely.

### **Procurement and Travel Cards**

- A cardholder did not comply with T-Card guidelines.
- An expense report was not approved timely.

### **Departmental Expenses**

- A Travel Request was not approved timely.
- Alcohol expenses were charged to designated tuition funds.

### **Property Management**

- The Designation of Property Custodian form was not completed timely.
- An annual inventory was not completed timely.
- Request for Authority to Remove Equipment from Campus forms were not renewed timely.

## **HEALTH AND HUMAN PERFORMANCE**

### **Cost Center Management**

- Cost center verifications were not always prepared and approved timely.\*

### **Payroll**

- Two employees were not clocking in and out to record time worked.\*
- Corrections made to time recorded did not include comments that substantiated the entry.

### **Change Funds and Cash Receipts**

- Cash Deposit Journals were not prepared timely.

### **Procurement and Travel Cards**

- Cardholders did not comply with university P-Card guidelines.
- Expense reports were not approved by a certifying signatory.

### **Research**

- Grant cost centers had deficit budgetary balances.\*
- Expired grant cost centers were not deactivated.\*

## **HISPANIC STUDIES**

### **Policies, Procedures, Required Training, and Reporting**

- Mandatory and role-based training was not completed by all applicable employees.

### **Cost Center Management**

- Cost center verifications were not always approved timely.\*

### **Human Resources**

- An eTermination Checklist was not completed.

### **Property Management**

- A Request for Authority to Remove Equipment from Campus form was not renewed timely.

## **HISTORY**

### **Contract Administration**

- A contract and contract coversheet were not signed prior to the effective date.
- A university official without delegated contractual authority signed a contract.

## **MILITARY SCIENCE**

### **Policies, Procedures, Required Training, and Reporting**

- The Baseline Standards were not submitted timely.

### **Change Funds and Cash Receipts**

- The same employee is responsible for preparing deposits and monthly verifications.

### **Procurement and Travel Cards**

- A cardholder did not comply with university P-Card guidelines.

### **Contract Administration**

- A contract and contract coversheet were not signed prior to the effective date.

## **MODERN AND CLASSICAL LANGUAGES**

### **Procurement and Travel Cards**

- Documentation uploaded into the Concur System contained a full credit card number.

## **POLITICAL SCIENCE AND PUBLIC ADMINISTRATION PROGRAM**

### **Policies, Procedures, Required Training, and Reporting**

- Mandatory training was not completed by all applicable employees.

### **Cost Center Management**

- Cost center verifications were not always approved timely.

### **Change Funds and Cash Receipts**

- Cash receipts were not deposited timely.
- Documentation uploaded to the Finance System contained bank account information.\*
- Gift transmittal forms were not completed.\*

### **Procurement and Travel Cards**

- Documentation uploaded to the Finance System contained the full credit card number.

### **Departmental Expenses**

- Business meal attendees were not adequately documented.
- An expense was coded to an incorrect account code.
- A traveler was reimbursed for personal expenses.\*
- An expense report exceeded the combined travel meal and lodging limit.\*

### **Property Management**

- The Designation of Property Custodian form was not completed timely.
- Request for Authority to Remove Equipment from Campus forms were not renewed timely.

### **Research**

- Expired grant cost centers were not deactivated.\*

## **PSYCHOLOGY**

### **Policies, Procedures, Required Training, and Reporting**

- Mandatory training was not completed by all applicable employees.\*

### **Cost Center Management**

- Cost center verifications were not always prepared and approved timely.\*
- The University approved verification worksheet was not used to document monthly verifications.\*

### **Payroll**

- An employee was not clocking in and out to record time worked.
- An employee was not paid timely.
- A payroll suspense balance was not cleared timely.

### **Human Resources**

- A Hire ePAR was not prepared or approved timely.
- An eTermination Checklist was not completed timely.

### **Change Funds and Cash Receipts**

- Cash Deposit Journals were not prepared timely.

### **Procurement and Travel Cards**

- Cardholders did not comply with university P-Card and T-Card guidelines.\*
- Expense reports were not signed by the cardholder.

### **Departmental Expenses**

- Alcohol expenses were charged to an incorrect account code.

### **Research**

- A grant expense was not approved by a certified administrator.
- Grant cost centers had deficit budgetary balances.\*
- Expired grant cost centers were not deactivated.\*

## **SOCIOLOGY**

### **Policies, Procedures, Required Training, and Reporting**

- The Baseline Standards were not submitted timely.

### **Human Resources**

- An eTermination Checklist was not completed timely.

### **Contract Administration**

- A contract coversheet was not signed prior to the effective date.

### **Property Management**

- The Designation of Property Custodian form was not completed timely.
- A Request for Authority to Remove Equipment from Campus form was not renewed timely.

**University of Houston System  
Internal Auditing Department**

**UH College of Liberal Arts and Social Sciences, Departmental Reviews - AR2020-19  
Action Plan**

| <b>Est. Compl.<br/>Date</b>                 | <b>Responsibility for Action<br/>Name/Title</b>                              | <b>Action To Be Taken</b>  |
|---|--|--|
| <b>Risk Level:    High    Medium    Low</b> |  |  |
| Action Complete                             | Bob McKee<br>Executive Director of Business<br>Operations<br>Dean's Office   | Complete the Designation of Property Custodian form.   |
| Action Complete                             | Bob McKee<br>Executive Director of Business<br>Operations<br>Dean's Office   | Complete Inventory Confirmation Report.  |
| Action Complete                             | Bob McKee<br>Executive Director of Business<br>Operations<br>Dean's Office   | Complete Request for Authority to Remove Equipment from Campus forms.                                  |
| May 31, 2020                                | Lisa Meza-Duran<br>Department Business<br>Administrator<br>Aerospace Studies | Prepare and approve cost center verifications in a timely manner.                                      |
| May 31, 2020                                | Nellie Gonzalez<br>Department Business<br>Administrator<br>Arte Publico      | Approve cost center verifications in a timely manner.  |
| May 31, 2020                                | Wesley Jackson<br>Program Manager<br>Center for Public History               | Prepare and approve cost center verifications in a timely manner, and maintain adequate documentation. |

**Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.**

**University of Houston System  
Internal Auditing Department**

**UH College of Liberal Arts and Social Sciences, Departmental Reviews - AR2020-19  
Action Plan**

| <b>Est. Compl.<br/>Date</b>                 | <b>Responsibility for Action<br/>Name/Title</b>  | <b>Action To Be Taken</b>   |
|---|--|---|
| <b>Risk Level:    High    Medium    Low</b> |  |   |
| Action Complete                             | Bob McKee<br>Executive Director of Business<br>Operations<br>Dean's Office                           | Complete role based training.   |
| July 31, 2020                               | Elizabeth Shepard<br>Department Business<br>Administrator<br>Communication Sciences and<br>Disorders | Update cost center manager in the Finance<br>System.  |
| June 30, 2020                               | Elizabeth Shepard<br>Department Business<br>Administrator<br>Communication Sciences and<br>Disorders | Ensure that the same employee does not have<br>both cash handling and monthly reconciliation<br>responsibilities. |
| August 31, 2020                             | Elizabeth Shepard<br>Department Business<br>Administrator<br>Communication Sciences and<br>Disorders | Complete expense reports, including all<br>supporting documentation timely.                                       |
| May 31, 2020                                | Bob McKee<br>Executive Director of Business<br>Operations<br>Dean's Office                           | Perform a thorough review and approve P-Card<br>expense reports timely.   |
| August 31, 2020                             | Elizabeth Shepard<br>Department Business<br>Administrator<br>Communication Sciences and<br>Disorders | Restore deficit budgetary balances to a zero or a<br>positive amount.   |

**Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.**

**University of Houston System  
Internal Auditing Department**

**UH College of Liberal Arts and Social Sciences, Departmental Reviews - AR2020-19  
Action Plan**

| <b>Est. Compl.<br/>Date</b>                 | <b>Responsibility for Action<br/>Name/Title</b>  | <b>Action To Be Taken</b>  |
|---|--|--|
| <b>Risk Level:    High    Medium    Low</b> |  |  |
| July 31, 2020                               | Elizabeth Shepard<br>Department Business<br>Administrator<br>Communication Sciences and<br>Disorders   | Submit requests to the appropriate office to deactivate inactive cost centers.                               |
| May 31, 2020                                | Rayna Spencer<br>Department Business<br>Administrator<br>Comparative Cultural Studies<br>and Economics | Prepare and approve cost center verifications in a timely manner and maintain adequate documentation.        |
| May 31, 2020                                | Stephanie Davis<br>Department Business<br>Administrator<br>Health and Human<br>Performance             | Prepare and approve cost center verifications in a timely manner.  |
| October 1, 2020                             | Randi Betts<br>Director of Administration and<br>Academic Affairs<br>Health and Human<br>Performance   | Work with the Payroll Office to comply with time reporting requirements.                                     |
| August 31, 2020                             | Stephanie Davis<br>Department Business<br>Administrator<br>Health and Human<br>Performance             | Restore deficit budgetary balances to a zero or a positive amount.   |
| August 31, 2020                             | Stephanie Davis<br>Department Business<br>Administrator<br>Health and Human<br>Performance             | Work with the appropriate office to resolve the outstanding items and deactivate expired grant cost centers. |

**Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.**

**University of Houston System  
Internal Auditing Department**

**UH College of Liberal Arts and Social Sciences, Departmental Reviews - AR2020-19  
Action Plan**

| <b>Est. Compl.<br/>Date</b>                 | <b>Responsibility for Action<br/>Name/Title</b>                             | <b>Action To Be Taken</b>  |
|---|---|--|
| <b>Risk Level:    High    Medium    Low</b> |   |  |
| May 31, 2020                                | Flor Montelongo<br>Department Business<br>Administrator<br>Hispanic Studies | Approve cost center verifications in a timely manner.                          |
| May 31, 2020                                | Bob McKee<br>Executive Director of Business<br>Operations<br>Dean's Office  | Remove bank account information uploaded to the Finance System.                |
| July 1, 2020                                | Bob McKee<br>Executive Director of Business<br>Operations<br>Dean's Office  | Complete Gift Transmittal Forms.   |
| July 31, 2020                               | Bob McKee<br>Executive Director of Business<br>Operations<br>Dean's Office  | Require the traveler to reimburse for personal expenses.                       |
| August 31, 2020                             | Bob McKee<br>Executive Director of Business<br>Operations<br>Dean's Office  | Submit requests to the appropriate office to deactivate inactive cost centers. |
| Action Complete                             | Olga Litvinova<br>Department Business<br>Administrator<br>Psychology        | Complete mandatory training.   |

**Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.**

**University of Houston System  
Internal Auditing Department**

**UH College of Liberal Arts and Social Sciences, Departmental Reviews - AR2020-19  
Action Plan**

| <b>Est. Compl.<br/>Date</b>                 | <b>Responsibility for Action<br/>Name/Title</b>                      | <b>Action To Be Taken</b>  |
|---|--|--|
| <b>Risk Level:    High    Medium    Low</b> |  |  |
| May 31, 2020                                | Olga Litvinova<br>Department Business<br>Administrator<br>Psychology | Prepare and approve cost center verifications in a timely manner.  |
| May 31, 2020                                | Olga Litvinova<br>Department Business<br>Administrator<br>Psychology | Use the University approved verification worksheet when completing the monthly cost center verifications.    |
| August 31, 2020                             | Olga Litvinova<br>Department Business<br>Administrator<br>Psychology | Clear unallowed credit card expense balances.  |
| August 31, 2020                             | Olga Litvinova<br>Department Business<br>Administrator<br>Psychology | Restore deficit budgetary balances to a zero or a positive amount.   |
| August 31, 2020                             | Olga Litvinova<br>Department Business<br>Administrator<br>Psychology | Work with the appropriate office to resolve the outstanding items and deactivate expired grant cost centers. |

**Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.**

**University of Houston System  
Internal Auditing Department**

**University of Houston  
College of Liberal Arts and Social Sciences  
Background Information**

**Background Statement**

The College of Liberal Arts and Social Sciences (CLASS) was formed on January 1, 2001, when the Colleges of Humanities, Fine Arts and Communication and Social Sciences were merged. In 2016, the fine arts academic divisions formed the Kathrine G. McGovern College of the Arts.

Today, CLASS is comprised of 13 academic departments, eight academic areas and programs, 13 academic centers, six clinical service units, and over 384 faculty members. CLASS is the largest and most diverse of the 16 academic colleges on the UH campus with nearly 12,000 students matriculating in over 70 degree-granting programs and more than 850 graduate students. CLASS offers Bachelor of Arts, Bachelor of Science, Master of Arts, Master of Fine Arts, and Doctor of Philosophy degrees. CLASS generates over 330,000 semester credit hours, approximately 30 percent of the University total. With 34 departments, programs, centers, and institutes, CLASS promotes interdisciplinary initiatives while advancing disciplinary research and teaching.

CLASS is dedicated to spurring intellectual curiosity, creativity and transformative education through the humanities, social sciences and health sciences. By integrating theory and real-world best practices, students are prepared to adapt and thrive in the marketplace.

CLASS provides a link between the studies of human behavior and the appreciation of human experience. CLASS offers courses that explore the human condition through scientific knowledge, social structures, literature, language, philosophy, and history.

All university students take core subject courses in CLASS, which broadens their perspectives and prepares them for citizenship in a multi-cultural society. CLASS curricula are flexible and encourage students to pursue a variety of intellectual interests while also studying a specific area in-depth. Courses are designed to foster critical communication and reasoning skills. Emphasis is placed upon the acquisition of a wide range of knowledge and the development of discipline and self-reliance. CLASS prepares students for further training in graduate education and professional schools such as law, business, and medicine.

**Budget/Financial Summary:**

During fiscal year 2020, with a faculty FTE of 384.71 and a staff FTE of 175.5, CLASS administered over 1,641 cost centers with an overall operating budget of \$73,560,033.

The following table presents the fund balance reconciliation for the College for FY 2019:

|                                   |                      |
|-----------------------------------|----------------------|
| Beginning Fund Balance (9/1/2018) | \$ 16,598,193        |
| Revenues                          | 16,729,945           |
| Expenditures                      | (73,227,217)         |
| Transfers/Other                   | <u>60,422,024</u>    |
| Ending Balance (8/31/2019)        | <u>\$ 20,522,945</u> |

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

| <u>Description</u>   | <u>FY 2019</u>         | <u>FY 2018</u>         |
|--|------------------------|------------------------|
| <u>Revenue</u>   |                        |                        |
| Endowment Income Distribution                              | \$ (1,039,907)         | \$ (989,504)           |
| Federal Grants and Contracts                               | (6,453,989)            | (4,645,940)            |
| Federal Pass Through Grants - State                        | (735,098)              | (350,036)              |
| Grants and Contracts                                       | (88,902)               | 0                      |
| Other Fees   | (1,253,686)            | (1,454,818)            |
| Other Investment Income                                    | 0                      | 68                     |
| Other Revenue Sources                                      | (102,952)              | (60,431)               |
| Private Gifts, Grants and Contracts                        | (4,690,438)            | (4,111,319)            |
| Sales and Service - E & G                                  | (2,306,182)            | (2,392,340)            |
| State Grants and Contracts                                 | (18,500)               | (17,960)               |
| State Pass Through - Other State Agencies                  | (40,291)               | (50,799)               |
| Total Revenue  | <u>\$ (16,729,945)</u> | <u>\$ (14,073,079)</u> |
| <u>Cost of Goods Sold</u>                                  |                        |                        |
| Cost of Goods Sold   | \$ 16,404              | \$ 57,686              |
| Total Cost of Goods Sold                                   | <u>\$ 16,404</u>       | <u>\$ 57,686</u>       |
| <u>Payroll</u>   |                        |                        |
| Salaries and Wages   | \$ 56,497,801          | \$ 54,930,511          |
| Fringe Benefits  | 4,937,528              | 4,922,736              |
| Total Payroll  | <u>\$ 61,435,329</u>   | <u>\$ 59,853,247</u>   |
| <u>Maintenance and Operations</u>                          |                        |                        |
| Academic Service   | \$ 169,097             | \$ 238,860             |
| Advertising Promotion and Public                           | 220,320                | 339,531                |
| Communication and Transportation                           | 440,432                | 444,490                |
| Construction Expenses                                      | 1,460                  | 1,701                  |
| Contracting Services                                       | 1,176,454              | 801,535                |
| Contracts and Grants                                       | 0                      | (251)                  |
| Employee Expenses  | 300,476                | 281,791                |
| Facilities and Grounds Supplies                            | 647                    | 92                     |
| Financial Aid  | 1,307,940              | 1,484,881              |
| Financial Tax and License Cost                             | 37,782                 | 26,486                 |
| General Services   | 209,288                | 110,439                |
| General Supplies   | 787,091                | 1,001,502              |
| Health and Clinic Supplies                                 | 2,685                  | 3,167                  |
| Indirect Cost  | 1,276,044              | 1,034,403              |
| Interscholastic Athletics                                  | 7,280                  | 6,710                  |
| Lab Research Supplies                                      | 10,759                 | 144,650                |
| Legal Services   | 21,535                 | 47,637                 |
| Misc Supplies and Materials                                | 38,084                 | 25,944                 |
| Other Recurring Expenses                                   | 478,290                | 996,578                |
| Parts and Furnishing                                       | 768,299                | 709,443                |
| Pass Through   | 1,568,769              | 895,112                |
| Printing, Copying, and Reproduction                        | 373,973                | 285,172                |
| Professional Services                                      | 150,140                | 159,187                |
| Rental Lease and Royalties                                 | 353,174                | 353,184                |
| Routine Repair   | 60,711                 | 46,770                 |
| Special Program and Events                                 | 370,542                | 282,868                |
| Travel   | 1,245,956              | 1,213,573              |
| Utilities and Sanitation                                   | 335                    | 514                    |
| Total Maintenance and Operations                           | <u>\$ 11,377,563</u>   | <u>\$ 10,935,969</u>   |
| <u>Capital Outlay</u>                                      |                        |                        |
| Capital Outlay   | \$ 397,921             | \$ 301,859             |
| Total Capital Outlay                                       | <u>\$ 397,921</u>      | <u>\$ 301,859</u>      |
| Total Cost of Goods Sold, Payroll, M&O, and Capital Outlay | <u>\$ 73,227,217</u>   | <u>\$ 71,148,761</u>   |

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

**COMMITTEE:** Audit and Compliance

**ITEM:** Report on University of Houston System, Institutional Compliance Status Report for the three months ended June 30, 2020, and Annual Plan for FY 2021

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The Institutional Compliance Status Report summarizes the information provided by each institution for their respective compliance functions, including training, risk assessment, audits, meetings, risk mitigation, hot-line reports, and the Annual Plan for FY 2021.

**SUPPORTING DOCUMENTATION:** Institutional Compliance Status Report and Annual Plan

**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Information

**COMPONENT:** University of Houston System



8/3/2020

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**CHIEF AUDIT AND COMPLIANCE EXECUTIVE** Phillip W. Hurd

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

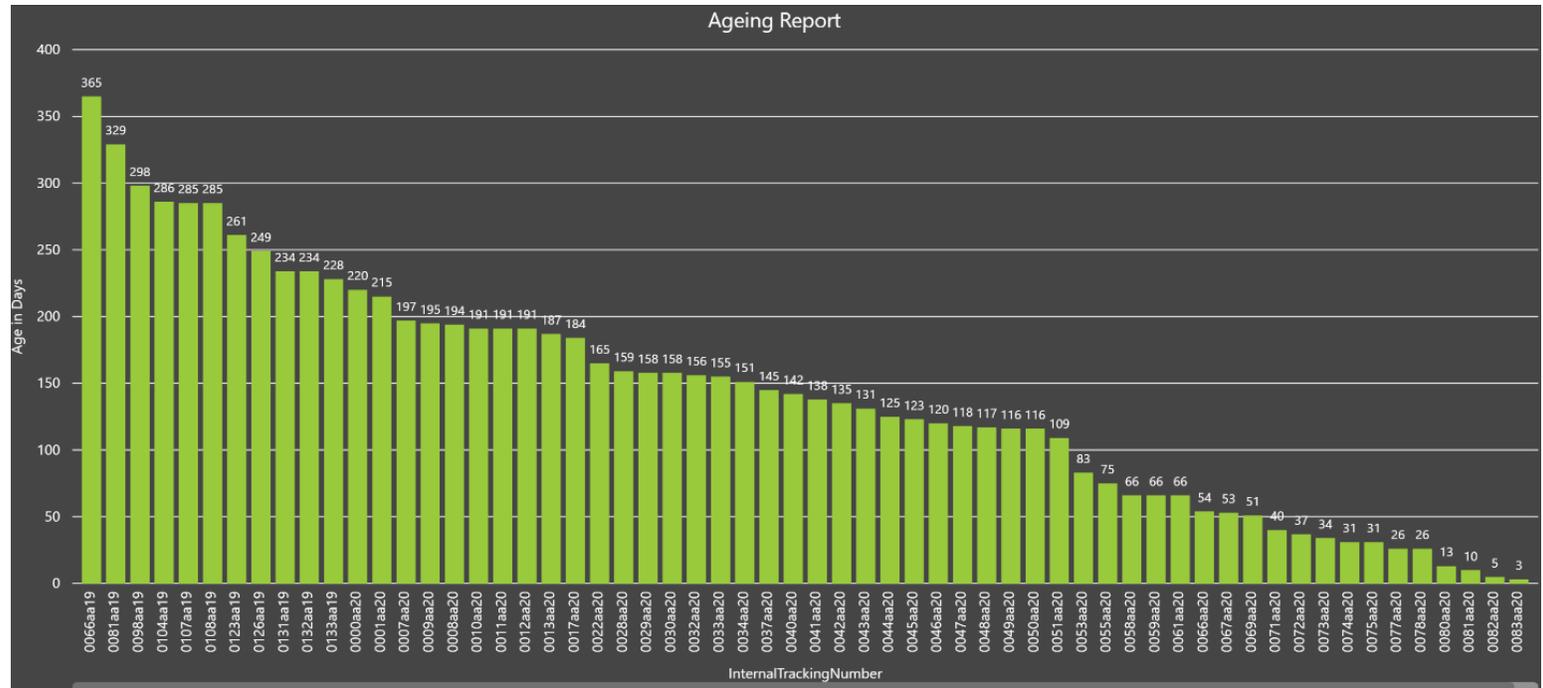
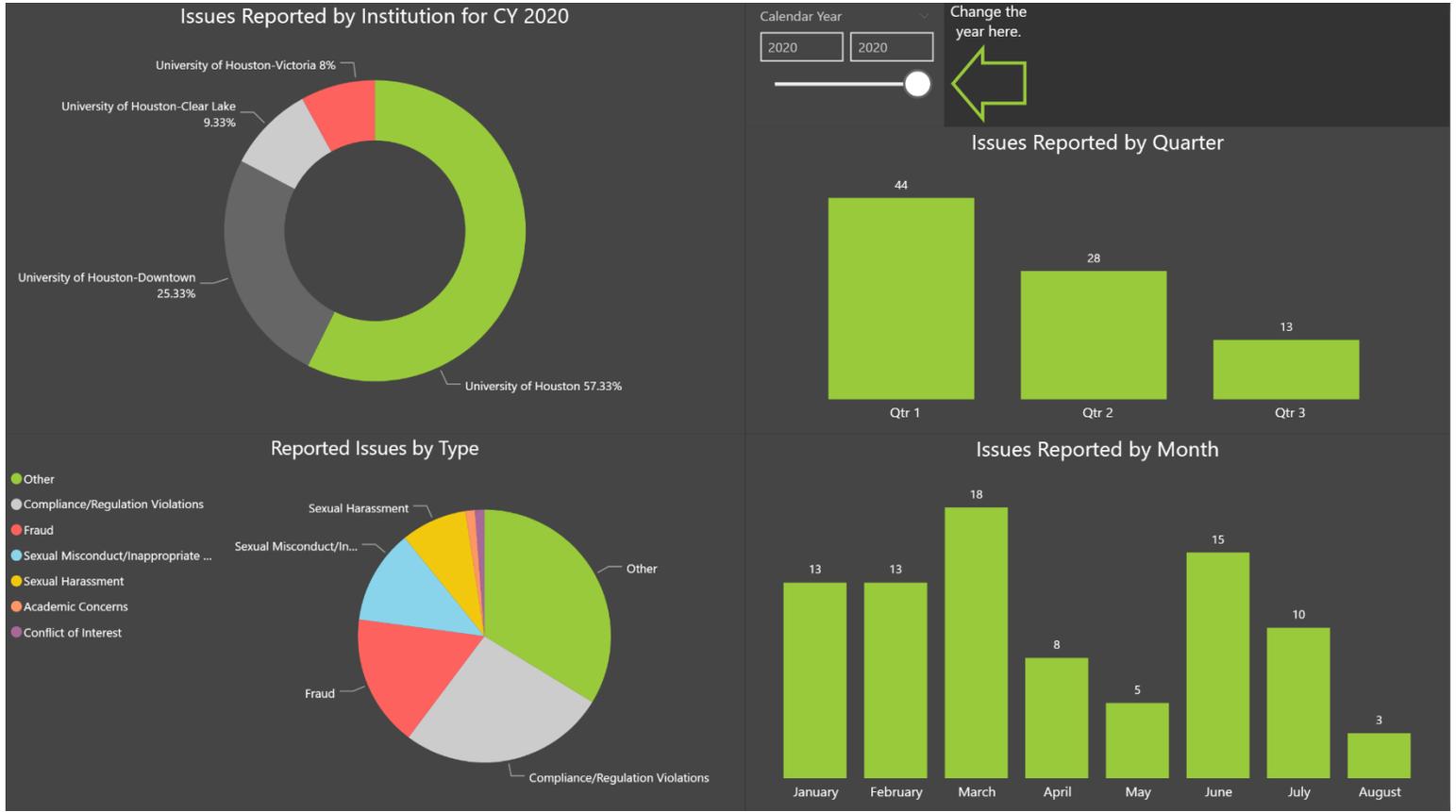
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**CHANCELLOR** Renu Khator

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**DATE**

Institutional Compliance Status Report for the three months ended June 30, 2020, and  
Annual Plan for FY 2021

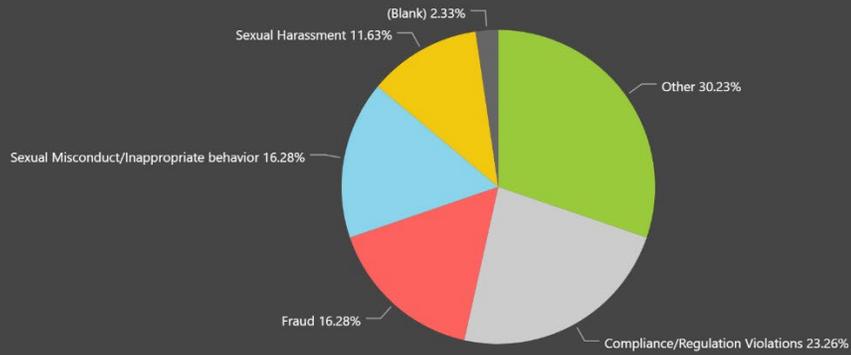
- System Compliance  
Case Overview – January-August of CY 2020
- University of Houston  
Case Overview – January-August of CY 2020
- University of Houston-Clear Lake  
Case Overview – August of CY 2020
- University of Houston-Downtown  
Case Overview – August of CY 2020
- University of Houston-Victoria  
Case Overview – August of CY 2020

# System Compliance Case Overview – January-August of CY 2020

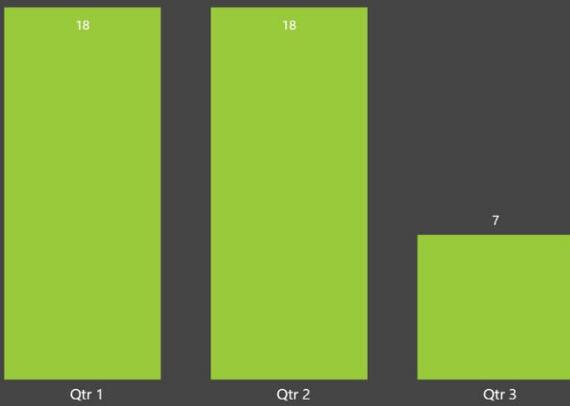


# University of Houston Case Overview – January-August of CY 2020

U of H Case Breakdown for CY2020



U of H Issues Reported by Quarter

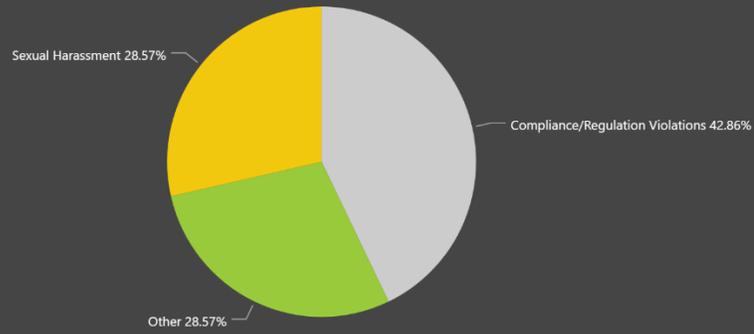


U of H Issues Reported by Month



# University of Houston-Clear Lake Case Overview – August of CY 2020

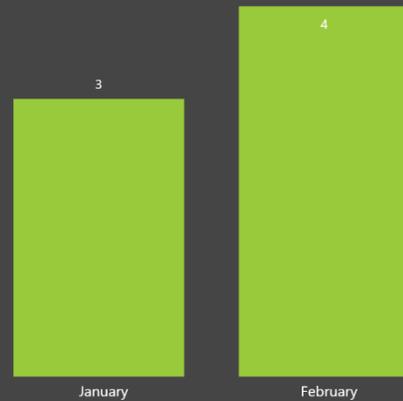
UHCL Case Breakdown for CY 2020



UHCL Issues Reported by Quarter

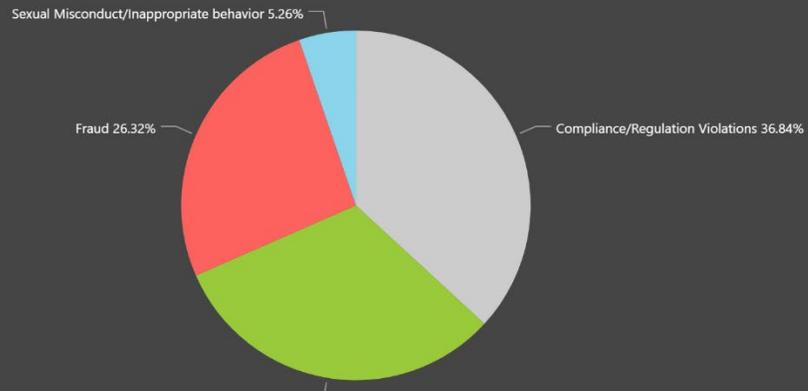


UHCL Issues Reported by Month

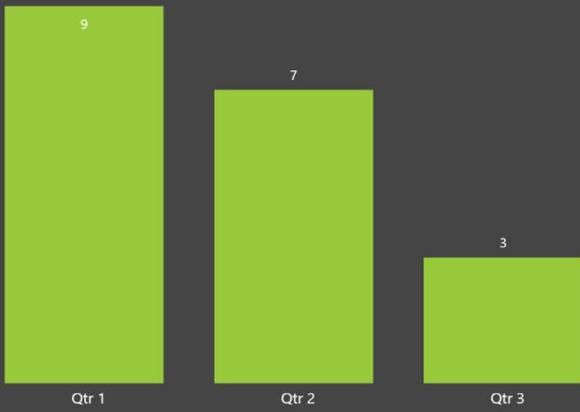


# University of Houston-Downtown Case Overview – August of CY 2020

UHD Case Breakdown for CY 2020



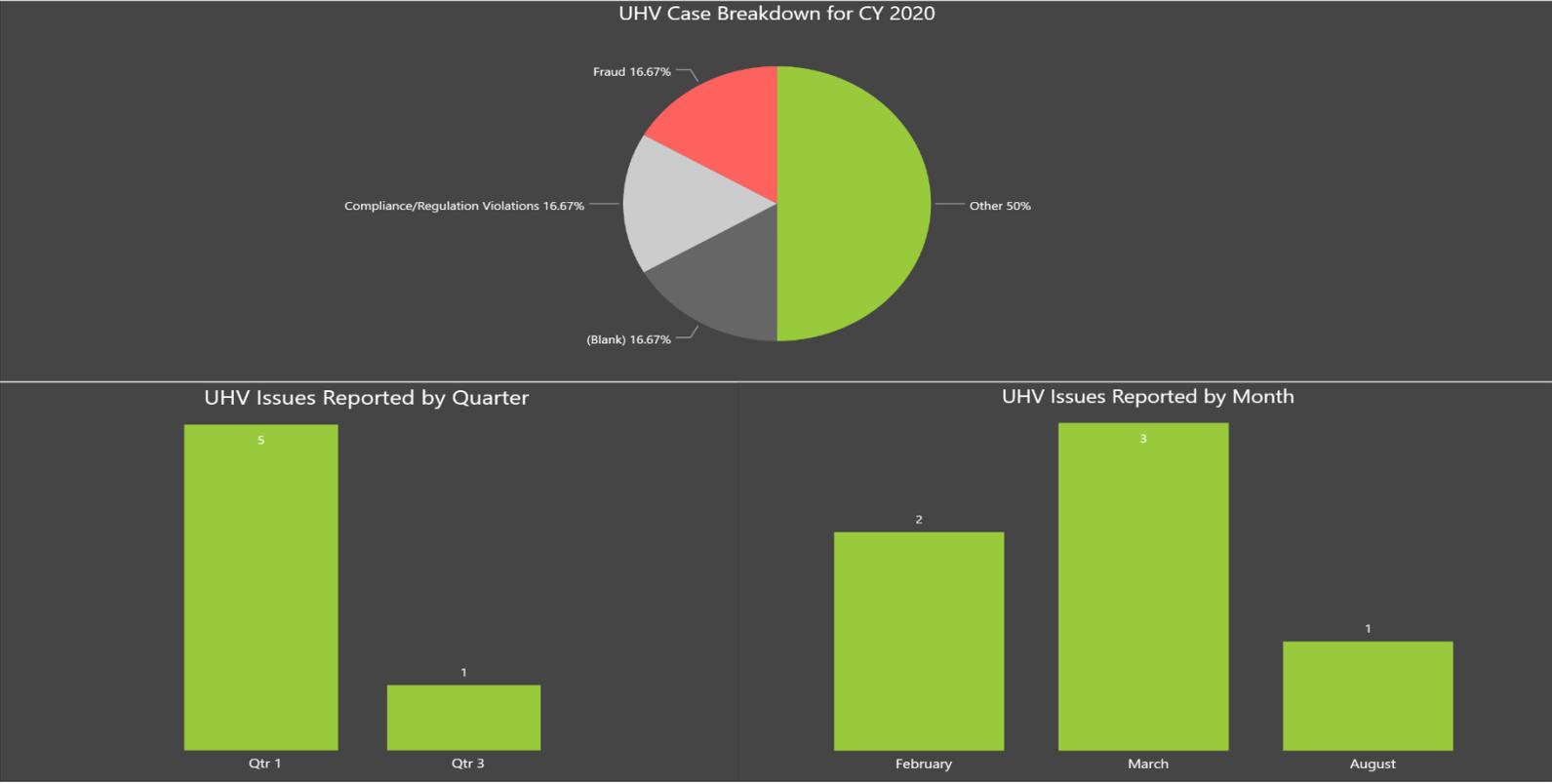
UHD Issues Reported by Quarter



UHD Issues Reported by Month



# University of Houston Victoria Case Overview - August of FY 2020



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

**COMMITTEE:** Audit and Compliance

**ITEM:** Report on updated and revised Risk Assessment

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

The International Professional Practice Framework (IPPF) outlines the guidelines for Internal Auditing Risk Assessment(s). The accompanying information was formed using the standards outlined in the IPPF, the best practices put forth by the Institute of Internal Auditors (IIA) and the Risk Dictionary from the Association of College and University Auditors (ACUA). The risk assessment was tuned to the University of Houston System using existing compliance risk assessments, input from various stakeholders, and analysis of previous and ongoing audits.

**SUPPORTING**

**DOCUMENTATION:** Updated and revised Risk Assessment

**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Information

**COMPONENT:** University of Houston System

  
\_\_\_\_\_  
**CHIEF AUDIT AND COMPLIANCE EXECUTIVE** Phillip W. Hurd **8/5/2020**  
\_\_\_\_\_  
**DATE**

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**CHANCELLOR** Renu Khator **DATE**  
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## Risk Assessment in Preparation for the Annual Audit Plan for FY 2021

- Process Overview
- Legend for Use in Risk Assessment
- High Risk Scores
- Risk Aggregate

# Process Overview

1. A risk inventory was compiled from known sources of information relating to the University of Houston System and its institutions. Several hundred risks were identified. Sources of risks included:
  - a. The Institute of Internal Auditors (IIA) publications on risk
  - b. The Society for Corporate Compliance and Ethics (SCCE) risk and ethics guide
  - c. The Association of College and University Auditors (ACUA) Risk Dictionary
  - d. Previously performed compliance risk assessments from the University of Houston System institutions
  - e. Risks previously identified in audits and investigations
2. Risks were categorized based on a risk area. The internal audit office scored and, when appropriate, reached out to as many Subject Matter Experts (SME) as possible, and rated each risk based on these factors:
  - a. Reputational Impact
  - b. Financial Impact
  - c. Operational Impact
  - d. Likelihood of Occurrence
  - e. Velocity of Occurrence
  - f. Elevation (level of the organization that would need to deal with the issue)
  - g. Length of Occurrence
3. A summary risk score was assigned based on the individual ratings. The risk score was then sorted from highest to lowest. The top 100 risks were evaluated and risks that had a “1” score (lowest) for likelihood were removed.
4. Risks were aggregated to total risk score based on primary risk area.
5. That aggregate area became the basis for the FY 2021 Annual Audit Plan.

| Example Line | Risk Area                | Objective  | Risk Factor  | Risk Level       | Primary Contact         | Primary Department                       | Reputational Impact | Financial Impact | Operational Impact | Likelihood of Occurrence | Velocity of Occurrence | Elevation | Length of Occurrence | Risk Score |
|--------------|--------------------------|--|--|------------------|-------------------------|--|---------------------|------------------|--------------------|--------------------------|------------------------|-----------|----------------------|------------|
| UH 36        | Clery Act                | Comply with statute. Accurately report crime statistics to stakeholders.   | Fines for non-compliance and reputational damage.  | Division/College | Chief Caesar Moore, Jr. | Environmental Health and Life Safety     | 5                   | 5                | 5                  | 3                        | 3                      | 5         | 4                    | 30         |
| UH 43        | Contracts                | Help ensure approval process is followed.  | Multiple contracts and change orders are generated to circumvent approval process.   | Division/College |                         | Office of Contract Administration        | 5                   | 5                | 4                  | 4                        | 5                      | 3         | 4                    | 30         |
| UH 292       | Students and Campus Life | Ensure that recruitment of student athletes is compliant with regulations.   | Compliance with NCAA requirements related to student athlete recruiting.   | Division/College |                         | Office of Athletics Compliance           | 5                   | 5                | 3                  | 3                        | 5                      | 5         | 4                    | 30         |
| UH 293       | Students and Campus Life | Oversee student athletes living on campus.   | Oversight and management of scholarship athletes living on campus consistent with NCAA rules.  | Division/College |                         | Office of Athletics Compliance           | 5                   | 5                | 3                  | 3                        | 5                      | 5         | 4                    | 30         |
| UH 236       | Research                 | Monitor access of foreign nationals to research.   | Oversight of foreign nationals with potential access either to export controlled or to classified research (these are two separate and distinct risks but with common potential root causes for adverse outcomes). Default citizenship in HR databases is U.S. | Division/College | Kirstin Holzschuh       | Research Integrity and Oversight         | 5                   | 5                | 5                  | 4                        | 3                      | 3         | 4                    | 29         |
| UH 248       | Research                 | Prevent loss of intellectual property due to lack of data protection policies and procedures. Theft of information through the use of unsecure data mediums such as external drives. | Theft of intellectual property through unsecured storage of intellectual property data external storage devices, email, etc.   | Division/College | Natalie Davis           | Division of Research                     | 5                   | 5                | 4                  | 4                        | 4                      | 3         | 4                    | 29         |
| UH 25        | Campus Security          | Provide for emergency communication throughout campus.   | Failure of the blue light campus emergency phones.   | Division/College | Chief Caesar Moore, Jr. | UHPD                                     | 5                   | 5                | 4                  | 3                        | 5                      | 3         | 3                    | 28         |
| UH 35        | Campus Security          | Provide for emergency communication throughout campus.   | Lack of communication and coordination within UH community.  | Division/College | Chief Caesar Moore, Jr. | UHPD                                     | 5                   | 4                | 5                  | 3                        | 3                      | 4         | 4                    | 28         |
| UH 44        | Data Security            | Maintain physical security of key data servers inside and outside of UIT Data Center.  | Unauthorized access to key data servers.   | Division/College | Mary Dickerson          | UHIP                                     | 5                   | 5                | 3                  | 4                        | 5                      | 3         | 3                    | 28         |
| UH 104       | Financial Aid            | To ensure scholarship and financial aid funds are awarded in accordance with management and accounting requirements.   | Over-awarding, ineligible, not awarding (may have to return)   | Division/College |                         | Office of Scholarships and Financial Aid | 5                   | 5                | 5                  | 3                        | 3                      | 3         | 4                    | 28         |
| UH 198       | Lab Security             | Ensure that chemical storage facilities are properly stored and secured  | Prevent theft of Chemicals that could result in a hazardous contamination  | Division/College | Lisa Benford            | Environmental Health & Life Safety       | 5                   | 5                | 3                  | 3                        | 5                      | 3         | 4                    | 28         |

| Example Line | Risk Area                | Objective  | Risk Factor   | Risk Level       | Primary Contact                 | Primary Department                       | Reputational Impact | Financial Impact | Operational Impact | Likelihood of Occurrence | Velocity of Occurrence | Elevation | Length of Occurrence | Risk Score |
|--------------|--------------------------|--|---|------------------|---------------------------------|--|---------------------|------------------|--------------------|--------------------------|------------------------|-----------|----------------------|------------|
| UH 314       | Visitors on Campus       | Provide a safe and secure environment for students, faculty, staff and authorized visitors to campus                         | Minors on campus as part of youth programs (e.g., UH Young Innovators' Academy, Cougars and Houston Area Math Program (CHAMP), UH Math Contest, and U.S. National Chemistry Olympiad - Greater Houston)   | Division/College |                                 | Variety of sponsoring Depts              | 5                   | 5                | 3                  | 3                        | 5                      | 3         | 4                    | 28         |
| UH 18        | Campus Events            | Planning for events on campus.   | Incidents occurring and lack of control at special events.  | Division/College | Tonja Jones                     | Office of Protocol and Special Events    | 5                   | 5                | 3                  | 3                        | 5                      | 3         | 3                    | 27         |
| UH 41        | Conflict of Interest     | Manage potential Institutional conflicts of interest   | Ability to identify and manage institutional conflicts of interest.   | Division/College |                                 |  | 5                   | 5                | 4                  | 3                        | 3                      | 3         | 4                    | 27         |
| UH 46        | Emergency Management     | Determine if backup operating procedures are in place and adequate to prevent disruption in operations.                      | Transition to university back-up operating procedures are streamlined to prevent delays in operations and loss in revenues.   | Division/College | Ginger Walker, Interim Director | Emergency Management                     | 4                   | 5                | 5                  | 3                        | 5                      | 3         | 2                    | 27         |
| UH 65        | Enrollment and Retention | Monitor student immigration status.  | Enrollment of non-documented undergraduate students.  | Division/College | Richard Walker                  | Student Affairs and Enrollment Services  | 5                   | 5                | 4                  | 3                        | 3                      | 3         | 4                    | 27         |
| UH 70        | Enrollment and Retention | Monitor student immigration status.  | Enrollment of non-documented graduate students.   | Division/College | Richard Walker                  | Student Affairs and Enrollment Services  | 5                   | 5                | 4                  | 3                        | 3                      | 3         | 4                    | 27         |
| UH 105       | Financial Aid            | To ensure scholarship and financial aid funds are awarded in accordance with management, accounting, and other requirements. | Ineligibility   | Division/College |                                 | Office of Scholarships and Financial Aid | 5                   | 5                | 5                  | 3                        | 3                      | 3         | 3                    | 27         |
| UH 125       | Fiscal - Controls        | Accuracy and retention of financial records, for the purposes of financial reporting.  | Data integrity for financial reporting purposes. Financial misstatements, errors, and omissions. Need daily/monthly account recons, segregation of entry/review duties, write-off and reserves in accordance with policy, and annual compliance statements. | Division/College | Karin Livingston, Controller    | Financial Services                       | 5                   | 5                | 3                  | 3                        | 4                      | 3         | 4                    | 27         |
| UH 244       | Research                 | Adequately manage budgeting, financial and other issues for sponsored research.  | Effort certification.   | Division/College | Beverly Rymer                   | Division of Research                     | 3                   | 5                | 5                  | 4                        | 3                      | 3         | 4                    | 27         |
| UH 249       | Research                 | Prevent data breach that would result in HIPAA violations  | Knowingly obtain or disclose individually identifiable health information can result in fines of up to \$50K and imprisonment up to 1 year. Could result in civil lawsuits and diminished reputation.   | Division/College |                                 |  | 4                   | 5                | 4                  | 3                        | 3                      | 5         | 4                    | 27         |

| Example Line | Risk Area                      | Objective   | Risk Factor  | Risk Level       | Primary Contact                         | Primary Department                 | Reputational Impact | Financial Impact | Operational Impact | Likelihood of Occurrence | Velocity of Occurrence | Elevation | Length of Occurrence | Risk Score |
|--------------|--------------------------------|---|--|------------------|---|------------------------------------|---------------------|------------------|--------------------|--------------------------|------------------------|-----------|----------------------|------------|
| UH 250       | Research                       | Misappropriation of grant funds   | Excessive spending at grant end period (last six months).  | Division/College | Beverly Rymer                           | Division of Research               | 4                   | 5                | 5                  | 4                        | 3                      | 3         | 3                    | 27         |
| UH 262       | Student Activities             | Oversight of student organizations.   | Oversight of minor children working with student organizations.  | Division/College | Allyson Yolland, Activities Coordinator | Center for Student Life            | 5                   | 5                | 3                  | 3                        | 4                      | 3         | 4                    | 27         |
| UH 305       | Visitors on Campus             | Provide a safe and secure environment for students, faculty, staff and authorized visitors to campus                                  | Minors in campus housing as a part of overnight camps.   | Division/College |   | Variety of sponsoring Depts        | 5                   | 4                | 4                  | 3                        | 5                      | 3         | 3                    | 27         |
| UH 38        | Conflict of Interest           | Manage conflicts of interest in conducting research, outside business and consulting.   | Coordination of conflict of interest in human subjects research, sponsored research, materials transfer agreements, technology transfer, and non-disclosure agreements.  | Division/College | Kirstin Holzschuh                       | Division of Research               | 5                   | 5                | 4                  | 3                        | 3                      | 3         | 3                    | 26         |
| UH 45        | Data Security                  | Maintain physical security of key data servers inside and outside of UIT Data Center.   | Advanced Persistent Threat (APT).  | Division/College | Mary Dickerson                          | UHIT                               | 4                   | 4                | 3                  | 4                        | 5                      | 3         | 3                    | 26         |
| UH 62        | Endowments                     | Strategic planning for and oversight of UH endowments   | Management of endowment assets and spending rate.  | Division/College | Raymond Bartlett                        | Finance                            | 4                   | 5                | 4                  | 3                        | 3                      | 3         | 4                    | 26         |
| UH 88        | Facilities Use and Maintenance | Maintain buildings in good order and repair.  | Fire escape exits - ease of use.   | Division/College | Lisa Benford                            | Environmental Health & Life Safety | 4                   | 4                | 4                  | 3                        | 5                      | 3         | 3                    | 26         |
| UH 108       | Fiscal - Controls              | Ensure payments are not made to ghost vendors, double payments, prohibited vendors, related vendors, bid threshold requirements, etc. | Possible fraud, non-compliance, etc.   | Division/College | Samantha Yurus, Assistant Controller    | Office of Finance                  | 4                   | 4                | 4                  | 4                        | 3                      | 3         | 4                    | 26         |
| UH 194       | Lab Safety                     | Monitor and train for campus-wide implementation of and compliance with laboratory safety guidelines.                                 | Use of high-radiological items in research at UH (e.g., IC source) - note that about 30 buildings have RAM. Radiological exposure and/or contamination to faculty, students and staff (even to the public); proper use of x-ray devices / personal over-exposure to x-rays - health and/or regulatory compliance issues. | Division/College | Lisa Benford                            | Environmental Health & Life Safety | 4                   | 4                | 4                  | 3                        | 5                      | 3         | 3                    | 26         |
| UH 232       | Research                       | Oversee compliance with sponsor requirements as well as state and federal regulations affecting research.                             | Compliance with sponsor requirements, including but not limited to allow ability, allocability, and reasonableness of cost, and contract provisions in sponsored projects.   | Division/College | Beverly Rymer                           | Research Integrity and Oversight   | 5                   | 5                | 4                  | 3                        | 3                      | 2         | 4                    | 26         |

| Example Line | Risk Area                | Objective  | Risk Factor  | Risk Level       | Primary Contact         | Primary Department                      | Reputational Impact | Financial Impact | Operational Impact | Likelihood of Occurrence | Velocity of Occurrence | Elevation | Length of Occurrence | Risk Score |
|--------------|--------------------------|--|--|------------------|-------------------------|---|---------------------|------------------|--------------------|--------------------------|------------------------|-----------|----------------------|------------|
| UH 237       | Research                 | Control access to areas where classified research is conducted.                                      | Classified research being performed in academic space where other unclassified activities are more common; supervision of individuals not familiar with classified activities.   | Division/College |                         | Division of Research                    | 5                   | 5                | 4                  | 3                        | 4                      | 3         | 2                    | 26         |
| UH 238       | Research                 | Adequately manage budgeting, financial and other issues for sponsored research.                      | Financial reporting and billing to research sponsors.  | Division/College | Beverly Rymer           | Office of Contracts and Grants          | 5                   | 5                | 5                  | 4                        | 3                      | 2         | 3                    | 26         |
| UH 251       | Research                 | Misappropriation of grant funds  | Accounting for Gifts (gift cards, other gifts) not in compliance with policies conducive to fraudulent activity.   | Division/College | Beverly Rymer           | Division of Research                    | 4                   | 5                | 5                  | 4                        | 4                      | 3         | 2                    | 26         |
| UH 279       | Student Health           | Provide access to medical/mental health care to students on campus.                                  | Security of protected medical information (electronic and verbal).   | Division/College |                         | Counseling and Psychological Services   | 5                   | 4                | 3                  | 3                        | 4                      | 3         | 4                    | 26         |
| UH 298       | Students and Campus Life | Ensure that risk management is part of planning for student activities.                              | Risk management may not be aware of all activities.  | Division/College |                         |   | 4                   | 5                | 3                  | 3                        | 4                      | 3         | 4                    | 26         |
| UH 299       | Students and Campus Life | Protect student data and information.  | Security of student information (non IT-related).  | Division/College | Kenny Mauk              | Student Housing and Residential Life    | 5                   | 3                | 4                  | 3                        | 4                      | 3         | 4                    | 26         |
| UH 303       | Visitors on Campus       | Provide a safe and secure environment for students, faculty, staff and authorized visitors to campus | Minors on campus as a part of Athletics coaches camps.   | Division/College | Neil Hart               | Parking and Transportation              | 5                   | 3                | 3                  | 3                        | 5                      | 3         | 4                    | 26         |
| UH 307       | Visitors on Campus       | Provide a safe and secure environment for students, faculty, staff and authorized visitors to campus | Minors on campus unsupervised in research facilities, engaged in research activities without safety training and oversight, and/or lack of parental permission.  | Division/College |                         | Variety of sponsoring Depts             | 5                   | 4                | 4                  | 3                        | 5                      | 3         | 2                    | 26         |
| UH 34        | Campus Security          | Provide for emergency communication throughout campus.   | Availability and use of needed communication technology to protect the UH community.   | Division/College | Chief Caesar Moore, Jr. | UHPD                                    | 4                   | 4                | 5                  | 3                        | 5                      | 3         | 1                    | 25         |
| UH 37        | Conflict of Interest     | Manage conflicts of interest in conducting research, outside business and consulting.                | Conflict of interest by University of Houston faculty, researchers, and subcontractors including but not limited to conflicts in the design, conduct and reporting of research as disclosed on a per project basis by all key personnel. | Division/College | Penny Maher             | Division of Research                    | 5                   | 5                | 4                  | 3                        | 3                      | 3         | 3                    | 25         |
| UH 71        | Enrollment and Retention | Monitor student immigration status.  | Enrollment or categorization of graduate students from countries that have been sanctioned by the U.S.   | Division/College | Richard Walker          | Student Affairs and Enrollment Services | 4                   | 5                | 4                  | 3                        | 2                      | 3         | 4                    | 25         |

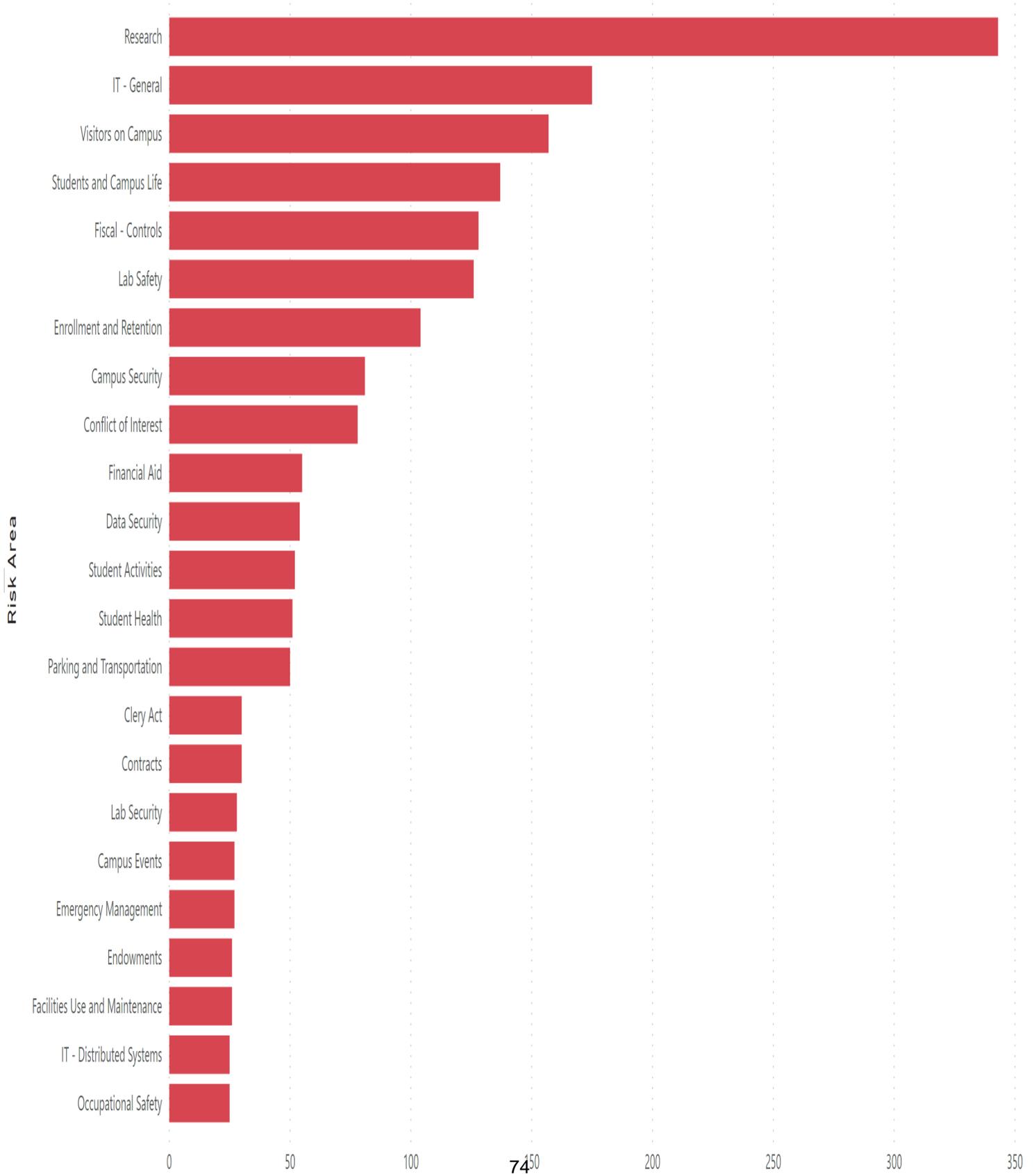
| Example Line | Risk Area                | Objective   | Risk Factor  | Risk Level       | Primary Contact                      | Primary Department                      | Reputational Impact | Financial Impact | Operational Impact | Likelihood of Occurrence | Velocity of Occurrence | Elevation | Length of Occurrence | Risk Score |
|--------------|--------------------------|---|--|------------------|--------------------------------------|---|---------------------|------------------|--------------------|--------------------------|------------------------|-----------|----------------------|------------|
| UH 72        | Enrollment and Retention | Monitor student immigration status.   | Enrollment or categorization of students from countries that have been sanctioned by the U.S. [OIE handles F-1 and J-1 students studying at UH on a UH-sponsored visa only.] | Division/College | Richard Walker                       | Student Affairs and Enrollment Services | 4                   | 5                | 4                  | 3                        | 2                      | 3         | 4                    | 25         |
| UH 109       | Fiscal - Controls        | Monitor vendor transaction history.   | Vendors not being inactivated.   | Division/College | Samantha Yurus, Assistant Controller | Office of Finance                       | 2                   | 4                | 4                  | 5                        | 3                      | 3         | 4                    | 25         |
| UH 114       | Fiscal - Controls        | Ensure proper usage and reconciliation of operational and travel advances.  | Misuse, loss, theft of university funds.   | Division/College | Samantha Yurus, Assistant Controller | Treasury, Accounts Payable - Travel     | 4                   | 4                | 4                  | 2                        | 4                      | 5         | 2                    | 25         |
| UH 115       | Fiscal - Controls        | Proper use of UH travel agency and travel expenses.   | Inaccurate travel reimbursements; inefficient use of university funds.   | Division/College |                                      | Accounts Payable-Travel                 | 4                   | 4                | 4                  | 3                        | 4                      | 3         | 3                    | 25         |
| UH 170       | IT - Distributed Systems | Ensure that IT equipment and systems are current, functioning, and there is the capacity available to support them. | Renewal and refreshment of key academic or administrative systems  | Division/College | Short, Fouty                         | University Information Technology       | 2                   | 4                | 5                  | 4                        | 4                      | 3         | 3                    | 25         |
| UH 171       | IT - General             | Ensure that IT equipment and systems are current, functioning, and there is the capacity available to support them. | Maintenance, renewal and refreshment of IT equipment.  | Division/College | Dennis Fouty                         | University Information Technology       | 2                   | 4                | 5                  | 4                        | 4                      | 3         | 3                    | 25         |
| UH 173       | IT - General             | Ensure that IT equipment and systems are current, functioning, and there is the capacity available to support them. | Continued support for and renewal and refreshment of key research administrative systems (e.g., OSP database).   | Division/College | Dennis Fouty                         | University Information Technology       | 2                   | 4                | 5                  | 4                        | 4                      | 3         | 3                    | 25         |
| UH 174       | IT - General             | Ensure that IT equipment and systems are current, functioning, and there is the capacity available to support them. | Project Management for system implementation.  | Division/College | Dennis Fouty                         | University Information Technology       | 2                   | 4                | 5                  | 4                        | 4                      | 3         | 3                    | 25         |
| UH 175       | IT - General             | Ensure that IT equipment and systems are current, functioning, and there is the capacity available to support them. | Ability to acquire or upgrade administrative and education systems.  | Division/College | Dennis Fouty                         | University Information Technology       | 2                   | 4                | 5                  | 4                        | 4                      | 3         | 3                    | 25         |
| UH 177       | IT - General             | Prevent disruptions in IT system and equipment availability from affecting the use of these tools.                  | Downtime for patches, updates, and maintenance because of need to be "on" all the time (esp. as international presence increases).   | Division/College | Dennis Fouty                         | University Information Technology       | 2                   | 4                | 5                  | 4                        | 4                      | 3         | 3                    | 25         |
| UH 178       | IT - General             | Prevent disruptions in IT system and equipment availability from affecting the use of these tools.                  | Telecommunications network monitoring.   | Division/College | Dennis Fouty                         | University Information Technology       | 2                   | 4                | 5                  | 4                        | 4                      | 3         | 3                    | 25         |
| UH 179       | IT - General             | Support software needs on campus.   | Updates to software and operating system done routinely.   | Division/College | Dennis Fouty                         | University Information Technology       | 2                   | 4                | 5                  | 4                        | 4                      | 3         | 3                    | 25         |
| UH 189       | Lab Safety               | Monitor and train for proper storage, maintenance, and handling methods for lab materials and chemicals in labs.    | Use of high-hazard chemicals.  | Division/College | Lisa Benford                         | Environmental Health & Life Safety      | 4                   | 5                | 3                  | 3                        | 3                      | 3         | 4                    | 25         |

| Example Line | Risk Area                  | Objective   | Risk Factor  | Risk Level       | Primary Contact                          | Primary Department   | Reputational Impact | Financial Impact | Operational Impact | Likelihood of Occurrence | Velocity of Occurrence | Elevation | Length of Occurrence | Risk Score |
|--------------|----------------------------|---|--|------------------|--|--|---------------------|------------------|--------------------|--------------------------|------------------------|-----------|----------------------|------------|
| UH 190       | Lab Safety                 | Monitor and train for proper storage, maintenance, and handling methods for lab materials and chemicals in labs.    | Disposal of expired chemicals (chemical inventory management).   | Division/College | Lisa Benford                             | Environmental Health & Life Safety                             | 4                   | 5                | 3                  | 3                        | 3                      | 3         | 4                    | 25         |
| UH 191       | Lab Safety                 | Monitor and train for proper storage, maintenance, and handling methods for lab materials and chemicals in labs.    | Other Physical Hazards (e.g. high noise, heat, high-voltage, etc.)   | Division/College | Lisa Benford                             | Environmental Health & Life Safety                             | 4                   | 5                | 3                  | 3                        | 3                      | 3         | 4                    | 25         |
| UH 192       | Lab Safety                 | Monitor and train for campus-wide implementation of and compliance with laboratory safety guidelines.               | Failure to use PPE (Proper Protective Equipment).  | Division/College | Lisa Benford                             | Environmental Health & Life Safety                             | 4                   | 3                | 5                  | 3                        | 4                      | 3         | 3                    | 25         |
| UH 205       | Occupational Safety        | Promote worker safety standards, procedures and training.   | Blood borne pathogens, MRSA - particularly for students/staff working at the CRC.  | Division/College | Lisa Benford                             | Environmental Health & Life Safety                             | 3                   | 5                | 3                  | 2                        | 5                      | 4         | 3                    | 25         |
| UH 223       | Parking and Transportation | Properly transport hazardous materials or research specimens.   | Hazardous materials, research specimens transported in employee-, student-, or faculty-owned vehicles.   | Division/College | Chris McDonald                           | Environmental Health & Safety                                  | 5                   | 5                | 2                  | 1                        | 5                      | 4         | 3                    | 25         |
| UH 226       | Parking and Transportation | Properly transport hazardous materials or research specimens.   | Transport of animals used in research.   | Division/College | Chris McDonald                           | Environmental Health & Safety                                  | 5                   | 3                | 3                  | 1                        | 5                      | 4         | 4                    | 25         |
| UH 231       | Research                   | Adequately manage budgeting, financial and other issues for sponsored research.                                     | Cost transfers at any point during the life of a sponsored project has inherent risks. Significant impact on billing which affects Federal cash-on-hand, financial reporting, compliance, programmatic reporting, etc. | Division/College | Beverly Rymer                            | Finance and Accounting / Expenditure Management                | 4                   | 4                | 4                  | 3                        | 3                      | 3         | 4                    | 25         |
| UH 241       | Research                   | Adequately manage budgeting, financial and other issues for sponsored research.                                     | Late and overdue deliverables.   | Division/College | Beverly Rymer                            | Division of Research   | 5                   | 5                | 5                  | 3                        | 2                      | 2         | 3                    | 25         |
| UH 242       | Research                   | Adequately manage budgeting, financial and other issues for sponsored research.                                     | Time for review of proposals to avoid submission of proposals with inappropriate commitment of University of Houston resources, or proposal not being submitted.   | Division/College |  | Division of Research / Research Integrity and Oversight Office | 3                   | 5                | 4                  | 3                        | 3                      | 3         | 4                    | 25         |
| UH 247       | Research                   | Prevent unauthorized or inappropriate research.   | Undertaking research without authorization or oversight, when required. Beginning a research project before the contract is completed.   | Division/College | Beverly Rymer                            | Office of Contracts and Grants                                 | 4                   | 5                | 3                  | 3                        | 4                      | 3         | 3                    | 25         |
| UH 252       | Student Activities         | Manage activities of club sports in accordance with appropriate regulations and to ensure safety and effectiveness. | Oversight of club sports due to the need to follow NCAA and related regulations.   | Division/College | Jon Janis, Katie Geter, & Claudia Cooper | Department of Campus Recreation                                | 5                   | 5                | 3                  | 2                        | 3                      | 3         | 4                    | 25         |
| UH 285       | Student Health             | Encourage responsible and legal use of alcohol and drugs by students. Provide treatment for improper use.           | Use of alcohol by student organizations.   | Division/College | Dr. William Munson                       | Student Affairs & Enrollment Services - Dean of Students       | 5                   | 4                | 2                  | 3                        | 5                      | 3         | 3                    | 25         |

| Example Line | Risk Area                | Objective  | Risk Factor  | Risk Level       | Primary Contact | Primary Department                   | Reputational Impact | Financial Impact | Operational Impact | Likelihood of Occurance | Velocity of Occurrence | Elevation | Length of Occurrence | Risk Score |
|--------------|--------------------------|--|--|------------------|-----------------|--------------------------------------|---------------------|------------------|--------------------|-------------------------|------------------------|-----------|----------------------|------------|
| UH 296       | Students and Campus Life | Ensure that disabled students have accessible accommodations, and are able to navigate campus safely | Safety of disabled students living on campus.  | Division/College | Don Yackley     | Student Housing and Residential Life | 4                   | 3                | 2                  | 3                       | 5                      | 4         | 4                    | 25         |
| UH 304       | Visitors on Campus       | Provide a safe and secure environment for students, faculty, staff and authorized visitors to campus | Minors on campus as part of summer camps.  | Division/College |                 | Variety of sponsoring Depts          | 5                   | 3                | 2                  | 3                       | 5                      | 3         | 4                    | 25         |
| UH 312       | Visitors on Campus       | Provide a safe and secure environment for students, faculty, staff and authorized visitors to campus | Non-students/faculty/employees on campus transportation ("open campus" - no verification required on metro buses, or rideshare services ). | Division/College |                 | Risk Management                      | 4                   | 2                | 2                  | 5                       | 5                      | 3         | 4                    | 25         |

# Risk Aggregate for FY-2021

Risk Score by Risk Area



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

**COMMITTEE:** Audit and Compliance

**ITEM:** Report on University of Houston System, Annual Internal Audit Plan, FY 2021

**DATE PREVIOUSLY SUBMITTED:**

**SUMMARY:**

Attached for your review and approval is the UHS Internal Auditing Department's Annual Internal Audit Plan for Fiscal Year 2021 (Audit Plan). The Audit Plan has 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 Texas Internal Auditing Act requires the Board of Regents to approve the Audit Plan and periodically review the resources dedicated to the Internal Audit program and determine if adequate resources exist to ensure that risks identified in the annual risk assessment are adequately covered within a reasonable timeframe. The Internal Audit resources are described in Appendix A of the Audit Plan, and the risk assessment is included in Appendix B of the Audit Plan.

**SUPPORTING DOCUMENTATION:** Annual Internal Audit Plan, FY 2021

**FISCAL NOTE:**

**RECOMMENDATION/  
ACTION REQUESTED:** Administration recommends approval of this item

**COMPONENT:** University of Houston System



8/3/2020

\_\_\_\_\_  
**CHIEF AUDIT AND COMPLIANCE EXECUTIVE** Phillip W. Hurd

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

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

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

University of Houston System  
Internal Auditing Department

Annual Internal Audit Plan  
FY 2021

## Overview

1. Internal Audit Definition
2. Staff Members and Certified Competencies
3. Proposed Audit Plan
  - Existing Year Projects that are in Process
  - Additions to Audit Plan Based on Risk Assessment and Risk Register
4. Additional Points

## Definition of Internal Auditing

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

## Staff Members and Certified Competencies

| Name                    | Job Title   | Certifications      |
|-------------------------|---|---------------------|
| White, Barbara Carol    | Asst, Administrative, Exec                          |                     |
| Dahlke, Sandra Wells    | Asst, Administrative, Exec                          | CAP                 |
| McClellan, Elias Jacob  | Auditor 1   | CFE                 |
| Gerry, Kim A.           | Auditor 2   | CFE                 |
| Porter, Eric            | Auditor 2   |                     |
| Davis, Tamara T         | Auditor 2   |                     |
| Applebach, Connie C     | Auditor 2   | CISA                |
| Tran, Emily Kim         | Auditor 2   | AIRC                |
| Collier, Jeff A.        | Auditor 3   |                     |
| Moreno, Cesario Anthony | Spvr, Audit   | CFE, CGAP           |
| O'Neal, Brandee M       | Mgr, Audit  | CIA                 |
| Wong, Randall Jason     | Mgr, Audit  | CIA                 |
| Hoskens, Russell G      | Asst Chief Audit Exec<br>Chief Audit and Compliance | CPA, CIA, CISA, CFE |
| Hurd, Phillip Wayne     | Exec  | CISSP, CCEP         |

AIRC – Associate, Insurance Regulatory Compliance

CAP – Certified Administrative Professional

CCEP – Certified Compliance and Ethics Professional

CFE – Certified Fraud Examiner

CGAP – Certified Government Auditing Professional

CIA – Certified Internal Auditor

CISA – Certified Information Systems Auditor

CISSP – Certified Information Systems Security Professional

CPA – Certified Public Accountant

## Additional Points

- 20% of available talent hours are reserved for Management/Board requests and investigations.
- Improvements in efficiencies which result in additional talent hours will be applied to near-term audits first, then to mid-term audits.
- Internal auditing is currently undergoing skills upgrade processes to integrate additional analytics, computer assisted auditing techniques (CAAT), robotic process automation (RPA) and basic artificial intelligence (AI.)

**Existing Year Projects that are in Progress**

| <b>TITLE</b>   | <b>STATUS</b><br><small>(select from drop-down list)</small> | <b>COMMENTS</b>   |
|--|--|---|
| Accounts Payable with Cost Recovery Component              | Project Currently In Progress                                | Scheduled to be finished early September 2020   |
| Accounts Receivable  | Project Currently In Progress                                | Started August 2020   |
| IT Governance - Schneider Downs                            | Project Currently In Progress                                | Scheduled to be finished early September 2020   |
| Travel & Entertainment Expenditures - Board                | Project Currently In Progress                                | Board Requested - Continual - Report in November 2020   |
| Travel & Entertainment Expenditures - Chancellor/President | Project Currently In Progress                                | Board Requested - Continual - Report in November 2020   |
| Real Estate Services                                       | Project Currently In Progress                                | Scheduled to be finished in September 2020  |
| Internal Audit (IA) Data Analytics and Value Enhancements  | Project Currently In Progress                                | This is on ongoing skills enhancement project to integrate data analytics and increase sample size through integration of artificial intelligence (AI) and robotic process automation (RPA) into the audit process. |

**Additions to Audit Plan Based on Risk Assessment and Risk Register**

| ENGAGEMENT TITLE   | GROUPING   | TYPE   | SCOPE   | TIME FRAME  | INCLUSION RATIONAL  | Entity to be Audited |    |      |     |     |
|--|--|--|---|---|---|----------------------|----|------|-----|-----|
| Provide the title of the audit engagement.                     | Assurance<br>Blended<br>Consulting<br>Special<br>Project | Compliance<br>Financial<br>Information<br>Technology<br>Investigation<br>Operational | Controls<br>Review<br>Full Review<br>Limited Review | Near Term - 1-6 Months<br>Medium Term - 7-12 Months<br>Long Term - 13-18 Months | Information describing why this project is included on the audit plan.  | UHS                  | UH | UHCL | UHD | UHV |
| Research Governance and Process Overview                       | Blended  | Operational  | Full Review   | Near Term - 1-6 Months  | Research is a fundamental element to the growth objective, as outlined by the Chancellor. In addition, on the risk assessment, this area (Research Risks had a disproportionate amount of high-risk processes).                         |                      | x  | x    |     |     |
| Export Controls  | Assurance  | Compliance   | Controls Review                                     | Near Term - 1-6 Months  | Risk assessment and recent events and audits have shown that this is an area that UHS must ensure is well managed and compliant.  |                      | x  | x    |     |     |
| Grants Management  | Assurance  | Operational  | Controls Review                                     | Medium Term - 7-12 Months   | High rating on the risk assessment and recent audit issues show this is an area that UHS must ensure is well managed and compliant.   |                      | x  | x    |     |     |
| Conflict of Interest   | Blended  | Operational  | Full Review   | Medium Term - 7-12 Months   | High rating on the risk assessment and recent audit issues show this is an area that UHS must ensure is well managed and compliant.   |                      | x  | x    | x   | x   |
| Effort Reporting   | Assurance  | Compliance   | Controls Review                                     | Long Term - 13-18 Months  | High rating on the risk assessment and recent audit issues show this is an area that UHS must ensure is well managed and compliant.   |                      | x  | x    |     |     |
| Intellectual Property Oversight and Protection                 | Blended  | Operational  | Controls Review                                     | Near Term - 1-6 Months  | High rating on the risk assessment and recent audit issues show this is an area that UHS must ensure is well managed and compliant.   |                      | x  |      |     |     |
| Compliance with Federal Sentencing Guidelines                  | Assurance  | Compliance   | Full Review   | Near Term - 1-6 Months  | In 2018 the Federal Government released a guide to compliance. This audit will provide assurance to meeting the new and existing criteria laid out in it.   | x                    | x  | x    | x   | x   |
| Research Center Management                                     | Assurance  | Financial  | Controls Review                                     | Medium Term - 7-12 Months   | Research centers often have multiple sources of income and often have different rules for expenses. High rating on the risk assessment and recent audit issues show this is an area that UHS must ensure is well managed and compliant. |                      | x  |      |     |     |
| Procurement Card Management                                    | Assurance  | Operational  | Full Review   | Near Term - 1-6 Months  | Recent audit issues show this is an area that UHS must ensure is well managed and compliant. Procurement cards are one of the easiest ways to misappropriate funds.   |                      | x  | x    | x   | x   |
| Minors on Campus (Camps, Charter School, Other MOC Activities) | Blended  | Compliance   | Controls Review                                     | Medium Term - 7-12 Months   | Because of recent legislation, no recent audits and a commitment to protection of future members of the UHS community this is an area the a need assurance provided.  |                      | x  | x    | x   | x   |
| Construction Auditing  | Assurance  | Financial  | Controls Review                                     | Long Term - 13-18 Months  | Construction is a complex process that offers multiple areas for misappropriation of funds. Large projects like the medical school offer opportunity, pressure and rationalities for the misuse of funds.                               |                      | x  |      |     |     |
| Campus-wide Management of Small Electronics                    | Assurance  | Information Technology   | Controls Review                                     | Medium Term - 7-12 Months   | Small electronics are the most common type of assets misappropriation. No recent audits in this are a high-risk rating.   |                      | x  | x    | x   | x   |
| Redundant Systems  | Blended  | Information Technology   | Limited Review                                      | Near Term - 1-6 Months  | Recent audit issues show this is an area where UHS may be able to improve operations and reduce operations cost by consolidations, automations, and shared use.   | x                    | x  | x    | x   | x   |
| Vendor Validation  | Consulting   | Compliance   | Limited Review                                      | Near Term - 1-6 Months  | Internal Auditing will be consulting on the control structure of the upgrade of software surrounding the master vendor list and vendor validation.  | x                    | x  | x    | x   | x   |
| Travel Expense   | Assurance  | Multiple Aspect  | Controls Review                                     | Near Term - 1-6 Months  | Recent audit issues show this is an area that UHS must ensure is well managed and compliant. Travel is one of the easiest ways to misappropriate funds.   |                      | x  | x    | x   | x   |

**Additions to Audit Plan Based on Risk Assessment and Risk Register**

| ENGAGEMENT TITLE   | GROUPING   | TYPE   | SCOPE   | TIME FRAME  | INCLUSION RATIONAL   | Entity to be Audited |    |      |     |     |
|--|--|--|---|---|--|----------------------|----|------|-----|-----|
| Provide the title of the audit engagement.                           | Assurance<br>Blended<br>Consulting<br>Special<br>Project | Compliance<br>Financial<br>Information<br>Technology<br>Investigation<br>Operational | Controls<br>Review<br>Full Review<br>Limited Review | Near Term - 1-6 Months<br>Medium Term - 7-12 Months<br>Long Term - 13-18 Months | Information describing why this project is included on the audit plan.   | UHS                  | UH | UHCL | UHD | UHV |
| Endowment/Foundation Expense Review                                  | Assurance  | Compliance   | Limited Review                                      | Long Term - 13-18 Months  | UHS has a reputation for integrity, transparency, and professionalism. UHS demonstrates a commitment to transparency and accountability as well as appropriate spend by auditing those expenses that may have different or less generic spend. |                      | x  |      |     |     |
| Annual Procurement Report  | Assurance  | Compliance   | Limited Review                                      | Near Term - 1-6 Months  | Mandatory Audit  |                      | x  |      |     |     |
| Athletics - Football Attendance                                      | Assurance  | Compliance   | Limited Review                                      | Near Term - 1-6 Months  | Mandatory Audit  |                      | x  |      |     |     |
| Board of Regents Travel & Entertainment, FY 2021                     | Assurance  | Compliance   | Limited Review                                      | Medium Term - 7-12 Months   | Mandatory Audit  |                      | x  |      |     |     |
| Chancellor/President's Travel & Entertainment, FY 2021               | Assurance  | Compliance   | Limited Review                                      | Medium Term - 7-12 Months   | Mandatory Audit  |                      | x  |      |     |     |
| Construction and Other Contracts Requiring Board of Regents Approval | Assurance  | Compliance   | Limited Review                                      | Medium Term - 7-12 Months   | Mandatory Audit  |                      | x  |      |     |     |
| Compliance with Education Code 51.9337                               | Assurance  | Compliance   | Limited Review                                      | Medium Term - 7-12 Months   | Mandatory Audit  |                      | x  |      |     |     |
| NCAA-Rules Compliance  | Assurance  | Compliance   | Limited Review                                      | Medium Term - 7-12 Months   | Mandatory Audit  |                      | x  |      |     |     |
| Quality Assurance Reviews - Internal/External                        | Assurance  | Compliance   | Limited Review                                      | Medium Term - 7-12 Months   | Mandatory Audit  |                      | x  |      |     |     |
| State Benefits Proportionality                                       | Assurance  | Compliance   | Limited Review                                      | Medium Term - 7-12 Months   | Mandatory Audit  | x                    |    |      |     |     |