
AGENDA

UNIVERSITY OF HOUSTON SYSTEM AUDIT AND COMPLIANCE COMMITTEE MEETING

DATE: Wednesday, August 21, 2024
TIME: 2:30 PM
PLACE: The Post Oak Hotel at Uptown Houston
Post Oak Ballroom, Third Floor
1600 West Loop South
Houston, TX 77027

Chair: Gregory C. King
Vice Chair: John A. McCall Jr.
Members: Alonzo Cantu
Jack Moore
Ricky Raven
Tilman J. Fertitta, Ex Officio

- I. **Audit and Compliance Committee**
Presenter: Vice Chair John A. McCall, Jr.
- A. Call to Order
Presenter: Vice Chair John A. McCall, Jr.
- B. Approval of Committee Minutes

- May 15, 2024, Audit & Compliance Committee Meeting

Action: Approval
- C. Report on University of Houston System, Institutional Compliance Hotline Report for the three months ended July 31, 2024, and Annual Compliance Initiative 4

Action: Information
Presenter: Sergio Leal, Chief Compliance Officer
- D. State Required Report – Employee Reporting of Incidents of Sexual Harassment, Sexual Assault, Dating Violence, and Stalking 13

Action: Information
Presenter: Rebecca Lake, Associate Vice Chancellor, Equal Opportunity Services

- E. Report on University of Houston System, Audit and Compliance Committee Planner 21

Action: Approval
Presenter: Phil Hurd, Chief Audit Executive

- F. Report on University of Houston System, Internal Audit Reports 28

Action: Information
Presenter: Phil Hurd, Chief Audit Executive

- G. Report on University of Houston System, Annual Internal Audit Plan 69

Action: Approval
Presenter: Phil Hurd, Chief Audit Executive

II. **Executive Session**

1. Consultation with System Attorney Regarding Legal Matters and/or contemplated Litigation or Settlement Offers
TEXAS GOV'T CODE SECTION 551.071
2. Deliberations regarding the Purchase, Exchange, Sale or Value of Real Property
TEXAS GOV'T CODE SECTION 551.072
3. Deliberations Regarding a Prospective Gift
TEXAS GOV'T CODE SECTION 551.073
4. 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
5. 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**
Presenter: Vice Chair John A. McCall, Jr.

IV. **Adjourn**

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

COMMITTEE: Audit and Compliance

ITEM: Report on University of Houston System, Institutional Compliance Hotline Report for the three months ended July 31, 2024, and Annual Compliance Initiative

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Institutional Compliance Hotline Report summarizes the fraud and non-compliance hotline reports received for each institution during the applicable quarter, including the primary issue associated with the reports. The report also details the annual compliance initiative for FY 2025.

SUPPORTING DOCUMENTATION: Institutional Compliance Hotline Report; Annual Compliance Initiative

FISCAL NOTE:

**RECOMMENDATION/
ACTION REQUESTED:** Information

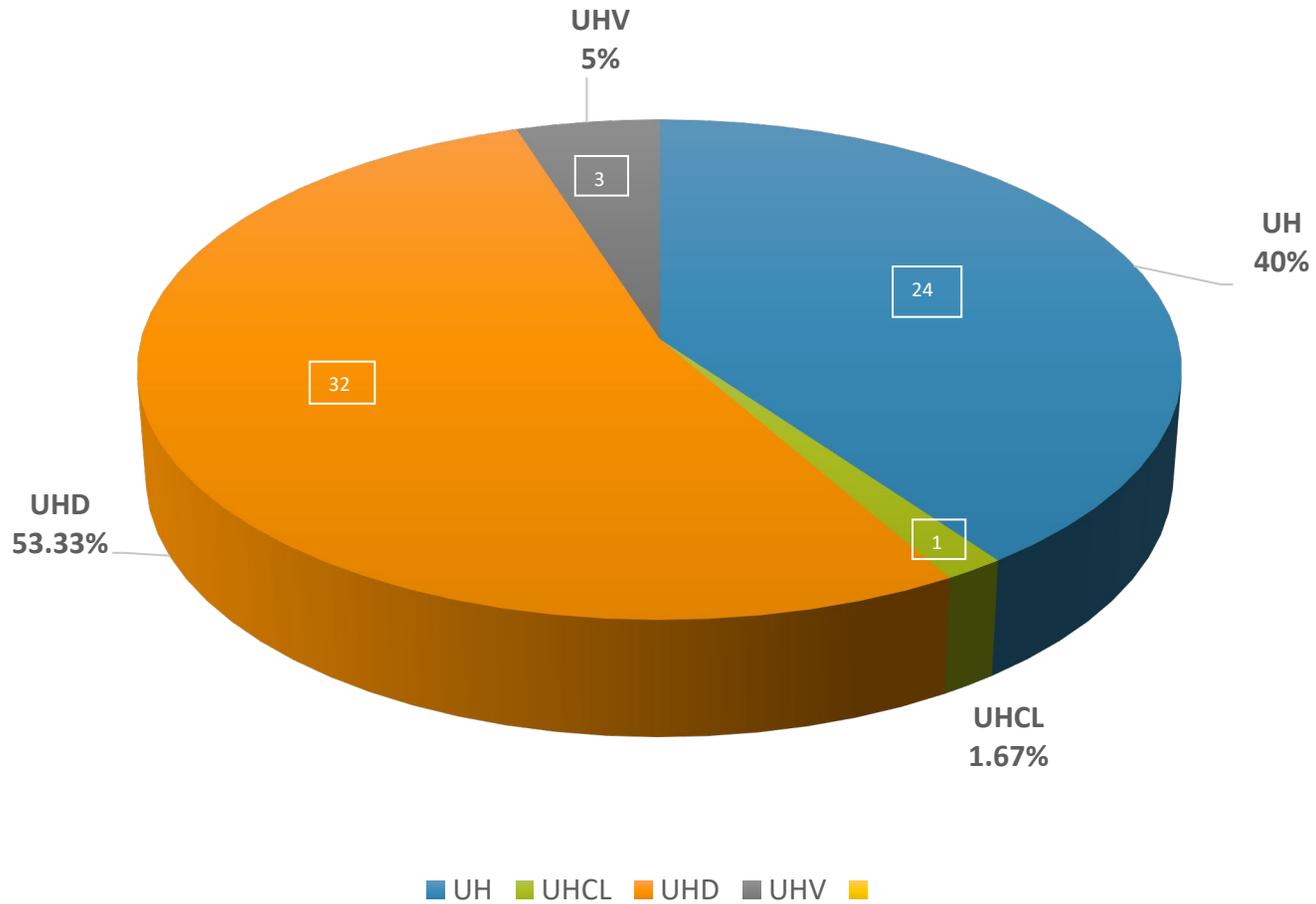
COMPONENT: University of Houston System

	07/30/24
<hr/>	<hr/>
SYSTEM-WIDE COMPLIANCE OFFICER Sergio V. Leal	DATE
	8/16/24
<hr/>	<hr/>
CHANCELLOR Renu Khator	DATE

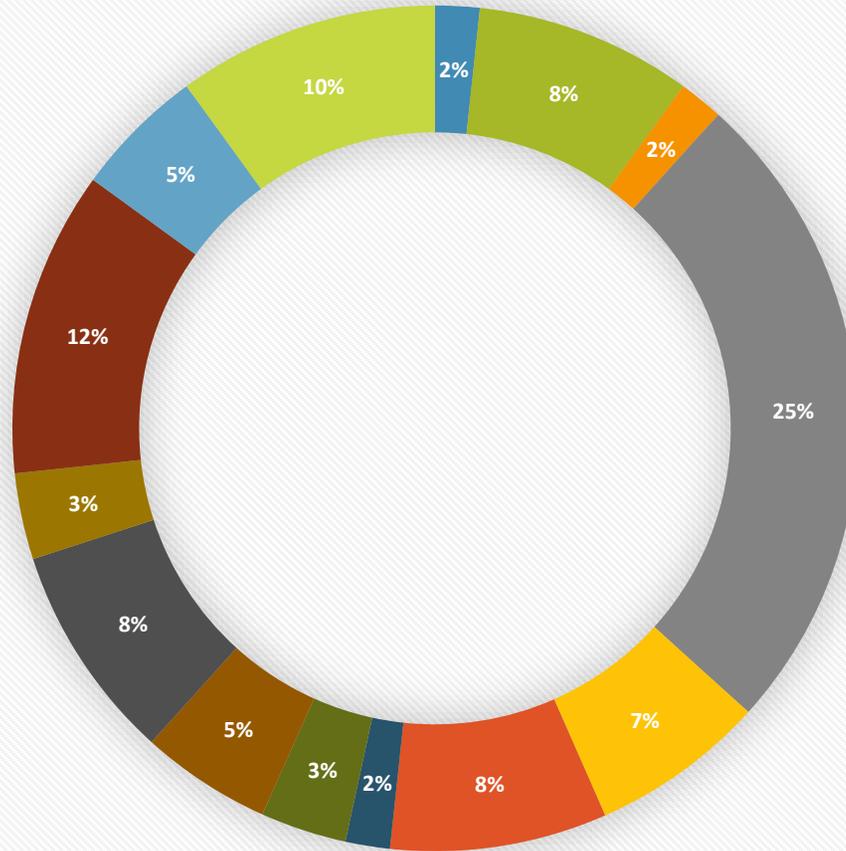
UNIVERSITY OF HOUSTON SYSTEM
Institutional Compliance Hotline Report for the three months ended July 31, 2024

Hotline reports for all Universities

Issues Reported by Institution

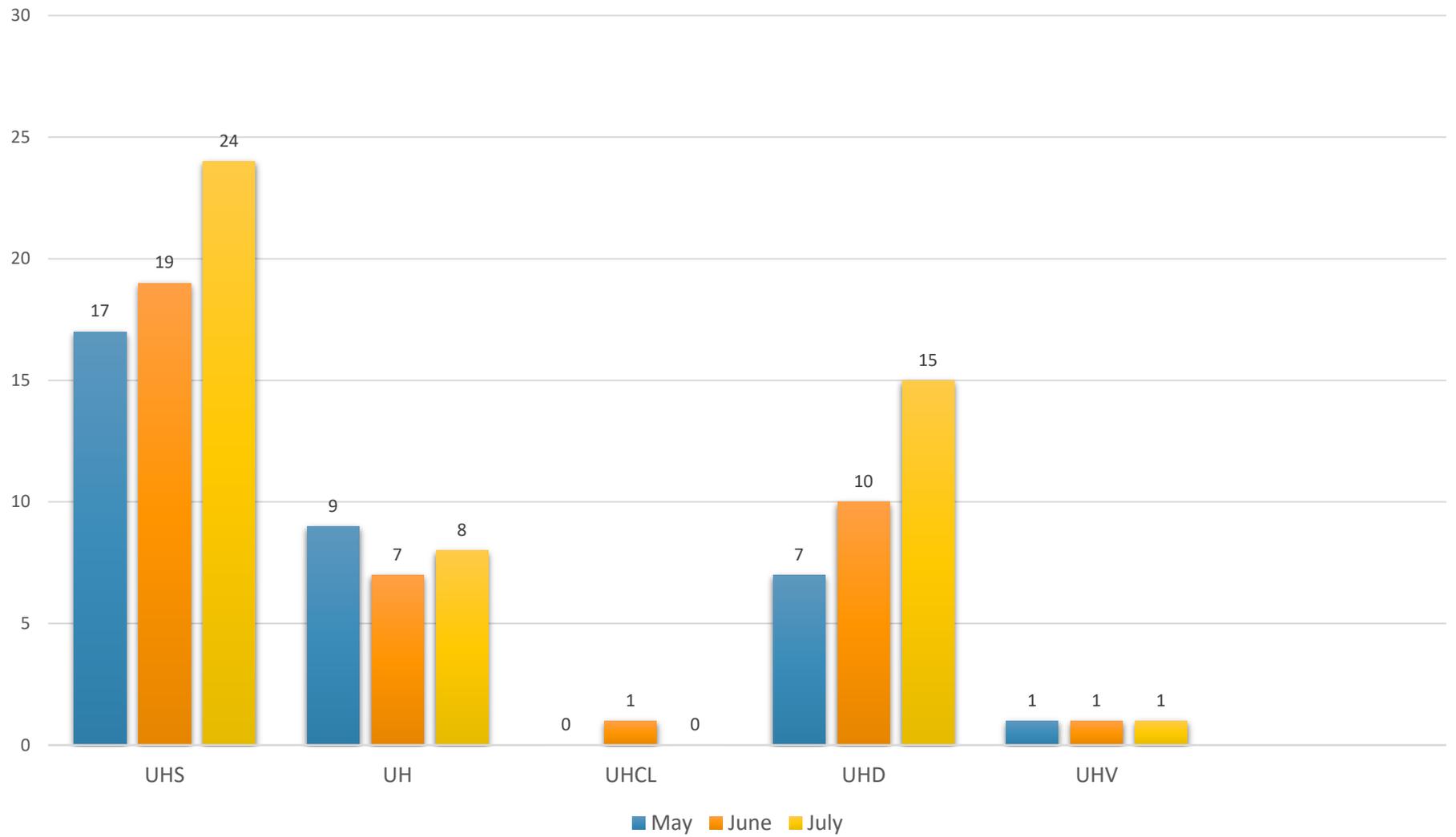


Reported Issues by Type Across UHS

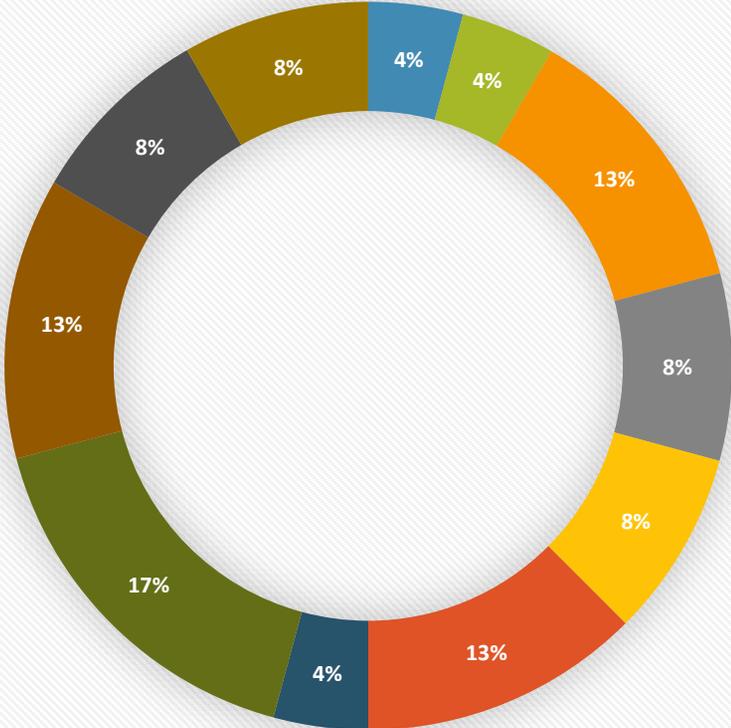


- Academic Concerns
- Harassment
- Campus Safety
- Violation of Policies
- Discrimination
- Sexual Misconduct
- Fraud
- Violation of Laws
- Data Security and Privacy
- Comp. & Benefits
- Misuse of Resources
- Employee Relations
- Integrity of Financial Reporting
- Unethical Conduct

Issues Reported by Month

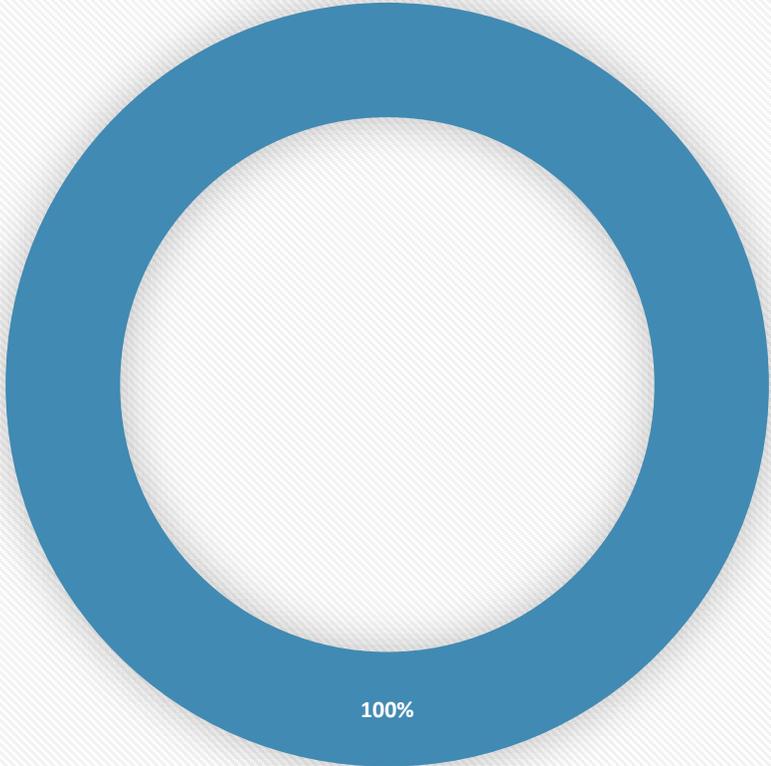


UH Case Breakdown



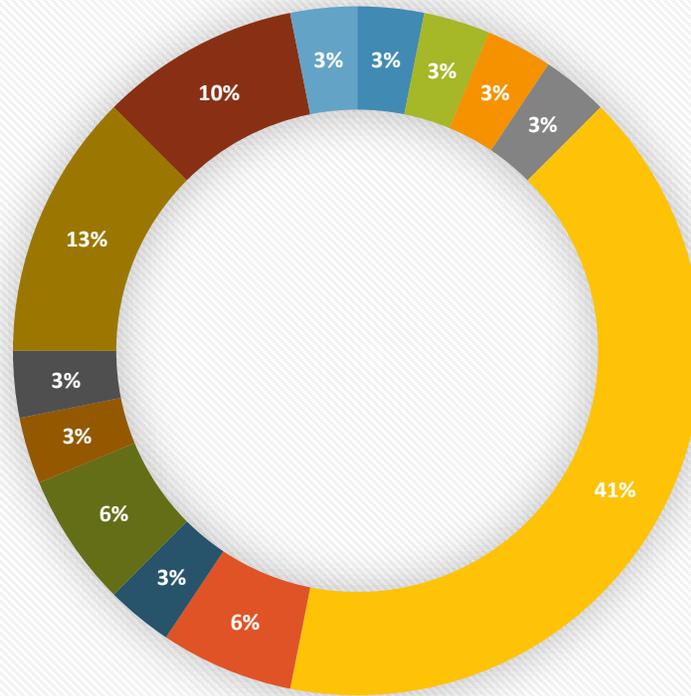
- Campus Safety
- Data Security & Privacy
- Discrimination
- Employee Relations
- Fraud
- Harassment
- Misuse of Resources
- Sexual Misconduct
- Violation of Laws
- Violation of Policies
- Unethical Conduct

UHCL Case Breakdown



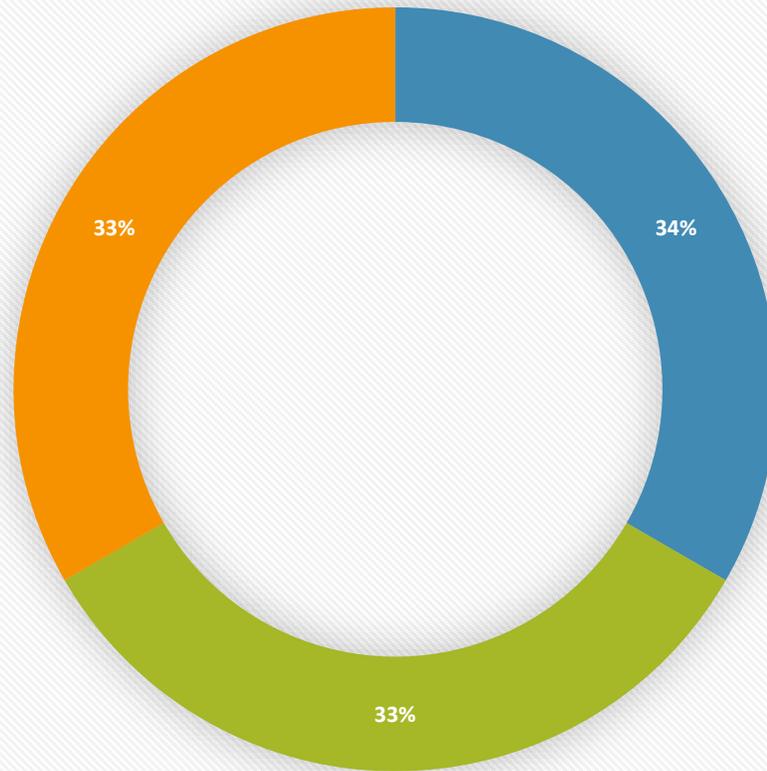
■ Discrimination

UHD Case Breakdown



- Academic Concerns
- Campus Safety
- Comp. & Benefits
- Discrimination
- Employee Discrimination
- Fraud
- Harassment
- Integrity of Financial Reporting
- Misuse of Resources
- Sexual Misconduct
- Unethical Conduct
- Violation of Laws
- Violation of Policies

UHV Case Breakdown



■ Campus Safety ■ Fraud ■ Unethical Conduct

Annual Compliance Initiative

Healthcare Compliance Program

Federal laws, such as HIPAA, HITECH, the 21st Century Cures Act, Affordable Care Act, False Claims Act, Stark Law, and the Anti-Kickback Statute, and state laws, such as the Texas Medical Records Privacy Act, Chapter 611 of the Health and Safety Code, and the Texas Identity Theft Enforcement Act, require the implementation of safeguards for the privacy and security of health information and to prevent healthcare fraud and abuse.

- Prevent, identify and amend practices that run counter to the protections afforded by state and federal law
- Implement policies, procedures and guidelines as part of a healthcare compliance program that promotes patient-centered care
- Collaborative effort involving the Office of Compliance and Ethics, the Office of General Counsel and IT Security

Targeted Training and Education

- Health Information Privacy and Security Training
- Healthcare Fraud and Abuse Training

Risk Assessment, Auditing, and Monitoring

- Health information privacy and security controls
 - Including physical and digital security
- Billing and coding
- Arrangements with providers, vendors and other potential recipients of healthcare-related referrals

Identifying Failures and Implementing Corrective Action

- Evaluate effectiveness of compliance workplan
- Investigations of potential violations
- Enforcing disciplinary policies and procedures
- Preventing recurrence of misconduct through training, policy and procedure amendments, and continued monitoring

Addition of a New Position:

- Healthcare Compliance Officer

New Policies and Procedures:

- Health Information Privacy and Security
- Billing and Coding
- Quality of Care
- Conflicts of Interest
- Healthcare Code of Conduct

Enhancing Communication:

- Routine visits to all clinics across the system
- Creation of communication channels for similarly-situated UHS clinics to discuss best practices
- Circulation of informative updates to relevant laws and regulations
- Circulation of material on updated best practices based on identified risks or regulatory changes
- Encouraging continued use of the Compliance Hotline

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

COMMITTEE: Audit and Compliance

ITEM: State Required Report – Employee Reporting of Incidents of Sexual Harassment, Sexual Assault, Dating Violence, and Stalking

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

This presentation provides an overview of annual data from state reporting mandates – Reporting Incidents of Sexual Harassment, Sexual Assault, Dating Violence, and Stalking.

SUPPORTING

DOCUMENTATION: Report by Rebecca Lake, AVC/AVP, Equal Opportunity Services, UHS/UH

FISCAL NOTE: None

**RECOMMENDATION/
ACTION REQUESTED:** Information

COMPONENT: University of Houston System



CHIEF AUDIT EXECUTIVE

Phillip W. Hurd

08/02/24

DATE



CHANCELLOR

Renu Khator

8/10/24

DATE

Chief Executive Officer Report

TO: **University of Houston System – Board of Regents**
VIA: Rebecca Lake, Assistant VC/VP, Equal Opportunity Services
FROM: **Chancellor Renu Khator**, Chief Executive Officer, University of Houston System and University of Houston
President Loren Blanchard, Chief Executive Officer, University of Houston-Downtown
President Bob Glenn, Chief Executive Officer, University of Houston-Victoria
President Richard Walker, Chief Executive Officer, University of Houston-Clear Lake
DATE: August 8, 2024
RE: Chief Executive Officer Reporting Requirements under Tex. Educ. Code § 51.253(c)

Under the Texas Education Code (TEC), Section 51.253(c), the institution’s Chief Executive Officer is required to submit a data report at least once during each fall or spring semester to the institution’s governing body and post on the institution’s website a report concerning the reports that employees received under the TEC, Section 51.252, where the type of incident described in the employee’s report constitutes “sexual harassment,” “sexual assault,” “dating violence,” or “stalking” as defined in the TEC, Section 51.251, and any disciplinary actions taken under TEC, Section 51.255.

For the purpose of complying with the Chief Executive Officer’s reporting requirements under the TEC, Section 51.253(c), the attached summary data reports¹ (Appendices A-E) include all of the required reporting information to the **University of Houston System – Board of Regents** for the time period of **July 1, 2023 through June 30, 2024**.

The summary data report will also be posted on each campus’ Title IX webpage per the public reporting requirements under the TEC, Section 51.253(c).

Note: Any additional reports received by the Title IX Coordinator that do not meet the required reporting criteria in the TEC have been omitted. A glossary is included in Appendix F.

¹ When identifiable, duplicate reports were consolidated and counted as one case in the summary data. Confidential employee reporting is noted as a sub-set to the total number of reports received.

**Appendix A: University of Houston System
Summary Data Report
July 1, 2023 – June 30, 2024**

Texas Education Code, Section 51.252	
Number of reports* received under Section 51.252	16
Number of confidential reports under Section 51.252	--
Number of formal investigations conducted under Section 51.252**	1
Disposition of any disciplinary processes for reports under Section 51.252:	--
a. Concluded, No Finding of Policy Violation	1
b. Concluded, with Employee Disciplinary Sanction	--
c. Concluded, with Student Disciplinary Sanction	--
d. Pending formal investigation	--
e. SUBTOTAL	0
Number of reports under Section 51.252 for which the institution determined not to initiate a disciplinary process:	15
a. Unidentified or unaffiliated respondent	6
b. Confidential report (unidentified complainant)	--
c. Insufficient information to investigate	7
d. Complainant requested no investigation	1
e. Other administrative closure or informal resolution	--
f. Preliminary investigation pending	1

* Cases above include consolidated cases featuring multiple incoming reports.

** The Title IX Coordinator conducts a preliminary investigation into all reports received under Section 51.252. A formal investigation indicates a formal complaint was filed, followed by a full investigation and disciplinary process, if applicable.

Texas Education Code, Section 51.255	
Number of reports received that include allegations of an employee's failure to report or who submits a false report to the institution under Section 51.255(a)	--
Any disciplinary action taken, regarding failure to report or false reports to the institution under Section 51.255(c):	Not applicable
a. Employee termination	--
b. Institutional intent to termination, in lieu of employee resignation	--

**Appendix B: University of Houston
Summary Data Report
July 1, 2023 – June 30, 2024**

Texas Education Code, Section 51.252	
Number of reports* received under Section 51.252	510 (14)
Number of confidential reports under Section 51.252	74
Number of formal investigations conducted under Section 51.252**	5 (3)
Disposition of any disciplinary processes for reports under Section 51.252:	--
a. Concluded, No Finding of Policy Violation	4 (2)
b. Concluded, with Employee Disciplinary Sanction	--
c. Concluded, with Student Disciplinary Sanction	-- (1)
d. Pending formal investigation	1
e. SUBTOTAL	5 (3)
Number of reports under Section 51.252 for which the institution determined not to initiate a disciplinary process:	505 (14)
a. Unidentified or unaffiliated respondent	231 (2)
b. Confidential report (unidentified complainant)	74
c. Insufficient information to investigate	168 (9)
d. Complainant requested no investigation	7
e. Other administrative closure or informal resolution	18 (3)
f. Preliminary investigation pending	7

* Cases above include consolidated cases featuring multiple incoming reports.

** The Title IX Coordinator conducts a preliminary investigation into all reports received under Section 51.252. A formal investigation indicates a formal complaint was filed, followed by a full investigation and disciplinary process, if applicable.

Cases in “()” were pending in a previous report and concluded in the current reporting year.

Confidential reports may be duplicate reports as party identity cannot be compared.

Texas Education Code, Section 51.255	
Number of reports received that include allegations of an employee’s failure to report or who submits a false report to the institution under Section 51.255(a)	6
Any disciplinary action taken, regarding failure to report or false reports to the institution under Section 51.255(c):	Not applicable
a. Employee termination	--
b. Institutional intent to termination, in lieu of employee resignation	--
c. Pending investigation	

**Appendix C: University of Houston-Clear Lake
Summary Data Report
July 1, 2023 – June 30, 2024**

Texas Education Code, Section 51.252	
Number of reports* received under Section 51.252	58
Number of confidential reports under Section 51.252	4
Number of formal investigations conducted under Section 51.252**	--
Disposition of any disciplinary processes for reports under Section 51.252:	--
a. Concluded, No Finding of Policy Violation	--
b. Concluded, with Employee Disciplinary Sanction	--
c. Concluded, with Student Disciplinary Sanction	--
d. Pending formal investigation	--
e. SUBTOTAL	--
Number of reports under Section 51.252 for which the institution determined not to initiate a disciplinary process:	58
a. Unidentified or unaffiliated respondent	27
b. Confidential report (unidentified complainant)	4
c. Insufficient information to investigate	10
d. Complainant requested no investigation	8
e. Other administrative closure or informal resolution	9
f. Preliminary investigation pending	0

* Cases above include consolidated cases featuring multiple incoming reports.

** The Title IX Coordinator conducts a preliminary investigation into all reports received under Section 51.252. A formal investigation indicates a formal complaint was filed, followed by a full investigation and disciplinary process, if applicable.

Confidential reports may be duplicate reports as party identity cannot be compared.

Texas Education Code, Section 51.255	
Number of reports received that include allegations of an employee's failure to report or who submits a false report to the institution under Section 51.255(a)	-
Any disciplinary action taken, regarding failure to report or false reports to the institution under Section 51.255(c):	Not applicable
a. Employee termination	--
b. Institutional intent to termination, in lieu of employee resignation	-

Appendix D: University of Houston-Downtown
Summary Data Report
July 1, 2023 – June 30, 2024

Texas Education Code, Section 51.252	
Number of reports received under Section 51.252	118
Number of confidential reports under Section 51.252	24
Number of formal investigations conducted under Section 51.252*	0
Disposition of any disciplinary processes for reports under Section 51.252:	--
a. Concluded, No Finding of Policy Violation	--
b. Concluded, with Employee Disciplinary Sanction	--
c. Concluded, with Student Disciplinary Sanction	--
d. Pending formal investigation	--
e. SUBTOTAL	0
Number of reports under Section 51.252 for which the institution determined not to initiate a disciplinary process:	118
a. Unidentified or unaffiliated respondent	54
b. Confidential report (unidentified complainant)	24
c. Insufficient information to investigate	39
d. Complainant requested no investigation	0
e. Other administrative closure or informal resolution	0
f. Preliminary investigation pending	1

* The Title IX Coordinator conducts a preliminary investigation into all reports received under Section 51.252. A formal investigation indicates a formal complaint was filed, followed by a full investigation and disciplinary process, if applicable.

Texas Education Code, Section 51.255	
Number of reports received that include allegations of an employee's failure to report or who submits a false report to the institution under Section 51.255(a)	3
Any disciplinary action taken, regarding failure to report or false reports to the institution under Section 51.255(c):	Not applicable
a. Employee termination	--
b. Institutional intent to termination, in lieu of employee resignation	--

**Appendix E: University of Houston-Victoria
Summary Data Report
July 1, 2023 – June 30, 2024**

Texas Education Code, Section 51.252	
Number of reports* received under Section 51.252	15
Number of confidential reports under Section 51.252	1
Number of formal investigations conducted under Section 51.252**	--
Disposition of any disciplinary processes for reports under Section 51.252:	--
a. Concluded, No Finding of Policy Violation	--
b. Concluded, with Employee Disciplinary Sanction	--
c. Concluded, with Student Disciplinary Sanction	--
d. Pending formal investigation	--
e. SUBTOTAL	--
Number of reports under Section 51.252 for which the institution determined not to initiate a disciplinary process:	15
a. Unidentified or unaffiliated respondent	4
b. Confidential report (unidentified complainant)	1
c. Insufficient information to investigate	4
d. Complainant requested no investigation	1
e. Other administrative closure or informal resolution	2
f. Preliminary investigation pending	3

* Cases above include consolidated cases featuring multiple incoming reports.

** The Title IX Coordinator conducts a preliminary investigation into all reports received under Section 51.252. A formal investigation indicates a formal complaint was filed, followed by a full investigation and disciplinary process, if applicable.

Texas Education Code, Section 51.255	
Number of reports received that include allegations of an employee’s failure to report or who submits a false report to the institution under Section 51.255(a)	(--)
Any disciplinary action taken, regarding failure to report or false reports to the institution under Section 51.255(c):	Not applicable
a. Employee termination	--
b. Institutional intent to termination, in lieu of employee resignation	--

Cases in “()” were reported in a previous year but concluded in the current reporting year. Confidential reports may be duplicate reports as party identity cannot be compared.

Appendix F: Glossary

<p>Number of reports received under Section 51.252</p>	<p>Reports made by students and all other non-employees (including incidents under 3.5(d)(3)) are excluded from Appendices A through E. Additionally, if a Title IX Coordinator determines that the type of incident described in a report, as alleged, does not constitute “sexual harassment,” “sexual assault,” “dating violence,” or “stalking” as defined in the TEC, Section 51.251, the report is excluded from Appendices A through E. It is the responsibility of the Title IX Coordinator to assess each report received and determine whether it is properly included in this report, and if so, to correctly identify the type of incident.</p>
<p>Number of confidential reports under Section 51.252</p>	<p>“Number of confidential reports” is a sub-set of the total number of reports that were received under Section 51.252, by a confidential employee or office (e.g., Student Counseling Services or Student Health Services).</p>
<p>Disposition of any disciplinary processes for reports under Section 51.252</p>	<p>“Disposition” means “final result under the institution’s disciplinary process” as defined in the Texas Higher Education Coordinating Board’s (THECB) rules for the TEC, Section 51.259 [See 19 Texas Administrative Code, Section 3.6(3) (2019)]; therefore, pending disciplinary processes will not be listed until the final result is rendered.</p>
<p>Formal Investigation</p>	<p>Per the UH-System Policy, a formal investigation is initiated when the complainant or University files a formal complaint against the respondent.</p>
<p>No Finding of Policy Violation</p>	<p>“No Finding of a Policy Violation” refers to instances where there is no finding of responsibility based on either a formal complaint dismissal or the completion of a formal investigation, as well as the appeal process.</p>
<p>Number of reports under Section 51.252 for which the institution determined not to initiate a disciplinary process</p>	<p>The institution may have determined “not to initiate a disciplinary process.” The reasons for not initiating a discipline process can include, but are not limited to: administrative closure; insufficient information to investigate; confidential employee reporting (no identifiable complainant information); the respondent’s identity was unknown or not reported; the respondent was not university-affiliated; the complainant requested the institution not investigate the report; informal resolution was completed; or the investigation is ongoing.</p>

**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 and Compliance Committee with recommended schedules for these activities. Item 2.04 of the Planner requires the Audit and Compliance Committee to approve the Planner for the upcoming year.

SUPPORTING DOCUMENTATION: Audit and Compliance Committee Planner

FISCAL NOTE: None

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

COMPONENT: University of Houston System



CHIEF AUDIT EXECUTIVE

Phillip W. Hurd

08/02/24

DATE



CHANCELLOR

Renu Khator

8/16/24

DATE

University of Houston System Audit & Compliance Committee Planner

Item	Frequency	Jan- Mar	Apr- Jun	Jul- Sep	Oct- Dec
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.	Q - Quarterly A - Annually 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. (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. (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. (4)	AN				
.02	Review the independence of each Committee member based on applicable independence laws and regulations. (5)	AN				
.03	Review and update the Audit & Compliance Committee Charter and Responsibilities Checklist annually. (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. (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. (8)	AN				
3. Audit:						
.01	Review and approve the appointment or change in the Chief Audit Executive. (6)	AN				
.02	Conduct an annual performance review and evaluation of the Chief Audit Executive. (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. (18)	A			X	

University of Houston System Audit & Compliance Committee Planner

Item		Frequency Q - Quarterly A - Annually AN - As needed	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
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.						
.05	Consider and review with executive management and the Chief Audit Executive any changes required in the planned scope of the audit plan. (19c)	AN				
.06	Review the status of actual work performed relative to the approved annual plan.	Q A	X	X	X	X 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. (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. (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: 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; e. Other matters related to the conduct of assurance services that are to be communicated to the Committee under generally accepted government auditing standards. (14)	A	X			

University of Houston System Audit & Compliance Committee Planner

Item		Frequency Q - Quarterly A - Annually AN - As needed	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
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.						
.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) (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. (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. (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. (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. (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. (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. (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). (31)	A				X
4. Compliance:						
.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

Item	Frequency Q - Quarterly A - Annually AN - As needed	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
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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. (22a)	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. (22b)	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. (22c)	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. (22d)	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. (24)	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. (23)	A				X
.08	The Committee shall conduct an annual review of the report on compliance of each support organization. (27)	A		X		

5. Other:						
.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. (25)	A & AN				X

University of Houston System Audit & Compliance Committee Planner

Item		Frequency	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
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.		Q - Quarterly A - Annually AN - 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. (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: a. The adequacy of U. H. System's internal controls including computerized information system controls and security; and b. The adequacy and efficiency of senior-level management with respect to fiscal operations and compliance functions at all component institutions. (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. (28)	A				X
.06	The Committee shall receive an annual report of the Identity Theft Prevention program. (29)	A				X
.07	The Committee shall receive an annual procurement report. (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) (32)	Every 3 years	X			

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

University of Houston System Audit & Compliance Committee Planner

Item 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.	Frequency Q - Quarterly A - Annually AN - As needed	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
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Committee (AC Checklist).

Last reviewed ~~08/23/23~~ 08/21/24

**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 FY 2024 Internal Audit Activity as of August 21, 2024, and Internal Audit Reports issued since the May 15, 2024, Audit & Compliance Committee meeting of the Board of Regents of the University of Houston System are provided.

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

SUPPORTING DOCUMENTATION: Internal Audit Activity and Internal Audit Reports

FISCAL NOTE: None

**RECOMMENDATION/
ACTION REQUESTED:** Information

COMPONENT: University of Houston System



08/02/24

CHIEF AUDIT EXECUTIVE

Phillip W. Hurd

DATE



CHANCELLOR

Renu Khator

8/10/24

DATE

Report to the Audit and Compliance Committee
of the University of Houston System
Board of Regents
August 21, 2024

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

FY24 INTERNAL AUDIT ACTIVITY
since May 15, 2024

and

INTERNAL AUDIT REPORTS

- AR2024-11 Tilman J. Fertitta Family College of Medicine
Joint Admission Medical Program (JAMP), FY 2023 Grants
- AR2024-12 C.T. Bauer College of Business Foundation
Audit of Donor Agreement Expenditures
- AR2024-13 University of Houston System
Contracts Requiring UHS Board of Regents Approval
- AR2024-14 University of Houston-Downtown
Texas Higher Education Coordinating Board
Facilities Development Projects
- AR2024-15 University of Houston System
Compliance with Texas Education Code § 51.9337
- AR2024-16 University of Houston System
Compliance with Texas Education Code § 51.3525

Note: This internal audit report is 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. This internal audit report is 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.

FY24 Internal Audit Activity

Since May 15, 2024 Board of Regents Audit and Compliance Committee Meeting

Audits Completed

- Contracts Requiring Board of Regents Approval
AR2024-01 AR2024-10
AR2024-07 AR2024-13
- Board of Regents Travel and Entertainment FY23
AR2024-02
- Chancellor/President's Travel and Entertainment FY23 (UHS/UH)
AR2024-03
- UHCL President's Travel and Entertainment FY23
AR2024-04
- UHD President's Travel and Entertainment FY23
AR2024-05
- UHV President's Travel and Entertainment FY23
AR2024-06
- UHS Annual Procurement Report, FY 2023 (agenda item)
- UHCL Laboratory Safety
AR2024-08
- UH Education Research Center
AR2024-09
- UH College of Medicine Joint Admission Medical Program
AR2024-11
- UH College of Business Donor Agreement Expenditures
AR2024-12
- UHD THECB Facilities Development Projects
AR2024-14
- UHS Compliance with Texas Education Code § 51.9337
AR2024-15

Internal Audit 08/21/24

Special Projects Completed

- UHS Institutional Compliance Fraud and Non- Compliance Hotline Reports (~58)
- UHCL Conflict of Interest
- UHCL FERPA
- UH College of Business

Audits in Progress

- Travel Expense (UH, UHCL, and UHD)
- Board of Regents Travel and Entertainment FY24
- President's Travel and Entertainment FY24 (UH, UHCL, UHD and UHV)
- Contracts Requiring Board of Regents Approval (UHS)
- Procurement Card Management (UH, UHD, and UHV)
- Laboratory Safety (UH and UHD)
- UHS Emergency Management/Safety and Security Audit
- Compliance with Texas Education Code §51.2535

30

Special Projects in Progress

- UHS Institutional Compliance Fraud and Non-Compliance Hotline (Varies per FY)
- UHCL Apartment Contract
- UHCL Conflict of Interest (multiple investigations)
- UH Biology Department



Internal Auditing Department

Tilman J. Fertitta Family College of Medicine Joint Admission Medical Program (JAMP), FY 2023 Grants

Report to the Audit and Compliance Committee of the UHS Board of Regents
AR2024-11

August 2024



Photo courtesy of <https://www.texasjamp.org/about/index.html>

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Objective

As required by the Joint Admission Medical Program (“JAMP”) Council Agreement, to provide assurance that the School is in compliance with policies, procedures, laws, and regulations that could have a significant impact on operations and reports.

Background / Scope

The JAMP was created by the Texas Legislature in 2001. It is a unique partnership between fourteen Texas medical schools and sixty-eight (68) public and private four-year undergraduate institutions to assist highly qualified but economically disadvantaged Texas resident students by providing them the financial support and mentoring needed to be successful. JAMP funds grants through the Texas Higher Education Coordinating Board (THECB).

In fiscal year 2023, the Tilman J. Fertitta Family College of Medicine received two grants, totaling \$149,000, from the JAMP program that are the subject of this audit:

- \$60,000 Medical School Administration grant
- \$89,000 Summer Program grant

What We Found Summary

Overall, the audit identified the need for enhanced financial oversight and grant management. The report discusses certain processes and procedures that affected compliance with the JAMP Expenditure Guidelines and the University of Houston’s policies for using State funds, as detailed in the identified issues:

- Issue 1: Financial Oversight and Grant Management
- Issue 2: Grant Cost Center Management
- Issue 3: Travel Expense Reimbursement Approval and Policy

These issues are discussed further in depth in this audit report.

Issue 1 – Financial Oversight and Grant Management

Improving financial oversight and grant management is crucial for adhering to grant expenditure and financial reporting standards. Instances of non-compliance with university policies and JAMP expenditure guidelines indicate a need for more robust financial controls. The issues identified suggest underlying problems within the financial oversight and grant management process. Moreover, JAMP could require monies already disbursed to the Medical School be returned or suspend/terminate the Agreement for material non-compliance. Strengthening these areas is vital to maintain financial integrity and uphold the institution's commitment to responsible grant management.

Both JAMP grant expenditure reports for the College of Medicine exceeded expenditures recorded in their respective financial system grant cost center (see table below). The reports did not undergo proper reconciliation to the grant cost center before they were provided to JAMP, leading to the inclusion of inaccuracies and incomplete financial information. These discrepancies impacted the ability to fully assess the accuracy of the reports.

Grant	Expenditure Report Total	Cost Center Total	Difference
Medical School Administration	\$59,592	\$51,279	\$8,313 (14%)
Summer Program	\$71,746	\$35,803	\$35,943 (50%)

Payroll expenditure testing could not be performed due to incomplete documentation of effort for the fiscal year. Timing for completing effort certification for each quarterly period depends upon when the Division of Research initiates and releases the reports. The Division of Research does not have a set schedule for initiation and release of quarterly effort certification. However, this aspect of the process creates ambiguity for the payroll reconciliation process that requires monthly reconciliation with associate time limits for reallocations.

Additional oversight issues and instances of non-compliance related to cost center management and expenditures include the following:

Cost Center Management	Expenditures
Untimely creation/close of cost centers.	Unallowed expenditures
Untimely/unprocessed expenditure reallocations	Incomplete expenditure documentation
Budget/revenue posted to expired grant cost center	Untimely effort reports for financial reconciliation
	Unreported expenditures

Issue 2 – Grant Cost Center Management

The Division of Research Office of Contracts and Grants maintains grant financial records by creating a unique account (cost center) for each grant funded/awarded. The yearly expenditure reports submitted to JAMP are intended to prompt a final review/certification of allowable expenditures (based upon expenditure guidelines and university policy). Upon completion of the yearly expenditure report, the University is required to return unused funds.

The audit identified the following issues with JAMP grant cost center management:

- FY 2022 cost centers were not closed timely after unspent funds were returned to JAMP in October 2022. This allowed incorrect posting of FY 2023 revenues and expenditures to be allocated to the FY 2022 cost center.
- Reallocations of revenues/expenditures posted to the FY 2022 were not reallocated to the correct cost center within the prescribed 180 day deadline.
- FY 2023 grant cost centers were not created timely.
 - Due to software upgrades during the cost center creation process, IAD was unable to determine the number of days to complete the cost center set up for the Medical School Admission grant.
 - The untimely creation of cost centers created the need for numerous revenue/expenditure reallocations.
 - Funds were awarded/provided to the university on April 3, 2023 for the JAMP Summer Program. The award end date was June 23, 2023. The cost center to record the revenue and expenditures was created on June 30, 2023, 112 days after the grant was issued/awarded and seven days after the grant ended. Therefore, revenues and expenditures could not be allocated accurately during the grant period.

Grant cost centers not set up or closed timely causes revenues and expenditures to be posted to the incorrect cost center or to a liability account. Thus, requiring a reallocation/transfer of the revenues and expenses to the proper cost center. Cost transfers/reallocations are often considered high risk transactions because they can be an indicator of weakness in internal controls. Improper cost center management results in operational inefficiencies, transaction errors, and an increased risk of reporting inaccuracy.

Issue 3 –Travel Expense Reimbursement Approval and Policy

There is ambiguity within the policy related to the university paying for business related travel costs and a control weakness related to travel expense reimbursements. The policy that discusses travel paid from state-appropriated funds contains ambiguous language related to combining business and personal travel.

The process for reviewing and approving employee travel expense reimbursements after department level approval could be improved. The process does not fully outline requirements for documentation if updates are made to the travel expense reimbursement. In addition, segregation of duties could be improved for changes/updates and approvals of travel expense reimbursements .

The Manual of Administrative Policies and Procedures (MAPP) 04.02.01 A, Travel Paid from State-Appropriated Funds, specifies that the University of Houston will finance travel primarily for business purposes, either by direct payment or employee reimbursement. The determination of a trip's primary purpose is based on comparing the duration of business activities against personal time. The policy explicitly prohibits direct charges or reimbursements to the university for airfare

and other expenses if personal days are equal to or surpass business days. This is in line with the policy's core objective to fund only those costs directly associated with university business, excluding personal travel expenses. However, the policy's wording may lead to confusion, suggesting that any travel combining personal and business days might not be eligible for the university to cover the costs, thereby excluding even the business-related portions of the trip, such as airfare. For instance, under this policy, expenses associated with business activities are not eligible for university coverage if an employee transitions directly from a work-related event to a personal vacation (if the vacation days exceed the business days). This interpretation could restrict the university from covering the cost for legitimate business expenses due to the presence of subsequent personal activities.

The Accounts Payable Department serves as the final authority for reviewing and approving all travel expense reports. Staff in the Accounts Payable Department have the capability to modify specific details on an expense report submitted by the traveler, including the number of personal days and other items that affect the calculation of the primary purpose for the travel. Procedures do not require approval regarding the changes made or inclusion of documentation to support the change with the report.

The identified ambiguities within the University of Houston's travel policy and the control weaknesses in the travel expense reimbursement approval process pose risks to the university's financial and compliance posture. The policy ambiguity may lead to the exclusion of legitimate business-related expenses from university coverage, potentially discouraging compliance with the policy and creating financial discrepancies. Furthermore, the current Accounts Payable procedures for review and approval of travel expense reimbursements presents an opportunity to enhance the process by incorporating more comprehensive requirements for supporting documentation and segregation of duties.

Recommendations and Management's Response

To improve financial oversight and appropriate management, the Division of Research and College of Medicine should:

- 1** Improve JAMP grant financial oversight to ensure (Division of Research):
 - Financial information recorded to the grant cost center reconciles with the amounts reported on the JAMP Expenditure report.
 - Discrepancies are identified and resolved in a timely manner and prior to the submission of the JAMP Expenditure Report.
 - Unallowable and unreasonable expenditures are identified timely and handled appropriately.
 - The grant award set up process occurs timely, limiting the number of required transfers reallocations. Identify inefficiencies and devise a plan of action that specifies tasks, resources, timelines, and responsibilities for implementing improvement solutions.
 - Effort reports are initiated, released, and submitted timely, adhering to university payroll reconciliation standards, sponsor requirements, and reporting deadlines.

Management's Response:

The Division of Research concurs with the findings outlined in your report and is committed to implementing the suggested improvements to enhance financial oversight for JAMP grants. JAMP expenditure reports included documented pending or planned payroll and non-payroll actions confirmed by the college prior to the Oct 25, 2023, submission for the Admin Funds (G0509114) and the Oct 31, 2023, submission for the Summer Award (G0510066). Research Financial Services provided financial reports to the college for review and signature prior to submission. Financial entries and/or corrections to bring cost center expenditures in line with the reported totals submitted to the agency must be initiated by the college.

The current discrepancy for the Admin Fund cost center (G0509114) includes excess salary and fringe costs totaling \$36.90 and \$12.64 respectively and is short -\$16.27 in travel charges that were identified and included in the financial report. Summer Award (G0510066) includes \$82.44 more in salary than confirmed in Oct 2023 and \$1,435.39 in unallowable benefit costs. Many correcting entries were processed in Nov 2023; however, there were several entries in Feb 2024. Due to the recency of these entries, it is believed that the college is still in the process of making corrections. There were several factors that led to the delay in creating cost centers. While the Admin Fund cost center was a recurring annual budget under a three-year award, the budget still required agency approval for each project year to be established. The Summer Award was new to the university in 2023 and, at the time of the award, a Transmittal was not created to document the proposal submission. In addition, Research Administrative Services was extremely short staffed during this time, which also led to delays.

The Office of Contracts and Grants revised the use of Functions within PeopleSoft Grants in January 2023 to log and assign award actions. The data captured during the 2023 calendar year, combined with detailed process mapping, provided a pathway to identify gaps within the award setup process and allocate resources accordingly. The Division of Research continues to conduct training and outreach efforts to ensure faculty and college are aware of the importance of generating a Transmittal prior to, or immediately following, the submission of a proposal, as well as the ability to establish an advanced account (cost center) prior to receipt of pending award action to eliminate the need for after-the-fact cost transfers.

Salary confirmation is required no less than annually; however, the Division of Research currently still produces effort certification on a quarterly basis. Historically effort reports were produced the month following the close of a quarter, which did not consider the time needed for departments to reconcile cost centers and process any correcting entries. The Division of Research revised the effort reporting

schedule last year to delay the issuance of reports for three months following the close of the quarter to account for the 90-day cost transfer period.

Estimated implementation date:

The Office of Contracts and Grants is constantly assessing processes and procedures to strengthen internal controls and improve the level of service provided to the research community. Research Administrative Services has undergone a holistic re-organization over the past 2+ years, including staffing structure, process mapping, policy review, systems improvements, and campus outreach efforts. Due to the recent personnel changes in Research Financial Services, we will conduct similar comprehensive evaluation and improvement efforts over the next 12-18 months.

Responsible party:

David Schultz, Assistant Vice President – Sponsored Programs

2 Update policies and procedures related to travel expenses to ensure (Accounts Payable):

- Policies are clear regarding expenses allowed when business and personal travel are combined and what constitutes a trip.
- Procedures are clear regarding approval and documentation for amended employee travel expense reports.
- Final approval of employee expense reimbursements are reviewed and approved by a member of staff unable to initiate or amend the transaction.

Management's Response:

Issue 3 for Travel Expense Reimbursement is based on one expense report, where one of the AP Travel Auditors corrected the number of personal days. She was a new employee at the time she audited the expense report and is no longer with AP Travel.

Our responses are as follows:

#1 Policies are clear regarding expenses allowed when business and personal travel are combined and what constitutes a trip.

The University Travel Policies, regarding expenses allowed for business/personal combined travel, are aligned with IRS Publication 463. Travel outside the United States is considered entirely for business, and thus the airfare will be paid/reimbursed. Travel in the United States can be primarily business or primarily personal, depending on the number of days spent on business activities. We believe that the policies clearly indicate travel expenses that can be paid/reimbursed by the university for business/personal combined travel.

The policy is clear in that the cost of traveling to/from the destination, including airfare, will not be paid or reimbursed for travel primarily personal travel (MAPP 04.02.01A Section X. 2). It does not suggest that any travel combining personal and business days might not be eligible for the university to cover the costs, including airfare, as indicated in the Audit Report Page 4. In fact, if an employee leaves for a vacation destination after conducting university business at a business destination, one-way airfare to the business destination may be paid for or reimbursed. There are various situations and scenarios for combined travel, and the policies cannot include all of them. However, our website provides additional information to clarify such cases. For one-way airfare to be paid or reimbursed in such a case, the business and personal destinations must be clearly separated, and the Travel Request must be prepared only for the business portion of the travel. Furthermore, the policy indicates that

any expenses directly associated with conducting university business will be paid or reimbursed, even if the business expenses are incurred during primarily personal travel (MAPP 04.02.01A Section X. 2). Thus, the policy does not explicitly prohibit direct charges to the university or reimbursements for “other (business) expenses” incurred during primarily personal travel, as stated in the Audit Report Page 3.

As requested, MAPP 04.02.01A and MAPP 04.02.01B will be updated to provide an additional suggested statement to clarify that the business and personal parts of travel need to be clearly separated and to reiterate that personal travel costs are not paid or reimbursed by the University.

#2 Procedures are clear regarding approval and documentation for amended employee travel expense reports.

AP Travel requested Concur to make all of the data fields entered by travelers/departments read-only, except for travel date fields. This access update has been completed by Concur, and AP Travel auditors now have access to correct data entry errors in the travel date fields only. By allowing AP Travel auditors to correct the dates travelers/departments entered by error, it is estimated to reduce the expense report rejection rate by approximately 10%. AP Travel auditors cannot change expense amounts or expense categories, and will be simply correcting entry errors in the travel date fields. We have established procedures for AP Travel auditors to update travel dates only when the dates entered by travelers/departments are not correct based on the daily itinerary attached to the corresponding Expense Reports. AP Travel auditors will enter a comment indicating that they have updated the travel dates accordingly.

#3 Final approval of employee expense reimbursements are reviewed and approved by a member of staff unable to initiate or amend the transaction.

Due to the volume of travel expense reports and the limited number of AP Travel staff, all of them will need to be able to audit and final approve travel expense reports. The AP Travel Auditors no longer have access to update any transaction data entered by travelers/departments in the transaction panel, and their access is limited to correcting travel date errors on the header panel, which will not affect transaction amounts or expenses claimed.

Methodology

The methodology used to conduct this audit included:

- Reviewing the JAMP Agreement, JAMP Expenditure Guidelines, Statutes, and applicable Policies and Procedures.
- Obtaining copies of revenue and expense reports for the Grant Cost Centers from the financial system.
- Obtaining copies of the Grant Expenditure Reports prepared by Division of Research.
- Obtaining expenditure transaction supporting documentation from the financial system.
- Interviewing Division of Research, Tilman J. Fertitta College of Medicine, and Accounts Payable staff.

Audit Standards

The Internal Auditing Department conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Professional Practices Framework. These standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

The Texas Internal Auditing Act, Texas Government Code, Section 2102, requires each state agency that receives appropriation to establish a program of internal auditing. The Board of Regents created the University of Houston System Internal Auditing Department as an independent office reporting directly to the Chair of the Audit and Compliance Committee of the Board of Regents with access to the Chancellor. The Internal Auditing Department conducts performance audits to review aspects of the University System operations and procedures to help establish accountability, improve System operations, and provide recommendations for improvement.

The UHS Internal Auditing Department would like to thank the Division of Research, Tilman J. Fertitta College of Medicine, and Accounts Payable departments for their cooperation and assistance during this audit process.

Sincerely,



**UHS Internal Auditing Department
Chief Audit Executive**

Phillip Hurd, CIA, CEEP

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Director, Operational and Financial Audits

Brandee O'Neal, CIA, CFE

Audit Team

Kathy Gonzalez, Auditor II



Internal Auditing Department

University of Houston System

C.T. Bauer College of Business Foundation Audit of Donor Agreement Expenditures

Report to the Audit and Compliance Committee of the UHS Board of Regents
AR2024-12

August 2024



Photo courtesy of [C. T. Bauer College of Business at the University of Houston](#) | [Bauer College of Business at UH](#)

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Objective

The objectives of this audit included determining whether there are adequate internal controls in place to ensure:

- C.T. Bauer College of Business Foundation (Foundation) is complying with key requirements related to internal controls as documented within the Organizational Support Agreement with University of Houston.
- Gift/donations received are securely deposited and accurately processed according to donor intent and University policies and procedures.
- Foundation payment requests are reviewed, approved, and paid according to donor intent and University policies and procedures.

Background / Scope

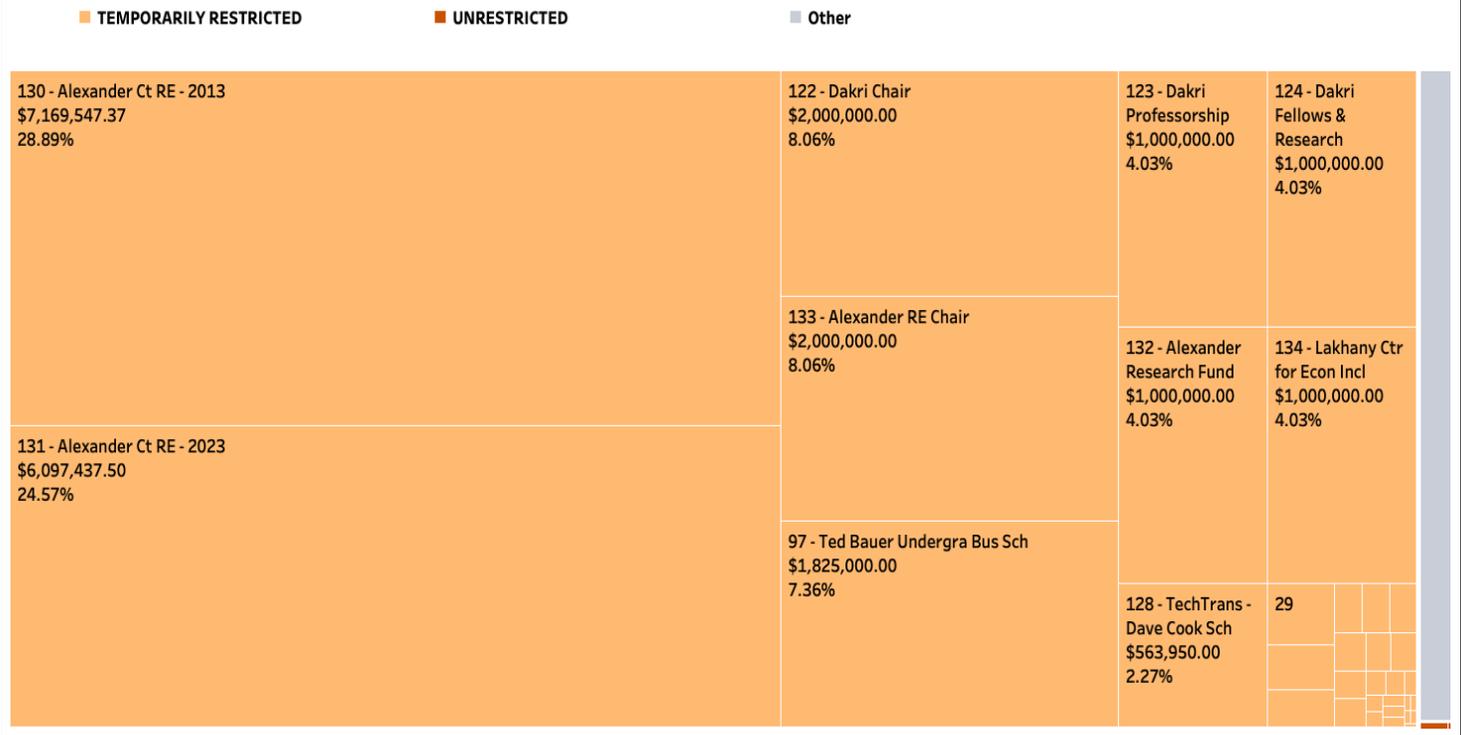
The Foundation operates exclusively to support to the C.T. Bauer College of Business at the University of Houston with the primary objective of improving the quality of education provided by the College. The Foundation was created for the receipt and disbursement of designated funds for scholarships and College of Business support expenses. These funds are administered by the Foundation and College of Business Dean as stated in the donor agreements. Funds can be restricted to donor’s requirements or used as discretionary funds.

The Foundation hired an administrator to manage the funds and work with the College of Business to ensure monies received are spent according to the donor’s intent as stated in the donor agreement.

The audit covered Foundation financial activities from the receipt of donations to the expenditure and reconciliation of funds during fiscal years 2022, 2023, and 2024.

97% of the income to the Foundation during audit period Sept 2022- Sept. 2023 is categorized as "Temporarily Restricted."

The Bauer Foundation has a fiduciary duty to ensure expenditures on those funds are according to donor's intention. Therefore, controls are essential to confirm compliance with donor agreements.



Top 5 Restricted Fund Expenditures for period September 2021 - November 2023



What We Found Summary

Overall, the audit identified issues with processes and procedures that impact the fiduciary duty of the Foundation to ensure expenditures follow donor's restrictions and intent. The reportable issues are outlined, as follows:

- Issue 1: Improve Reconciliation and Accountability
- Issue 2: Provide Oversight for Manual Checks
- Issue 3: Establish Segregation of Duties
- Issue 4: Implement Succession Planning
- Issue 5: Eliminate Potential Vendor Conflicts of Interests
- Issue 6: Update Internal Controls Documentation

These issues are discussed further in depth in this audit report.

Issue 1 – Improve Reconciliations and Accountability

The Foundation does not reconcile lump sum transfer payments to College of Business to ensure they were spent according to donor's intent. Some of the Foundation funds are administered by the Foundation and others are administered by the Dean of the College of Business. For funds administered by the Dean, the Foundation transfers lump sum payments to the college for reimbursement of expenses or for future use.

Most disbursements that we reviewed during the audit were not individual payments but instead transfers of funds to the College of Business. Supporting documentation was sufficient to support the transfer of funds, however there were no records of the specific, detailed disbursements back at the Bauer Foundation. We could not confirm that the ultimate disbursements from those transfers were made in accordance with donor requirements.

Once the College of Business receives the Foundation funds, related expenses processed within the University of Houston are transferred via journal entries and applied to those funds. We requested backup documentation for five of the transfers from the College of Business. The Dean's Office provided account tracking logs and the supporting documents for all the expenses. We were able to confirm that those expenses were in line with donor's intent.

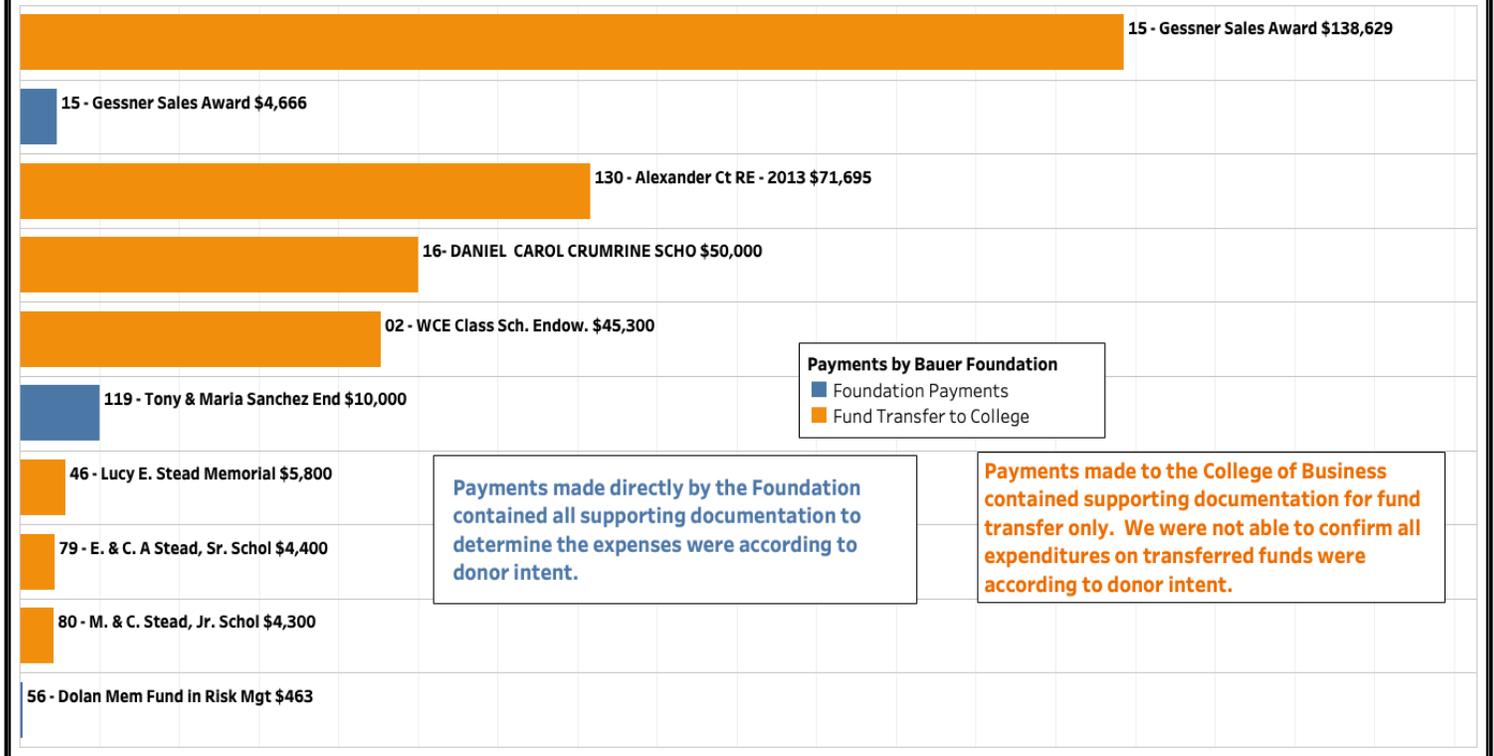
The College of Business maintains supporting documentation for expenditures made using money provided by the Bauer Foundation. The Foundation does not review or maintain documentation for individual expenditures made with funds provided to the College of Business to confirm donor intent.

A closed loop with oversight regarding donor intent is necessary, otherwise a deficiency in internal controls exists and opens the Foundation to criticism from its donors. Endowment restricted funds transferred to the College of Business could be used for expenses in conflict with donor's intent. This could lead to a loss of future funding and in some cases cause the donation to be rescinded.

Although the Dean is the Administrator of the restricted funds, there should be additional accountability back to the Bauer Foundation to confirm how these funds are spent and confirm that they were according to the donor's restrictions.

Audit Sample Results for Restricted Funds Only.

(Not Included: Ted Bauer Undergrad funds transfer of \$1,830,000 in April 2022 and \$1,820,000 in June 2023)..



Issue 2 – Provide Oversight for Manual Checks

The oversight for manual checks (i.e. checks under \$5,000) handled by the Foundation could be enhanced. The Foundation Administrator has signatory authority on two Foundation checking accounts and signs checks up to \$5,000 without additional approval.

There were six checks written from FY 2022 and FY 2023 totaling \$1,700. We reviewed the checks and determined they were well-documented and had appropriate approvals. One was paid from an endowment and matched the fund's purpose. Each manual check was under \$1,000 and did not require additional approval by the Dean. There were no issues with these checks, however, appropriate controls to prevent and detect fraud in the process could be improved.

Manual checks are occasionally used - this is a "trust" situation with limited internal controls such as timely notification. While check disbursements are rare, it would take up to 30 days or more for these disbursements to be noticed during bank reconciliations. Fraud or theft would be slow to be spotted. Additionally, the current process used to review the bank statements does not identify and question manual checks differently from other disbursements to ensure each manual check was appropriate. See Issue #3

Issue 3 – Establish Segregation of Duties

The Foundation Administrator is the sole employee for the Foundation and has responsibility for receiving donor checks, depositing funds, recording financial transactions, maintaining custody of checks, and is also a signer for writing checks.

To provide internal controls, employees from the College of Business Dean's Office are paid stipends from the Foundation to provide some oversight and to review the Foundation financial activities. Automated disbursements involve review and approval by a second individual from the College. The bank reconciliation process intends to provide additional segregation of duties but is not as effective as it could be.

Reconciliations from January through December 2022 were reviewed. Some requested reconciliations were not provided. Additionally, manual checks that were written during that time period were not called out or questioned by the College of Business as to whether those manual checks were appropriate.

Instead, the College of Business staff only confirmed summary balances on the reconciliations and did not review disbursements such as manually written checks. There is an assumption that if the payment was made that it was appropriate and had the proper approvals. Reconciliations are the only control to identify fraud or theft of Foundation checks. If they are not questioned in the reconciliation process by the College of Business, then any theft or fraud will likely not be discovered.

Issue 4 – Implement Succession Planning

As we discussed with the Foundation Administrator, the operating procedures are outdated and incomplete. The Foundation Administrator is the sole employee responsible for endowment account management. The Foundation Administrator acknowledges that the procedures need to be updated; however, as the only employee, they have not yet been able to do so. If the current administrator were to leave without updating these procedures, there would be a loss of institutional knowledge regarding management of endowment funds.

Issue 5 – Reduce Likelihood of Vendor Conflicts of Interest

Potential conflicts of interests are not considered or investigated prior to establishing new Foundation vendors. Vetting processes are less rigorous than the rest of the University's internal controls, and no checks are in place for potential vendor conflicts. When new vendors are added for payments by the Foundation within QuickBooks, they do not certify as to whether they have any potential conflicts of interest with the University.

Issue 6 – Update Internal Control Documentation

Internal Control Documentation that is sent to Finance by the Foundation as part of the Support Agreement needs to be updated and revised. This documentation hasn't been updated since 2018 even though periodic updates are expected. Additionally, the controls for the segregation of duties activities between the Foundation and College of Business is not documented.

Recommendations and Management's Response

- 1** We recommend the Foundation and the Dean create a closed loop reconciliation and review process which provides the Foundation with expenditure information to show how each transfer of funds is used and to confirm donor intent.

If transfers are not spent within a certain number of days, the remaining amount transferred should be returned to the Bauer Foundation to better restrict disbursement in accordance with donor intent.

Management's Response:

College of Business Dean's Office Response

Bauer Dean's Office agrees to implement this change. As a best practice we will request transfers in arrears, in order to provide expenditure documentation at the time of the transfer. In cases where this isn't possible, we will provide expenditure documentation within 6 months and return any unspent funding to the foundation. Responsible Party: Sara Brown

UH College of Business Foundation Response

The Foundation agrees with the Dean's office's response regarding implementation of requesting transfers in arrears to easily document and support the utilization of the endowment's funds.

- 2** We recommend the Foundation configure Wells Fargo Bill Pay to send an email or text alert when manual checks are issued or presented for payment. Consider lowering the limit on manual checks from \$5,000 to \$1,000 or \$1,500, as either amount would have been sufficient for all manual checks in the last two years. This would notify the appropriate person immediately to confirm the reason and appropriateness for manually written checks.

Management's Response:

The Foundation will add the Accounting Assistant in charge of ACH payment setup to the Wells Fargo Positive Pay alert service. This will provide transparency on all manual checks processed by the bank and allow him to see daily automated accounting of such instances. Responsible Party: Julie Krovontka

- 3** As part of the reconciliation process completed by the College of Business, all manual checks written by the Foundation should be questioned and supporting documentation reviewed to ensure appropriate. Additionally, the reconciliation should spot-check that disbursements and transfers out to the College of Business are in line with donor intent.

Management's Response:

College of Business Dean's Office Response

Bauer Dean's Office agrees to implement this change. The volume of manual checks written is very low, between 1-4 per year. We will implement a required review of of the back-up documents for all manual checks by the Accounting Assistant. Please note that when our certifying signatory signs the foundation payment request form, they also are certifying that the expenditure is aligned with donor intent as articulated in the gift agreement. Responsible Party: Andrew Nguyen

UH College of Business Foundation Response

All payment requests, including those where the vendor requests to be paid via manual check, include the review for appropriateness under the terms of the agreements. The Foundation will provide the Accounting Assistant with the approved payment request documentation to validate that physical checks are properly supported. Please see the above note regarding changes to ensure daily alerts and transparency to the accounting assistant of manual check requests.

Responsible Party: Julie Krovontka

- 4** We recommend the Foundation Administrator update operating procedures to document all current processes for that position and management of Foundation funds. A review should occur annually and document updates necessary.

Management's Response:

While not all process documents have been updated for the improved and enhanced procedures implemented since 2018, many have been updated including the following:

- Recording of income and applying payments received,
- Depositing funds with the bank and recording the deposit in Quickbooks,
- Recording the receipt and payment of sponsorships to Student Organizations, and
- Calculating and recording month-end investment journal entries, and reconciling investment balances.

The Foundation administrator will continue the ongoing project to update the process documentation. Responsible Party: Julie Krovontka

- 5** New vendors submitted through Payment Works are required to assert their independence from University of Houston employees. Consider implementing similar processes for vendors added to QuickBooks or some alternate control that confirms independence and the lack of any conflict of interest for new vendors for the Foundation.

Management's Response:

The Foundation will add a conflict of interest disclosure statement and signature line to our vendor set-up form, modeled after the UH COI statement. In this way, all new vendors will be responsible for asserting that no conflicts exist. Additionally, we'll request a new attestation any time a particular vendor is paid at a threshold of \$25,000 or higher within a fiscal year. This item has been implemented.

- 6** We recommend the Foundation Administrator update Internal Control Documentation to capture segregation of duties activities as a control. Additionally, when revised annually, reflect that in the revision date.

Management's Response:

This issue and recommendation are referring to the Foundation's Guidelines and Operating Procedures and related exhibits. The Foundation Board will oversee the update of these policies and procedures. Responsible Party: UHCOBF BoD and Julie Krovontka

Methodology

The methodology used to conduct this audit included:

- Reviewed the Foundation Agreement with University of Houston
- Reviewed applicable policies and procedures.
- Obtained copies of QuickBooks revenue and expense reports for the Foundation
- Obtained copies of the Donor Agreements
- Obtained expenditure transaction supporting documentation from the Foundation and the College of Business
- Obtained Bank Reconciliation packages from the College of Business
- Interviewed Foundation, College of Business, Provost's Office personnel.

Audit Standards

The Internal Auditing Department conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. These standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

The Texas Internal Auditing Act, Texas Government Code, Section 2102, requires each state agency that receives appropriation to establish a program of internal auditing. The Board of Regents created the University of Houston System Internal Auditing Department as an independent office reporting directly to the Chair of the Audit and Compliance Committee of the Board of Regents with access to the Chancellor. The Internal Auditing Department conducts performance audits to review aspects of the University System operations and procedures to help establish accountability, improve System operations, and provide recommendations for improvement.

The UHS Internal Auditing Department would like to thank the C.T. Bauer College of Business Foundation and the C.T. Bauer College of Business for their cooperation and assistance during this audit process.

Sincerely,



**UHS Internal Auditing Department
Chief Audit Executive**

Phillip Hurd, CIA, CEEP

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Director, Operational and Financial Audits

Brandee O'Neal, CIA, CFE

Audit Team

Connie Applebach, Auditor

M'Shiela Hawthorne, Visual Risk IQ

Joe Oringel, Visual Risk IQ



Internal Auditing Department

University of Houston System Contracts Requiring UHS Board of Regents Approval

Report to the Audit and Compliance Committee of the UHS Board of Regents
AR2024-13

August 2024



Photo courtesy of University of Houston Information Technology Services Webcams

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Executive Summary

The Internal Auditing Department (IAD) reviewed the solicitation/purchasing process surrounding contracts that required UHS Board of Regents approval from April 1, 2024, through June 31, 2024. IAD noted no unusual items or other matters that we considered non-compliant with university policies and procedures or state statutes.

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 IAD reviews the RFQ / RFP publication, evaluation, and selection process for contracts requiring Board of Regents approval on an ongoing basis. The Internal Audit Department also reviews the procurement 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 contracts requiring Board of Regents approval.

Scope of Work

The IAD review of procurement of contracts requiring Board of Regents approval covers the time period from April 1, 2024 through June 31, 2024.

Audit Procedures

The IAD performed a review of the solicitation/procurement process surrounding contracts requiring UHS Board of Regents approval (totaling \$1 million or more) for compliance with policies and procedures. For each solicitation we reviewed the following for compliance with:

1. Requirements for publication of solicitation documents on the State Comptroller's Electronic State Business Daily;
2. Document inclusion in the bid/evaluation packet (e.g. bid receipt/review, subcontracting probability form, HUB subcontracting form, etc.), as required on the solicitation checklist;
3. Use of published bid evaluation criteria by the selection team;
4. The Purchasing Department's compilation procedures of the selection team members' rankings for clerical accuracy and agreement of evaluation criteria to solicitation documents;
5. Procedures for submission of recommendation to VC/VP; and
6. Evaluation procedures for VC/VP approval.

Conclusion

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

Appendices

Analysis of internal audit activity related to the review of contracts requiring UHS Board of Regents approval award evaluations can be found in Appendix 1. An overview of the Purchasing Department procurement process for projects/contracts requiring UHS Board of Regents approval can be found in Appendix 2 (major construction projects) and Appendix 3 (other contracts requiring UHS Board of Regents approval).

Contracts Requiring Board of Regents Approval
Internal Audit Activity
April 1, 2024 to June 31, 2024

<u>Project or Contract Description</u>	<u>Solicitation Type/Number</u>	(\$ Millions) <u>Amount</u>	<u>BOR Approval</u>		<u>Internal Audit Review</u>	
			FCMP Comm. (Scope) <u>Date</u>	F&A Comm. (Financing) <u>Date</u>	<u>Initiated</u>	<u>Completed</u>
<u>Construction Projects \$10 Million and Over</u>						
CMAR UH Centinnial Plaza Step 1	RFQ730-24026	58.0	5/13/2022	5/13/2022	✓	✓
CMAR UHCL Bayou Building Renovation Step 1	RFQ730-23064	50.9	11/30/2022	11/30/2022	✓	✓
AE UH New Dining Commons - Approval to shortlist	RFQ730-24021	64.0	11/16/2023	11/16/2023	✓	✓
AE UH New Dining Commons - Approval to award	RFQ730-24021	64.0	11/16/2023	11/16/2023	✓	
<u>Construction Projects Over \$1 Million and Under \$10 Million</u>						
Renovation FY23 CRP Social Work	RFP730-24028	1.8	N/A	11/16/2023	✓	
<u>Non-Construction Contracts Over \$1 Million</u>						
UHV Aviation Flight School	RFP783-24000	4.0	N/A	2/1/2024	✓	✓
Campus Boiler Services	RFP730-24037	3.1	N/A	2/1/2024	✓	
UH College of Engineering Fire Protection System Upgrades	RFP730-24025	1.4	N/A	5/15/2024	✓	✓
Institutional and Federal Debt Collection	RFP730-24032	1.5	N/A	8/22/2024	✓	

CMAR - Construction Manager at Risk

AE - Architectural and Engineering Services (RFQ only)

SS - Sole Source

ITB - Invitation to Bid

✓ - Initiated or Completed in the current period.

✓ - Initiated or Completed in a prior period.

RFP - Request for Proposal

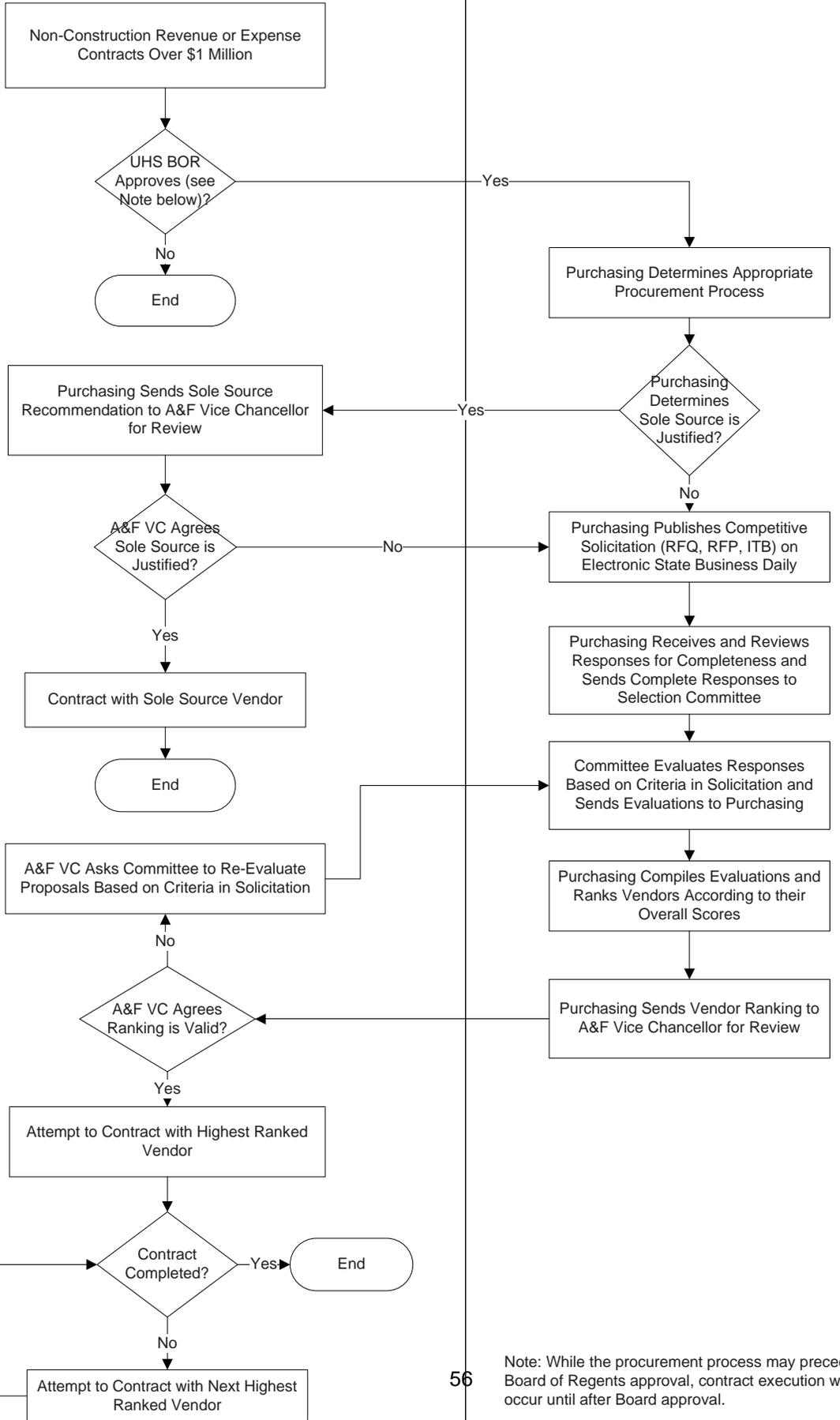
RFQ - Request for Qualifications

FE - Furnishings and Equipment

CSP - Competitive Sealed Proposal

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.

The Texas Internal Auditing Act, Texas Government Code, Section 2102, requires each state agency that receives appropriation to establish a program of internal auditing. The University of Houston System Internal Auditing Department was created by the Board of Regents as an independent office reporting directly to the Chair of the Audit and Compliance Committee of the Board of Regents with access to the Chancellor. We conduct performance audits to review aspects of the University System operations and procedures to help establish accountability, improve System operations, and provide recommendations for improvement.

The UHS Internal Auditing Department would like to thank the UH Purchasing Department for their cooperation and assistance during this audit process.

Sincerely,



UHS Internal Auditing Department

Chief Audit Executive

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Brandee O'Neal, CIA, CFE

Audit Team

Tony Moreno, Auditor IV

Kathy Gonzalez, Auditor II



Internal Auditing Department

University of Houston-Downtown Texas Higher Education Coordinating Board Facilities Development Projects

Report to the Audit and Compliance Committee of the UHS Board of Regents
AR2024-14

August 2024



Photo courtesy of [University of Houston - University of Houston System \(uhsystem.edu\)](https://uhsystem.edu)

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Methodology and Scope	1
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Objective

To determine whether the University of Houston-Downtown was compliant with Texas Administrative Code (TAC) and Texas Higher Education Coordinating Board (THECB) requirements regarding facilities development projects (capital projects) approvals and reporting.

What We Found Summary

The University of Houston-Downtown was compliant with Texas Administrative Code Title 19, Part 1, Chapter 17, Subchapter B, Rule 17.20 for submitting facilities development projects to THECB.

Background

THECB supports the state’s higher education systems through various efforts, including collecting and reporting data regarding facilities planning and usage to the legislature. As part of this effort, THECB must periodically conduct a comprehensive audit of all education and general facilities on the campuses of public senior colleges and universities. As part of this comprehensive audit, the institution's internal auditing department reviews the institutions reporting of repairs, renovations, new construction, real property purchases, energy performance savings contracts, and capital construction assistant projects that meet specific usage and dollar thresholds.

Methodology and Scope

The methodology used to conduct this audit included a review of TAC; THECB guidelines; current university policies and procedures; internal facilities and financial reports; and THECB reports and application submissions. The scope of the audit included projects from fiscal years 2020 through 2024 at the University of Houston-Downtown.

Audit Standards

The Internal Auditing Department conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Professional Practices Framework. These standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

The Texas Internal Auditing Act, Texas Government Code, Section 2102, requires each state agency that receives appropriation to establish a program of internal auditing. The Board of Regents created the University of Houston System Internal Auditing Department as an independent office reporting directly to the Chair of the Audit and Compliance Committee of the Board of Regents with access to the Chancellor. The Internal Auditing Department conducts compliance and performance audits to review aspects of the University System operations and procedures to help ensure compliance and establish accountability, improve System operations, and provide recommendations for improvement.

Sincerely,



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Brandee O'Neal, CIA, CFE



Internal Auditing Department

University of Houston System Compliance with Texas Education Code § 51.9337

Report to the Audit and Compliance Committee of the UHS Board of Regents
AR2024-15

August 2024



Photo courtesy of [University of Houston - University of Houston System \(uhsystem.edu\)](https://uhsystem.edu)

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Objective

To assess whether the institution has adopted the rules and policies required by Texas Education Code § 51.9337.

Texas Education Code §51.9337 was added with the passing of Senate Bill 20 during the Texas 84th Legislature and became effective September 1, 2015.

Texas Education Code §51.9337 requires the chief auditor of an institution of higher education to annually assess whether the institution has adopted the rules and policies required by this section and shall submit a report of findings to the state auditor. This code requires the System to establish policies and procedures for:

- Code of ethics
- Code of conduct
- Conflict of interest
- Investigations
- Purchasing requirements and guidelines
- Contracting requirements and guidelines
- Standards for conducting audits

What We Found

Summary

The University of Houston System has established policies and procedures that comply with Texas Education Code §51.9337.

Methodology

The methodology used to conduct this audit included a review of current policies and procedures.

Audit Standards

The Internal Auditing Department conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Professional Practices Framework. These standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

The Texas Internal Auditing Act, Texas Government Code, Section 2102, requires each state agency that receives appropriation to establish a program of internal auditing. The Board of Regents created the University of Houston System Internal Auditing Department as an independent office reporting directly to the Chair of the Audit and Compliance Committee of the Board of Regents with access to the Chancellor. The Internal Auditing Department conducts performance audits to review aspects of the University System operations and procedures to help establish accountability, improve System operations, and provide recommendations for improvement.

Sincerely,



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Kathy Gonzalez, Auditor II



Internal Auditing Department

University of Houston System Compliance with Texas Education Code § 51.3525

Report to the Audit and Compliance Committee of the UHS Board of Regents
AR2024-16

August 2024



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Executive Summary

The University of Houston System and its associated universities are following Tex. Educ. Code § 51.3525, which mandates that institutions of higher education adhere to strict guidelines regarding hiring, employment practices, and diversity initiatives.

Scope

This report is prepared to demonstrate that The University of Houston System and its associated universities are following Tex. Educ. Code § 51.3525, which mandates that institutions of higher education adhere to strict guidelines regarding hiring, employment practices, and diversity initiatives.

Certification Reviews

The following certifications and actions demonstrate our commitment to complying with these statutory requirements.

1. Hiring and Employment Practices

Internal auditing has reviewed relevant actions, policies, processes, and sampled hiring packets and confirmed that The University of Houston System and its associated universities does not have any office, division, or unit established for influencing hiring or employment practices based on race, sex, color, or ethnicity, except as required by federal law. We utilize color-blind and sex-neutral hiring processes in compliance with all applicable state and federal anti-discrimination laws.

2. Differential Treatment and Special Benefits

Internal auditing has reviewed relevant actions, policies, processes, and confirmed that the institution does not promote differential treatment or provide special benefits to individuals based on race, color, or ethnicity, except as required by federal law.

3. Policy Promotion and Implementation

Internal auditing has reviewed relevant actions, policies, processes, and confirmed that the institution does not promote policies or procedures related to race, color, or ethnicity without approval from the institution’s General Counsel and the Texas Higher Education Coordinating Board, ensuring compliance with court orders and laws.

4. Training, Programs, and Activities

Internal auditing has reviewed relevant actions, policies, processes, and confirmed that the institution does not conduct trainings or activities based on race, color, ethnicity, gender identity, or sexual orientation, unless developed and approved for legal compliance purposes.

5. Diversity, Equity, and Inclusion (DEI) Roles

Internal auditing has reviewed relevant actions, policies, processes, and confirmed that the institution has not hired or contracted for a DEI office, except as federally required.

6. DEI Statements

Internal auditing has reviewed relevant actions, policies, processes, and sampled hiring packets and confirmed that the institution does not require or solicit DEI statements from individuals as a condition of employment or participation in institutional activities.

7. Preference in Employment or Participation

Internal auditing has reviewed relevant actions, policies, processes, and sampled hiring packets confirmed that the institution does not give preference based on race, sex, color, ethnicity, or national origin, except as required by federal law.

8. DEI Training Requirements

Internal auditing has reviewed relevant training actions and confirmed that the institution does not require DEI training as a condition of enrollment or participation, except as allowed by the law.

9. Disciplinary Policies

Internal auditing has reviewed relevant policies and procedures and confirmed that the institution has policies to discipline employees or contractors violating the provisions of Tex. Educ. Code § 51.3525, including termination if necessary.

10. Use of State Appropriations

Internal auditing has reviewed relevant actions and confirmed that no state appropriations for FY24 were spent on DEI in violation of the TEC.

Institution Actions

In the past fiscal year, The University of Houston System and its associated universities has undertaken the following actions to ensure compliance with Tex. Educ. Code § 51.3525:

- **Review and Revision of Hiring Practices:**

Internal auditing confirmed that the UHS and its associated universities conducted a comprehensive review of all hiring practices to ensure they are in line with color-blind and sex-neutral standards and updated hiring

policies and procedures to reflect these standards and trained hiring managers accordingly.

- **Audit of Institutional Policies:**

Internal auditing has reviewed relevant actions, policies, processes and all institutional policies related to race, color, ethnicity, and other protected characteristics to ensure alignment with state and federal laws. Compliance functions and appropriate policy owners revised policies as necessary and ensured they are approved by the General Counsel.

- **Training and Awareness Programs:**

Internal Auditing confirmed that training sessions to educate staff and faculty about compliance requirements and the importance of maintaining non-discriminatory practices occurred at all universities.

- **Monitoring and Compliance Checks:**

Internal audit confirmed a monitoring system is in place to regularly check for compliance with Tex. Educ. Code § 51.3525. In addition, compliance audits will be conducted periodically, and any identified issues will be reported to the General Counsel's office promptly.

- **Stakeholder Engagement:**

Internal Auditing confirmed that executive leadership and General Counsel engaged with stakeholders, including students, faculty, and staff, to communicate the institution's commitment to compliance and gather feedback on policies and practices.

Conclusion

Internal auditing concludes, based on the evidence, that the UHS and its associated universities are in compliance with the requirements of Tex. Educ. Code § 51.3525. The University of Houston System and its associated universities have undergone extensive analysis, led by the General Counsel's Office, of policies, procedures, and associated documents to ensure a fair, equitable, and legally compliant environment for all students, staff, and faculty. Internal Auditing will continue to audit our practices and policies to ensure ongoing compliance with Tex. Educ. Code § 51.3525.

The UHS Internal Auditing Department would like to thank all those involved for their cooperation and assistance during this audit process.

Sincerely,



UHS Internal Auditing Department

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Aiden Ho

Jackie Martinez

Tony Moreno, CFE

Eric Porter, CFE

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

COMMITTEE: Audit and Compliance

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

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Attached for your review and approval is the UHS Internal Auditing Department Annual Internal Audit Plan for Fiscal Year 2025 (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 time frame.

The Internal Audit Department continues to integrate analytics, computer assisted auditing techniques (CAAT), Robotic Process Automation (RPA), and basic artificial intelligence (AI) in the audit process to better serve the UHS community.

SUPPORTING

DOCUMENTATION: Annual Internal Audit Plan, FY 2025

FISCAL NOTE: None

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

COMPONENT: University of Houston System



CHIEF AUDIT EXECUTIVE

Phillip W. Hurd

08/02/24

DATE



CHANCELLOR

Renu Khator

8/10/24

DATE

Annual Internal Audit Plan

FY 2025

August 21, 2024

Overview

1. Internal Audit Definition
2. Staff Members and Certified Competencies
3. Proposed Audit Plan
4. Additional Points

Definition of Internal Auditing

“Internal auditing is an independent, objective assurance and advisory service 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 and governance, risk management, and control processes.”

Staff Members and Certified Competencies

Name	Title	Certifications
White, Barbara Carol	Asst, Administrative, Ex	
Ho, Aiden	Auditor 1	
Martinez, Jackie	Auditor 1	
Gonzalez, Kathy M	Auditor 2	CCRP
Applebach, Connie C	Auditor 3	CISA
Porter, Garland Eric	Auditor 3	CFE
Moreno, Cesario Anthony	Sr Auditor	CFE, CGAP
Chance, Leonard, IV	IT Auditor	
Hurd, Phillip Wayne	Chief Audit Executive	CIA, CISSP, CCEP
O'Neal, Brandee M	Dir, Ops & Fin Audit	CIA, CFE

CIA	Certified Internal Auditor
CISA	Certified Information Systems Auditor
CFE	Certified Fraud Examiner
CCRP	Certified Clinical Research Professional
CGAP	Certified Government Auditing Professional
CISSP	Certified Information Systems Security Professional
CCEP	Certified Compliance and Ethics Professional

Existing Year Projects that are in Process		
TITLE	STATUS (select from drop-down list)	COMMENTS
Travel Expense (UH, UHCL, and UHD)	Project Currently In Progress	In planning (UH), fieldwork (UHCL) and reporting (UHD)
Travel & Entertainment Expenditures - Board, FY24	Project Currently In Progress	Board Requested - Continual -Report in November
Travel & Entertainment expenditures - President, FY24 (UH, UHCL, UHD, and UHV)	Project Currently In Progress	Board Requested - Continual -Report in November
Contracts Requiring Board Approval	Project Currently In Progress	Board Requested - Continual -Report each quarter
Lab Safety (UH and UHD)	Project Currently In Progress	In fieldwork (UH) and reporting (UHD)
UH Education Research Center	Project Not Started / Keep on Audit Plan	To begin in September 2024
Special Projects/Investigations	Project Currently In Progress	Multiple special projects/investigations continue

Additions to Audit Plan Based on Risk Assessment and Risk Register						
ENGAGEMENT TITLE	GROUPING	TYPE	SCOPE	TIME FRAME	INCLUSION RATIONALE	Entity to be Audited
Title of the audit engagement.	Assurance Blended Consulting Special Project	Compliance Financial Information Technology Investigation Operational	Controls Review Full Review Limited Review	Near Term - 1-6 Months Medium Term - 7-12 Months Long Term - 13-18 Months	Information describing why this project is included on the audit plan.	UHS UH UHCL UHD UHV
Annual Procurement Report	Assurance	Compliance	Limited Review	Near Term - 1-6 Months	Mandatory Audit	x x x x x
Board of Regents Travel & Entertainment, FY 2025	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit	x
Chancellor/President's Travel & Entertainment, FY 2025	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit	x x x x
Contracts Requiring Board of Regents Approval	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit	x x x x x
Compliance with Education Code 51.9337	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit	x
Joint Admission Medical Program	Assurance	Compliance	Controls Review	Near Term - 1-6 Months	Mandatory Audit	x x
Education Research Center	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit	x
Compliance with Texas Administrative Code 202	Assurance	Information Technology	Limited Review	Near Term - 1-6 Months	Mandatory Audit	x x x x x
Compliance with Texas Education Code 51.3525	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit	x x x x x
Inventory of Protected Health Information	Assurance	Multiple Aspect	Full Review	Medium Term - 7-12 Months	Evaluation Step	x
Information Technology Risk Assessment	Assurance	Information Technology	Full Review	Near Term - 1-6 Months	Evaluation Step	x
Continuous Control Monitoring	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Ensure Compliance	x x x x x
Donor Agreement Expenditures	Assurance	Compliance	Limited Review	Near Term - 1-6 Months	Ensure Compliance	x
Procurement Card Audit	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Ensure Compliance	x x x

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.