DATE:       Wednesday, November 16, 2011
TIME:       9:00 a.m.
PLACE:      Hilton University of Houston Hotel
            Waldorf Astoria Ballroom E, Second Floor
            4800 Calhoun
            Houston, Texas 77002

Chair:      Nandita V. Berry
Vice Chair: Mica Mosbacher
Members:    Roger F. Welder
            Tamecia Glover Harris
            Nelda Luce Blair, Ex Officio

AUDIT AND COMPLIANCE COMMITTEE

A. Call to Order

B. Approval of Committee Meeting Minutes
   • August 17, 2011, Audit and Compliance Committee Meeting

   Action: Approval

C. Presentation – Overview of Internal Audit Process – University of
   Houston System

   Action: Information

D. Presentation – Overview of Anonymous Reporting Mechanism –
   University of Houston System

   Action: Information

E. Institutional Compliance Status Report for the Three Months Ended
   September 30, 2011 – University of Houston System

   Action: Approval
F. Report on Internal Audit Report – Briefing Booklet – University of Houston System

G. Report on External Audit Report – Texas Comptroller of Public Accounts Post Payment Audit of the University of Houston-Downtown


I. Report on IRS Determination Letter – Bond Issue Examination – University of Houston System

J. Report on Ethics and Conflicts of Interest Policies of the Board of Regents and Each of the Universities – University of Houston System

K. Report on Annual Fraud Prevention and Awareness Report – University of Houston System

L. Report on Identity Theft Prevention Program – Executive Summary - University of Houston System

M. Report on Annual Procurement Report – University of Houston System

N. Report on Status of Audit Report and Financial Statements, University of Houston Charter School, FY2011 – University of Houston System
O. Review of University of Houston System, Internal Auditing Department - Annual Report, Fiscal Year 2011 – University of Houston System

**Action:** Information

P. Adjourn
UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit and Compliance
ITEM: Presentation – Overview of Internal Audit Process

DATE PREVIOUSLY SUBMITTED:
SUMMARY:
Overview of Internal Audit Process

SUPPORTING DOCUMENTATION: Texas Internal Auditing Act and PowerPoint Presentation

FISCAL NOTE:
RECOMMENDATION/ ACTION REQUESTED: Information
COMPONENT: University of Houston System

CHIEF AUDIT EXECUTIVE
Don Guyton

CHANCELLOR
Renu Khator

DATE 10/27/11
11/1/11
DATE
GOVERNMENT CODE

TITLE 10. GENERAL GOVERNMENT

SUBTITLE C. STATE ACCOUNTING, FISCAL MANAGEMENT, AND PRODUCTIVITY

CHAPTER 2102. INTERNAL AUDITING

Sec. 2102.001. SHORT TITLE. This chapter may be cited as the Texas Internal Auditing Act.

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

Sec. 2102.002. PURPOSE. The purpose of this chapter is to establish guidelines for a program of internal auditing to assist agency administrators and governing boards by furnishing independent analyses, appraisals, and recommendations about the adequacy and effectiveness of a state agency's systems of internal control policies and procedures and the quality of performance in carrying out assigned responsibilities. Internal auditing is defined as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.


Sec. 2102.003. DEFINITIONS. In this chapter:
(1) "Administrator" means the executive head of a state agency.
(2) "Assurance services" means an examination of evidence for the purpose of providing an independent assessment of risk management, control, or governance processes for an organization. Assurance services include audits as defined in this section.
(3) "Audit" means:
   (A) a financial audit described by Section 321.0131;
(B) a compliance audit described by Section 321.0132;
(C) an economy and efficiency audit described by Section 321.0133;
(D) an effectiveness audit described by Section 321.0134; or
(E) an investigation described by Section 321.0136.

(4) "Consulting services" means advisory and related client service activities, the nature and scope of which are agreed upon with the client and are intended to add value and improve an organization's operations. Consulting services include counsel, advice, facilitation, and training.

(5) "State agency" means a department, board, bureau, institution, commission, or other agency in the executive branch of state government.


Sec. 2102.004. APPLICABILITY. (a) Sections 2102.005-2102.012 apply only to a state agency that:
(1) has an annual operating budget that exceeds $10 million;
(2) has more than 100 full-time equivalent employees as authorized by the General Appropriations Act; or
(3) receives and processes more than $10 million in cash in a fiscal year.
(b) Sections 2102.013 and 2102.014 apply to each state agency that receives an appropriation and that is not described by Subsection (a).


Sec. 2102.005. INTERNAL AUDITING REQUIRED. A state agency shall conduct a program of internal auditing that includes:
(1) an annual audit plan that is prepared using risk assessment techniques and that identifies the individual audits to be conducted during the year; and
(2) periodic audits of the agency's major systems and controls, including:
(A) accounting systems and controls;
(B) administrative systems and controls; and
(C) electronic data processing systems and controls.


Sec. 2102.006. INTERNAL AUDITOR; STAFF. (a) The governing board of a state agency or the administrator of a state agency that does not have a governing board shall appoint an internal auditor.

(b) An internal auditor must:
   (1) be a certified public accountant or a certified internal auditor; and
   (2) have at least three years of auditing experience.

(c) The state agency shall employ additional professional and support staff the administrator determines necessary to implement an effective program of internal auditing.

(d) The governing board of a state agency, or the administrator of a state agency if the state agency does not have a governing board, shall 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.


Sec. 2102.007. DUTIES OF INTERNAL AUDITOR. (a) The internal auditor shall:
   (1) report directly to the state agency’s governing board or the administrator of the state agency if the state agency does not have a governing board;
   (2) develop an annual audit plan;
   (3) conduct audits as specified in the audit plan and document deviations;
   (4) prepare audit reports;
   (5) conduct quality assurance reviews in accordance with professional standards as provided by Section 2102.011 and periodically take part in a comprehensive external peer review; and
(6) conduct economy and efficiency audits and program results audits as directed by the state agency's governing board or the administrator of the state agency if the state agency does not have a governing board.

(b) The program of internal auditing conducted by a state agency must provide for the auditor to:

(1) have access to the administrator; and

(2) be free of all operational and management responsibilities that would impair the auditor's ability to review independently all aspects of the state agency's operation.


Sec. 2102.008. APPROVAL OF AUDIT PLAN AND AUDIT REPORT. The annual audit plan developed by the internal auditor must be approved by the state agency's governing board or by the administrator of a state agency if the state agency does not have a governing board. Audit reports must be reviewed by the state agency's governing board and the administrator.


Sec. 2102.009. ANNUAL REPORT. The internal auditor shall prepare an annual report and submit the report before November 1 of each year to the governor, the Legislative Budget Board, the Sunset Advisory Commission, the state auditor, the state agency's governing board, and the administrator. The state auditor shall prescribe the form and content of the report, subject to the approval of the legislative audit committee.


Sec. 2102.0091. REPORTS OF PERIODIC AUDITS. (a) A state agency shall file with the Sunset Advisory Commission, the budget division of the governor's office, the state auditor, and the Legislative Budget Board a copy of each report submitted to the state agency's governing board or the administrator of the state agency if the state agency does not have a governing board by the agency's internal auditor.
(b) Each report shall be filed not later than the 30th day after the date the report is submitted to the state agency's governing board or the administrator of the state agency if the state agency does not have a governing board.

(c) In addition to the requirements of Subsection (a), a state agency shall file with the budget division of the governor's office, the state auditor, and the Legislative Budget Board any action plan or other response issued by the state agency's governing board or the administrator of the state agency if the state agency does not have a governing board in response to the report of the state agency's internal auditor.


Sec. 2102.010. CONSULTATIONS. An internal auditor may consult the state agency's governing board or the administrator of the state agency if the state agency does not have a governing board, the governor's office, the state auditor, and legislative agencies or committees about matters affecting duties or responsibilities under this chapter.


Sec. 2102.011. INTERNAL AUDIT STANDARDS. The internal audit program shall conform to the Standards for the Professional Practice of Internal Auditing, the Code of Ethics contained in the Professional Practices Framework as promulgated by the Institute of Internal Auditors, and generally accepted government auditing standards.


Sec. 2102.012. PROFESSIONAL DEVELOPMENT. (a) Subject to approval by the legislative audit committee, the state auditor may make available and coordinate a program of training and technical assistance to ensure that state agency internal auditors have access to current information about internal audit techniques, policies, and procedures and to provide general technical and audit assistance to agency internal auditors on request.
(b) The state auditor is entitled to reimbursement for costs associated with providing the services under the terms of interagency cooperation contracts negotiated between the state auditor and each agency. The costs may not exceed those allowed by the General Appropriations Act. Work performed under this section by the state auditor is subject to approval by the legislative audit committee for inclusion in the audit plan under Section 321.013(c).


Sec. 2102.013. ANNUAL RISK ASSESSMENT; REPORT. (a) A state agency described by Section 2102.004(b) shall conduct each year a formal risk assessment consisting of an executive management review of agency functions, activities, and processes.

(b) The risk assessment must:

1. evaluate the probability of occurrence and the likely effect of financial, managerial, and compliance risks and of risks related to the use of information technology; and

2. rank risks according to the probability of occurrence and likely effect of the risks evaluated.

(c) The state agency shall submit the written risk assessment to the state auditor in the form and at the time prescribed by the state auditor.


Sec. 2102.014. EVALUATION OF RISK ASSESSMENT REPORTS; AUDITS. (a) Based on risk assessment and subject to the legislative audit committee's approval of including the work described by this subsection in the audit plan under Section 321.013(c), the state auditor shall:

1. evaluate each report submitted under Section 2102.013;

2. identify agencies with significant financial, managerial, or compliance risk or significant risk related to the use of information technology; and

3. recommend to the governor that the identified agencies obtain an audit to address the significant risks identified by the state auditor.

(b) The governor may order an agency identified under this section to:
(1) obtain an audit under governmental auditing standards;

(2) submit reports and corrective action plans as prescribed by Section 2102.0091; and

(3) report to the state auditor the status of the agency's implementation of audit recommendations in the form and addressing issues as prescribed by the state auditor.

The governor may provide funds to agencies as necessary to pay the costs of audits ordered under this section from any funds appropriated to the governor for this purpose.

Overview

Internal Audit Process

1. Definition of Internal Auditing
2. Texas Internal Auditing Act
3. UHS Board of Regents Policy
4. UHS Administrative Memoranda
5. IIA Code of Ethics
Overview

Internal Audit Process (cont.)

6. Standards for the Professional Practice of Auditing
7. Internal Audit Planning Process
8. Internal Audit Reporting Process
9. Legislation - H.B. 2906 (75th Legislature)
Definition of Internal Auditing

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

(Texas Government Code, Section 2102)

Sect. 1. Short Title - Texas Internal Auditing Act

Sect. 2. Purpose - Establish Guidelines for Internal Auditing Programs

Sect. 3. Definitions - Administration, Audit, Agency

Sect. 4. Applicability - budgets > $10 million; receive or process cash > $10 million; or more than 100 employees
Texas Internal Auditing Act (cont.)

Sect. 5. Requirements - Annual Audit Plan & Periodic Audits of Systems and Controls

Sect. 6. Appointment and Qualifications of the Internal Auditor, Staffing & Resources

Sect. 7. Duties of the Internal Auditor

Sect. 8. Approval of the Audit Plan and Audit Reports
Texas Internal Auditing Act (cont.)

Sect. 9 Annual Report
Sect. 10 Consulting with the Governing Board, Governor’s Office, State Auditor, Legislative Agencies or Committees
Sect. 11 Internal Audit Standards
Sect. 12 Professional Development
Sect. 13 & 14 – Risk Assessment to SAO
UHS Board of Regents
Internal Auditing Policy
(No. 41)

Sect 41.01. To develop a framework for the internal audit function. Should be an effective management tool for use by the chancellor (other levels of management) and the board. To evaluate the system’s fiscal integrity and compliance with laws and policies.
UHS Board of Regents
Internal Auditing Policy
(No. 41)

Sect. 41.01.1 PHILOSOPHY:

1. Are resources being properly managed and accounted for?
2. Are policies followed, objectives met, and control systems functioning?
3. Provides an INDEPENDENT examination/evaluation function for the system.
4. In carrying out their duties, members of the internal auditing department have full, free, and unrestricted access to all systems, records, property, and personnel.
UHS Board of Regents

Internal Auditing Policy (cont.)

(No. 41)

Sect. 41.01.2 ORGANIZATIONAL RESPONSIBILITY

5. Board responsible for employment/dismissal of auditor

6. Auditor reports to Board

7. Compliance with the Standards for the Professional Practice of Internal Auditors
UHS Board of Regents

Internal Auditing Policy (cont.)

(No. 41)

Sect. 41.01.3. INTERNAL AUDITING PROCESS:

8. August of each year: Submit Audit Plan

9. Meet with Audit & Compliance Committee Chair/Chancellor to review audit performed, audits in progress and future audits

10. Audit reports distributed to Chancellor, Board, State Auditor, LBB, Governor’s Office of Planning and Budgeting and the Sunset Advisory Commission
UHS Board of Regents
Internal Auditing Policy (cont.)

(No. 41)

Sect. 41.01.4. OBJECTIVES:

11. Risk Management: Assist by identifying and evaluating risks

12. Control: Evaluate effectiveness and efficiency and promote continuous improvement

13. Governance: Evaluate and improve process by which values and goals are established, monitored and accounted for
UHS Board of Regents
Internal Auditing Policy (cont.)
(No. 41)

Sect. 41.01.4. OBJECTIVES:

14. Evaluate Big 4: Reliability & integrity of information, effectiveness & efficiency of operations, safeguarding of assets and compliance with laws & regulations

15. Coordinate internal audit efforts with those of other CPA firms and the SAO
UHS Administrative Memoranda

A.M. 04.A.01 AUDITS BY EXTERNAL AUDITORS

Coordination of internal and external audit efforts, audits by SAO, audits by external agencies and audits by independent outside auditors

A.M. 04.A.02 AUDITS BY INTERNAL AUDITING

Reiterates B.O.R. policy

Provides for solicitation of management’s input on the annual risk analysis and audit plan.
UHS Administrative Memoranda

A.M. 04.A.02 AUDITS BY INTERNAL AUDITING (cont.)

Explains the reporting process

Follow-up procedures

11/16/11
AUDIT–C-23
UHS Administrative Memoranda

A.M. 01.C.04 REPORTING / INVESTIGATING FRAUDULENT ACTS

Explains responsibilities of employees, management and institution

Requirement to report to State Auditor
The Institute of Internal Auditors Code of Ethics

The Code of Ethics defines the standards of conduct for the practice of internal auditing. The Code of Ethics is applicable to all members of the Institute of Internal Auditors.
STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

ATTRIBUTE STANDARDS

1000  Purpose, Authority, and Responsibility
1100  Independence and Objectivity
1200  Proficiency and Due Professional Care
1230  Continuing Professional Development
1300  Quality Assurance and Improvement Program

PERFORMANCE STANDARDS

2000  Managing the Internal Audit Activity
2100  Nature of Work
2120  Control
2200  Engagement Planning
2300  Performing the Engagement
2400  Communicating Results
2500  Monitoring Progress
2600  Management’s Acceptance of Risks
Internal Audit Planning Process

I. Internal Audit Activities

A. Financial and compliance reviews
B. Economy and efficiency reviews
C. Evaluation of program performance
D. Special projects, management requests, police investigations
E. Evaluation of computer system internal controls
F. Coordinating work with external auditors
Internal Audit Planning Process

II. Identification of Auditable Areas/Risk Analysis

A. Review of component financial information
B. Schedule Departmental Reviews – 5 yrs
C. Component risk assessment
D. System-wide risk assessment

III. Component Management Input
Internal Audit Planning Process (cont.)

IV. Finalize Audit Plan

A. Review the component management
B. Present to Board of Regents for approval
C. Plan can be amended with approval of the Audit & Compliance Committee of the Board of Regents
Internal Audit Reporting Process

1. Circulate report draft in IA Department

2. Distribute report draft to IA Chief Audit Executive

3. Distribute report draft to auditee

4. Distribute report draft for management response

5. Distribute report draft with responses and management action plan for comments

6. Attend exit conference

7. Distribute final draft with draft of transmittal letter (executive summary) to the Chancellor and the BOR Audit & Compliance Committee Chair for comments
8. Submit a Briefing Booklet on internal audit activities to Board of Regents for each regularly scheduled Audit & Compliance Committee meeting

9. Board of Regents meeting

10. Internal report distribution

11. External report distribution to Governor’s Office of Budgeting and Planning, the Legislative Budget Board, Sunset Advisory Committee, and the State Auditor’s Office (State of Texas, Government Code, Section 2102.0091)

12. Include Summary of Results in Annual Report to Governor before November 1<sup>st</sup>
House Bill 2906
(75th Legislature)

Sect. 4 - Agencies are required to report on implementation status of SAO findings and recommendations

Sect. 6 - Requirements for agencies employing a private auditor

Sect. 7 - Coordination of investigations

Sect. 10 - Open records exception for internal auditing working papers
COMMITTEE: Audit and Compliance

ITEM: Presentation – Overview of Anonymous Reporting Mechanism

DATE PREVIOUSLY SUBMITTED:

SUMMARY:
Presentation – Anonymous Reporting Mechanism

SUPPORTING DOCUMENTATION:
My Safe Campus Reporting System Demonstration
Presentation, 11/16/11

FISCAL NOTE:

RECOMMENDATION/ ACTION REQUESTED:
Information

COMPONENT: University of Houston System

CHIEF AUDIT EXECUTIVE

Don Guyton

CHANCELLOR

Renu Khator

DATE

10/27/11

11/16/11

AUDIT–D-33
My Safe Campus Reporting System Demonstration

November 16, 2011
My Safe Campus Agenda

➤ Legislative/Policy Requirements
➤ My Safe Campus Quick Facts
➤ My Safe Campus Demo (Report Life Cycle)
➤ My Safe Campus Key Contacts
Legislative / Policy Requirements

- Governor Perry's Executive Order No. 36, Fraud Prevention and Awareness Program
- Implementation of the Spirit of Sarbanes–Oxley Act as recommended by NACUBO
- Texas Education Code, Section 51.971 – Compliance Program
- Board of Regents Policy 42.01, Compliance Program
- UHS Administrative Memorandum 01.C.04, Reporting / Investigating Fraudulent Acts
My Safe Campus Quick Facts

In addition to the employees’ ability to report fraud or noncompliance to their supervisor, MySafeCampus provides a mechanism to anonymously report. Each campus has designated specific employees to receive the fraud and noncompliance reports.
My Safe Campus Quick Facts

These designated individuals must annually acknowledge their responsibilities, including:

The requirement that they not discuss any reports with employees not assigned investigative responsibilities.

All reports must be investigated and resolved using a triage approach as explained in the following procedures.
My Safe Campus Quick Facts

Reporters can submit reports 24X7 regarding suspected fraud or non-compliance with university rules.

Reporters can select their anonymity type. They may remain anonymous to the institution only, to both the institution and MySafeCampus, or may choose to provide their contact information.

The institution can respond and ask questions of the reporter even if the reporter chooses to be completely anonymous.
Report Life Cycle

➢ Reporter submits report on the MySafeCampus System.
Report Life Cycle

- E-mail notification is sent immediately to assigned UH representatives.

A new incident from MySafeCampus requires your immediate attention.

The reporting party selected the incident type COMPLIANCE/REGULATION VIOLATIONS for this report.

Click [MSGID38809430] to View the Incident

You may contact MySafeCampus via email at support@MySafeCampus.com or by calling +1 800.335.7639

Email notifications are sent to:
Messa, Emily
Schneller, Robert
Gayton, Don
Haskins, Russ
Coleman-Ferguson, Valerie
Hammann, Doria
Sigler, Joan
Cavicchi, Carl
Stanley, Barbara
Nguyen, Nancy

The report is made on the organization "University of Houston System/University of Houston"
Report Life Cycle

➢ Appropriate Triage Team member acknowledges report and may ask follow up questions in order to resolve report.

An internal user, who has been designated to review and respond to reports received via MySafeCampus, has submitted a message to the reporting employee.

Please click on the report number MIACR22430502 to review the message. This message can be found in the “Talk to Reporting Employee” section located on the top right hand side of the incident. Please remember that you will need both your access code and password to access this message.

You may contact MySafeCampus via email at support@MySafeCampus.com or by calling +1.860.335.7639.

Email notifications are sent to:
- Meza, Edith
- Holtkamp, Russ
- Coleman-Ferguson, Valerie
- Gilson, Mike
- Hamilton, Dona
- Siglar, Joan
- Carlucci, Carl
- Stanley, Barbara
- Nguyenc, Nancy

The report is made on the organization “University of Houston System/University of Houston”
Report Life Cycle

➢ Triage Team conducts investigation and determines solution/findings for the report.
My Safe Campus Key Contacts

- **UH/UHS Triage Team**
  - Don Guyton (tel) 713-743-8000
    (email) dguyton@uh.edu
  - Dona Cornell (tel) 832-842-0949
    (email) dhcornell@uh.edu

- **UHCL**
  - Harry Stenvall (tel) 281-283-2110
    (email) stenvall@uhcl.edu

- **UHD**
  - Mary Cook (tel) 713-222-5340
    (email) cookm@uhd.edu

- **UHV**
  - Tim Michalsk (tel) 361-570-4820
    (email) michalskit@uhv.edu
  - Lindsey Koch (tel) 361-570-4820
    (email) kochl@uhv.edu
My Safe Campus Report System Demonstration

Questions

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

- **Summary of Activities**: risk assessment, audits, meetings, risk mitigation, and hot-line reports (page 1)
- **University of Houston System**: summary of July 13, 2011, meeting of Institutional Compliance Officers and changes in laws and regulations (page 1)
- **University of Houston**: compliance activities of Finance Department, Environmental Health and Safety Department, Residential Life & Housing, Division of Research, and Information Technology Department (pages 2-6)
- **University of Houston Clear Lake**: summary of compliance meeting held on August 11, 2011 (pages 6-7)
- **University of Houston Downtown**: summary of compliance meeting held on September 14, 2011, and Information Technology compliance activities (pages 7-9)
- **University of Houston Victoria**: summary of compliance meeting held August 31, 2011 (pages 9-10)

**SUPPORTING DOCUMENTATION**: Institutional Compliance Status Report

**FISCAL NOTE**: Information

**RECOMMENDATION/ACTION REQUESTED**: University of Houston System

**CHIEF AUDIT EXECUTIVE**: Don Guyton

**DATE**: 10/27/11

**CHANCELLOR**: Renu Khator

**DATE**: 11/16/11

**AUDIT–E-46**
UNIVERSITY OF HOUSTON SYSTEM
INSTITUTIONAL COMPLIANCE STATUS REPORT
For the three months ended September 30, 2011

Institutional compliance activities at each university during the three months ended September 30, 2011, are as follows:

<table>
<thead>
<tr>
<th>Activity</th>
<th>UH/UHS</th>
<th>UHCL</th>
<th>UHD</th>
<th>UHV</th>
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<tr>
<td>Risk Assessments Completed</td>
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<td>59</td>
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<td>Compliance Audits Conducted</td>
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<td>1</td>
<td>2</td>
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<td>Compliance Committee Meetings Held</td>
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<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td>Risk Mitigation Implemented:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specific Control Activities (pol. &amp; proc.)</td>
<td>20</td>
<td>39</td>
<td>1</td>
<td>32</td>
</tr>
<tr>
<td>New Training Program / Activities</td>
<td>51</td>
<td>65</td>
<td>0</td>
<td>24</td>
</tr>
</tbody>
</table>

Hot-line Reports:
- Number Received during last 3 months
  - 3
- Reports Resolved during last 3 months
  - 3
- Unresolved Reports as of Sept. 30, 2011
  - 9

UHS:
- A system-wide meeting of the Institutional Compliance officers was held on July 13, 2011, to discuss institutional compliance activities. Included on the meeting agenda were the following:
  - Open points from previous meeting
  - Review of reports to be presented to the Audit and Compliance Committee on August 17, 2011
  - Cooperative Problem Solving – Sharing of Ideas (discussion by all compliance officers of major concerns / accomplishments)
  - Presentation by Mike Glisson – Annual Verification of Finance Security and P-Card/Travel Card Users
  - Presentation by Laurie Ruiz – Implementing the Higher Education Opportunity Act
  - Presentation by Valerie Coleman-Ferguson – S.B. 1327
  - Presentation by Joan Nelson – HR Hot Topics
  - Presentation by Anne Sherman – Update on Research Hot Topics

- Changes in laws and regulations:
  The Audit and Compliance Committee charter and checklist (item #16) requires the committee to review legal and regulatory matters that may impact internal auditing and / or compliance activities. During the last two legislature sessions, the Texas Education
Code was modified to require higher education institutions to adopt and implement a multihazard emergency operations plan. The plan must include processes for employee training, mandatory drills for students, faculty and staff, measures for coordinating with state and local emergency management and law enforcement agencies and the implementation of a safety and security audit every three years. The audit report must be submitted to the Board of Regents and the division of emergency management of the office of the governor. The first audit report is scheduled to be presented to the Board of Regents at the November 2012 meeting.

UH:

Finance
UH departments completed their annual review and verification of the following:
- Employee access to the Finance and HR Systems is appropriate and necessary, including any authority they have to approve documents or requests within the systems
- Employees with long distance calling codes and credit cards still need them to make university-related long distance phone calls
- Employees with P-Cards and Travel Cards still need them for university-related purchases and travel expenditures

UH departments also submitted revised Baseline Standards and Cash Handling Procedures to General Accounting for review. Baseline Standards indicate who is responsible for creating, approving, and overseeing various administrative tasks to ensure that internal controls are adequate and there is a separation of duties. Cash Handling Procedures indicate the departmental procedures followed to receive, safeguard, and deposit currency and checks.

Purchasing
A presentation was made on Sept. 9th, 2011, to the Bauer College regarding purchasing policy requirements.

Public Safety

The University of Houston's Annual Security and Fire Safety Report includes:
- Statistical data for the previous three years concerning reported crimes that occurred on-campus; in certain non-campus buildings or property owned or controlled by the
University of Houston; and on public property within, or immediately adjacent to and accessible from, the campus.

-Statistical data for the previous three years concerning fires occurring in residential facilities, fire safety amenities in residential facilities and policies related to fire safety and residential facility evacuation.

- Institutional policies concerning campus security, and beneficial information for the campus community about safety and security on campus.

Environmental Health and Safety

Training
Recombinant DNA training (5 Times)
Infectious Substance Shipping (2 Times)
General Laboratory Safety (4 Times)
Hazard Communication (2 Times)
Biological Safety (4 Times)
Bloodborne Pathogens (12 Times)
N95 Respirator Fit-test (6 Times)
Air Purifying Respirator Fit test
Radioactive Material Safety (3 times)
X-ray Safety (3 times)
Laser Safety
Hydrofluoric Acid Training
Chemical Standard Operating Procedures
Online Annual X-ray Safety Refresher
Online Annual Laser Safety Refresher
Online Bloodborne Pathogens Refresher
Online Hazardous Waste
Online Radioactive Material Refresher
Online Environmental Compliance

New Programs/Activities
Coordinated permit application process for new boilers at Central Plant and secured new permit within this quarter
Coordinated stack testing at Recreation Center and sent results to TCEQ which closed an overdue item
Developed Equipment Decontamination Release Form

Regulatory Reports/Actions
Responded to TCEQ request for information concerning emissions event
Registered 3 previously unknown grease traps and 2 related lift stations per the City of Houston Requirements
Residential Life & Housing:
Compliance with Texas Education Code, Sections 51.9192 and 51.9193 – Bacterial Meningitis
• Emailed incoming fall 2011 residents a message informing them about the immunization requirement, instructions for completing and submitting the forms and gave them a deadline of July 15
• Mailed postcards to incoming residents reminding them of the immunization requirement for living on campus
• Called incoming residents who had not submitted their immunization requirement on a weekly basis during the month of July
• Included a statement on the online application site that the student had to acknowledge that they were informed of the state law regarding the immunization requirement for living on campus
• Reminder note was included in the student’s room assignment email and the letter in the move-in packet that was mailed to residents
• The immunization requirement was included in our housing brochure and also the housing website. The housing home page had an easy link to the immunization forms required by the UH health center
• Our marketing team informed students and parents attending the summer orientation conferences about the immunization requirement during “tablings” and their presentations

FERPA
• Photo release forms were signed and collected from UH students whose photographs we took during August move-in
• RAs underwent a training segment during August RA Training to review F.E.R.P.A. and privacy issues

Compliance with the Higher Education Act of 2008
• During August move-in residents were asked to voluntarily provide emergency contact information (toward aiding the Missing Student Protocol)

Division of Research
• Completed the semi-annual inspections for animal care facilities at UH.
• Completed the semi-annual program review of the animal care program at UH.
• Conducted training classes each month of the quarter pertaining to animal care.
  o Introduction to Laboratory Animal Science
  o Practical Research Methodology – Rodents
• Conducted one (1) classroom presentation pertaining to human subject research: An Introduction to Human Subject Research.
• Conducted Research Administrator Certification Program (RACP) class entitled, “The Academic Environment”.
• Each month of the quarter, we completed full committee meetings and subcommittee meetings for both Committees for the Protection of Human Subjects (CPHS).
• Prepared and submitted the reports required on our ARRA grants to the federal government.
• Began transition to an electronic system for CPHS applications.

University Information Technology

Sensitive Data Protection –
• Identity Finder Deployment – All campus departments are working on identification and remediation of sensitive data with a goal of 100% scanning of UH-owned computers by 12/31/2011.

• New MAPP 10.05.03 – Data Classification and Protection – On Sept. 6, 2011 Dr. Khator signed the new MAPP which provides specific direction regarding the appropriate classification of university data and the corresponding safeguards. UIT will be working to educate campus users on the provisions of this new policy. UIT will also be working with campus departments to document their data control plans in accordance with the new MAPP.

TAC Compliance –
• MAPP 10.03.06 – UIT has implemented a certification program for the Information Security Officers (ISOs) appointed by all UH Colleges and Divisions. To be considered a “certified ISO”, individuals must meet 3 criteria: 1) Be officially appointed by a UH college/division 2) Complete the UIT hosted ISO workshop which details the ISO roles and responsibilities and 3) Demonstrate formal knowledge of Information Security concepts through completion of one of the following: 3-day Info Security & Risk Management Foundations course, CISSP certification or Master’s Degree in an Information Security related field. To date, 11 UH ISOs have completed the certification requirements.

• Update of UH IT SAM/MAPPs – The campus review process is continuing for the updates to the Information Technology MAPPs. Two MAPPs have been approved: 10.05.02 and 10.05.03. Three MAPPs are still in review: 10.03.01, 10.03.04 and 10.05.01. UIT is working with Administration and Finance regarding updates to 10.03.05. UIT is working with OGC regarding updates to SAM 07.A.05.

• Employee Awareness Training – UIT worked with HR to update the Secure Our Systems Mandatory Training for FY12.

• Student Awareness Training/Acknowledgment – UIT worked with Enrollment Services to implement a requirement in myUH (PeopleSoft) for all students to acknowledge awareness of UH information security policies each semester. The Computer Security Awareness Training for Students (CSATS) was also updated and is available to all students.
• TAC Changes - UIT is participating in the Texas Department of Information Resources (DIR) review process regarding potential changes to TAC requirements in the areas of Accessibility and Data Encryption.

Red Flag Rule Notifications: Employees and students receive an automated email notification when they change their email address, physical address, W-4 withholding, or direct deposit information. Between July 1st and September 30, 2011, University of Houston IT Security received 23 inquiries about automated email messages related to email and physical address changes. 18 reports involved the UH campus. None of the inquiries were identified to be security incidents.

UHCL:
  ■ UHCL Compliance meeting was held on August 11, 2011 with business consisting of:
      • The minutes of the June 2, 2011 meeting were approved with correction of Kevin Barlow for Simone Tiu.
      • Based on goals for FY 2011 the committee decided on the following Risk Assessment assignments for FY 2011 as:
          o Laboratory audits – updates
             ❖ Facility deficiencies:
                 ➢ 40 eyewashes contracted for installation
                 ➢ 7 – 9 hood failed of 39 hoods, with 6 hoods with flow-meter issues reported to AVP for funding request.
                 ➢ 1 additional safety shower is needed
             ❖ Training, PPE, Labeling
                 ➢ Lab training and Hazard Communications greater effort on compliance needed in 37 of 37 labs – video under review for library
                 ➢ PPE - Working on easier access to purchasing lab coats and goggles in 28 of 28 labs – list of PPE for classes completed.
                 ➢ Labeling – Additional labeling and secondary containment for chemicals needed in 23 of 31 labs – new labels printed.
      o Property Handling - updates
          ❖ General Accounting website being updated for Policies and Procedures by November 2011.
          ❖ New Property Custodian training completed and on-going for new property custodians.
          ❖ Random physical inventory audits completed with 100% assets found.
  • Based on goals for FY 2012 the committee decided on the following Risk Assessment assignments for FY 2012 as:
      o ADA
          ❖ Staff and Students
          ❖ Transportation
          ❖ Facilities (Cashier gate and Lot B)
      o Study Abroad
      o Financial Aid

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AUDIT-E-52
Citibank P-card – one time report.

UHD:

- The quarterly UHD Compliance Committee Meeting was held on September 14, 2011. Items on the agenda included the following:
  - Reviewed actual performance versus FY11 goals reported to the BOR
  - Review of FY12 goals reported to BOR
  - Risk Assessment update
  - Subject Matter Experts presented reports on identified institutional risk areas
  - Presentation on Business Affairs Summer Reading Program
  - Open discussion

- Risk Assessment
  - 4 identified institutional level risks now reduced to 3
    - H1B Processing/Hiring International Students – Resolved and downgraded to High/Low with the UHS 8/1/11 hiring of Immigration Specialist
    - Of the remaining 3:
      - Laboratory/chemical issues – New procedures being developed.
      - IT data issue – On hold pending hiring of IT compliance personnel
      - Financial Aid issue – To be addressed this quarter due to heighten activities associated with government delays in determining available financial awards

- Promoting Compliance and Compliance & Ethics Website
  - Highlights of the Compliance and Ethics Website were presented during the Administrative Reference Manual training for the Department Business Administrators. (http://www.uhd.edu/facultyandstaff/administrativereferencemanual/)
  - Presentation included specific sections that provide helpful information both globally for the employee and specifically for the job position.

- George Anderson: Business Affairs Summer Reading Assignment
  - Visit the UHD Compliance & Ethics Web Page
  - Read the President's Letter
  - Watch the My Safe Campus presentation
  - Read through the Employee Compliance and Ethics Guide
  - Scan through the rest of the site
  - Report to me that you have completed
  - Send ideas of what we can do to promote a Culture of Ethical Behavior for BAG and UHD

All Business Affairs employees participated. Unrequested feedback was very positive.

- Administration and Finance Office hosted the “Social Media” webinar sponsored by SORM. The webinar discussed current trends in social media, reviewed key legal

Internal Audit 10/27/11

11/16/11
AUDIT–E-53
issues and employment related risks, discussed the use of social media in conducting employment related background checks, and identified best practices

- Information Technology Compliance Report for BOR – July through September 2011
- TAC 202 Security and Compliance Activities
  o UHD IT continued monitoring university systems and electronic assets for security risks and events throughout the reporting period. Monthly security reports were prepared and submitted, as required by TAC 202, to the Department of Information Resources and a fiscal quarter roll up was provided to the UHD Compliance Committee.
  o UHD IT worked with application owners to complete the annual IT Risk Assessment for Information Systems during the 4th fiscal quarter. The Risk Management Plan for FY10-11 was finalized and approved by the UHD President in July 2011.
  o The FY11 user access reviews were completed as required biannually for all information resources in August.
  o UHD IT underwent a biennial review of TAC 202 compliance by the UH System Internal Audit Office in August and hosted an onsite audit of security and safety compliance of both the One Main Building and Shea Street Building Data Centers in September.
  o UHD IT Compliance Office staff completed the annual review and update of the University’s Information Technology Detail (ITD) through the Legislative Budget Board’s ABEST system in August and per Section 205A.103 of the Texas Government Code, submitted an electronic copy of the approved 2012-2013 Biennial Operating Plan to the Office of the Governor (misreports @governor.state.tx.us), State Auditor’s Office (submitreports@sao.state.tx.us), and the Department of Information Resources (BOP_submission@dir.texas.gov).

- Audit Report 2009-20 Activities
- Action Item 3b, Work with university leadership to update UHD's Business Continuity Plan to include all business functions of the University.

STATUS

UHD’s University-wide business continuity plans were signed by UHD President, Dr. William Flores, on April 15, 2010, but a subsequent review by UH System Audit resulted in a request for UHD to prepare a Business Impact Analysis, Security Risk Assessment, and Recovery Strategy, as well as develop an implementation, testing, and maintenance program at the university level. The estimated completion date for these additional activities related to UHD’s Business Continuity Plan was August 31, 2011. During the 1st fiscal quarter, the Vice President for Administration communicated with and provided materials to the Executive Council for review and comment, and proposed the approach for conducting the update for FY11. The Executive Council’s review of materials provided at the end of the 1st fiscal quarter continued during the 2nd fiscal quarter with the kickoff for the BCP Update Project planned during the 3rd fiscal quarter. Significant progress was made in the development of the FY11
BCP during the 3rd fiscal quarter. During the 4th fiscal quarter, UHD IT worked with the Administration and Finance Division Director to finalize University-Wide Business Continuity Plan activities. The activities culminated with a Table Top exercise that provided a comprehensive review of the recovery priorities for all academic and business units of the university in the event of a disaster. Consolidation of the Business Impact Analysis spreadsheets for each of the UHD Divisions occurred in September and the documentation for formal closeout was gathered. This action item is now complete.

- Other

- UHD is required to send detailed information regarding policies, procedures and penalties regarding digital copyright laws to its students every semester. In July, for the Summer Sessions I, II and II of 2011 and again in September for Fall 2011, UHD IT sent an email to all students after the last day of late registration. This requirement stems from the Higher Education Opportunity Act (HEOA) of 2008, also referred to as H.R. 4137, which was signed into law on August 14, 2008. The HEOA primarily addresses obstacles that make it difficult for qualified students to obtain a college education, but it also includes specific statements requiring colleges and universities to comply with digital copyright laws.

UHV:

Notable activities for the quarter included:

- Quarterly campus Compliance Committee Meeting was held on August 31. Minutes posted online at http://www.uhv.edu/Compliance/meetings.aspx
- Committee appointment membership approved by new UHV President Dr. Philip Castille.
- Financial Aid reported the Veteran’s Affairs Audit was completed and the two minor findings have been resolved.
- Financial Aid reported the State Auditor’s Office completed review of the two prior year findings. Reported that UHV is now in compliance and determined that corrective action had been taken for prior year findings.
- Annual review of Master Risk Assessment Matrix completed by Business Services, Finance, Campus Safety, Facilities, Finance, Provost, Research Administration, University Advancement, Student Life & Services, and Special Events. Total of (59) departmental assessments reviewed and updated.
- Continued updating institutional polices and to view click on this link, http://www.uhv.edu/fin/policy/Policies_Procedures.aspx
- Athletics -reviewed and revised student athlete handbook and developed new UHV athletic NAIA eligibility guidelines. Beginning fall 2011 all student athletes, including freshmen, must have 2.0 GPA to be eligible to participate in athletics the following semester.
- Financial Aid updated the Consumer Information Notification and distributed a link to the information to the student list serve.
• SACS Reaffirmation of 2014, UHV introduced the new Office of Institutional Effectiveness (OIE) for the purpose to coordinate existing accreditation standards guiding the academic schools and to ensure that institutional mechanisms are in place for the collection of data necessary for the upcoming Southern Association of Colleges and Schools (SACS) visit.

This summary is taken from a more comprehensive campus report of compliance activities. To see the full report, go to: http://www.uhv.edu/Compliance/manual/reports.aspx (Scroll to UHV Campus Reports, click on Quarterly Report, Period Ending September 30, 2011).

Don F. Guyton
System-wide Compliance Officer
October 19, 2011
COMMITTEE: Audit & Compliance

ITEM: Report on Internal Audit Report – Briefing Booklet

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Internal Audit Briefing Booklet contains an Internal Audit Activity Outline and Internal Audit Reports issued since the August 17, 2011, Audit & Compliance Committee Meeting of the Board of Regents. This booklet includes Activity Outline/Audit Plan Status and the Executive Summaries, Summary of Recommendations by Area, and Management Action Plans of the following Internal Audit Reports with risk levels ranked High/Medium/Low:

- AR2012-01 Follow-up Status Report
  - Identifies one high risk item that is partially implemented related to the business functions in the UH Student Affairs Division
- AR2012-02 Construction Award Status Report
- AR2012-03 UH College of Engineering, Endowments
- AR2012-04 UH College of Hotel & Restaurant Management, Departmental Review
- AR2012-05 UHS Board of Regents’ Travel, FY 2011
- AR2012-06 UHS/UH Chancellor/President’s Travel, FY 2011
- AR2012-07 UH Graduate College of Social Work, Departmental Review
- AR2012-08 Annual Non-Compliance Report, FY 2011

The Internal Audit Reports included in this booklet will be filed with the Governor’s Office of Budget and Planning, the Legislative Budget Board, the State Auditor, and the Sunset Advisory Committee within the next 30 days, as required by the Texas Government Code, Section 2102.0091.

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

FISCAL NOTE:

RECOMMENDATION/ ACTION REQUESTED:

COMPONENT: University of Houston System

CHIEF AUDIT EXECUTIVE

DATED 10/27/11

CHANCELLOR

DATED 11/1/11

11/16/11
AUDIT-F-57
MEMORANDUM

TO: Board of Regents

FROM: Don F. Guyton
Chief Audit Executive

DATE: October 27, 2011

SUBJ: Internal Audit Activity - Briefing Booklet for November 16, 2011, Audit & Compliance Committee Meeting

Attached for your information is a briefing booklet describing the activities of the Internal Auditing Department since the August 17, 2011, meeting of the Audit & Compliance Committee of the Board of Regents. This booklet includes Activity Outline/Audit Plan Status and the Executive Summaries, Summary of Recommendations by Area, and Management Action Plans of the following Internal Audit Reports with risk levels ranked High/Medium/Low:

- AR2012-01 Follow-up Status Report
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- AR2012-07 UH Graduate College of Social Work, Departmental Review
- AR2012-08 Annual Non-Compliance Report, FY 2011

The Internal Audit Reports included in this booklet will be filed with the Governor’s Office of Budget and Planning, the Legislative Budget Board, the State Auditor, and the Sunset Advisory Committee within the next 30 days, as required by the Texas Government Code, Section 2102.0091. I shall be pleased to discuss the contents of the booklet with you at the upcoming Board of Regents meetings.

Please let me know if you have any questions.

Attachment

University of Houston ~ UH-Clear Lake ~ UH-Downtown ~ UH-Victoria
INTERNAL AUDIT BRIEFING MATERIALS

November 16, 2011
University of Houston System
Internal Auditing Department

Board of Regents
Audit & Compliance Committee Meeting

Internal Audit Briefing Materials

November 16, 2011

INDEX

1. Internal Audit Activity Outline / Audit Plan Status
2. Internal Audit Report Executive Summaries
3. Summary of Recommendations by Area
4. Management Action Plans
5. Internal Audit Reports
1. Audit Reports Issued since August 17, 2011, Board of Regents Meeting
   AR2012-01  Follow-up Status Report
   AR2012-02  Construction Award Status Report
   AR2012-03  UH College of Engineering, Endowments
   AR2012-04  UH College of Hotel & Restaurant Management, Departmental Review
   AR2012-05  UHS Board of Regents’ Travel, FY 2011
   AR2012-06  UHS/UH Chancellor/President’s Travel, FY 2011
   AR2012-07  UH Graduate College of Social Work, Departmental Review
   AR2012-08  Annual Non-Compliance Report, FY 2011

2. Reports in Progress
   TAC 202, Information Security Standards – UHD (*February 2012*)

3. Fieldwork in Progress (*scheduled distribution date to Board of Regents*)
   UH Texas Learning Computation Center (*February 2012*)
   UH Texas Institute for Measurement, Evaluation and Statistics (*February 2012*)
   UH Athletics, Rules Compliance (*February 2012*)
   TAC 202, Information Security Standards (UHCL, UHV) (*February 2012*)
   UH Financial Reporting
   UH Football Attendance (*February 2012*)
   UH College of HRM, Operational Review (*February 2012*)
   UH Departmental Review (Academic Affairs and Provost Division) (*February 2012*)
   UH Endowments (Non-College Specific, Provost, System Administration) (*February 2012*)

4. Planning in Progress
   Student Accounting & Receivables (UH, UHCL, UHD, UHV)
   UH Center for Advanced Materials

5. Special Projects in Progress:
   Assistance to External Auditors – State Auditor’s Office Annual Statewide Audit
   Assistance to External Auditors – State Auditor’s Office SACS Review, UHCL
   Assistance to Management – Various Special Projects
   State Comptroller Post-Payment Audits - UHS
   FEMA Audit - Allison
# AUDIT PLAN STATUS, FY 2012
## AS OF OCTOBER 21, 2011

### ANNUAL AUDIT ACTIVITY

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### DEPARTMENTAL REVIEWS

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### CARRY FORWARD AUDITS

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<td>TAC 202 (UHCL and UHV)</td>
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<td>UH College of HRM, Operational Review</td>
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### ALL COMPONENTS

- Auxiliary Contract Administration
- Formula Funding
- Endowments
  - UH College of Architecture
  - UH College of Business
  - UH Graduate College of Social Work
  - UH College of Hotel & Restaurant Management
  - UH College of Law
  - UH Texas Center for Superconductivity
- Financial Aid (UHCL, UHD, and UHV)
- General Accounting

### RESEARCH CENTERS

- UH Center for Materials Chemistry
- UH/UHCL Institute for Space System Operations
- UH Texas Center for Superconductivity

### INFORMATION TECHNOLOGY

- IT - Review and Monitor of IT Systems
- PeopleSoft Student & Academic Administration - Post-Implementation Review
- Services, Training, Computer Store
- UH Information Security
- UH Web Support Services
- TAC 202 (UH)

### QUALITY ASSURANCE REVIEWS

- Internal Auditing Internal Quality Assurance Review
- Internal Auditing External Quality Assurance Review

**Notes:**
1. Planning in progress.
2. Fieldwork in progress.
3. Reporting in progress.
UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

INTERNAL AUDIT REPORTS

EXECUTIVE SUMMARIES

REPORT NOS. AR2012-01 through AR2012-08
Internal Audit Report – Follow-up Status Report
The Standards for the Professional Practice of Internal Auditing require internal auditors to perform follow-up procedures to ascertain that appropriate action is taken on reported audit findings. We performed such procedures for all items included in management action plans which were scheduled to be implemented July 1, 2011, to September 30, 2011, in all audit reports with open recommendations. This status report addresses 33 management actions in 19 individual reports. In ascertaining whether appropriate action was taken, we interviewed personnel, reviewed documentation and performed other audit procedures as necessary. We determined that 20 of these management actions have been completed, 11 partially implemented and 2 not implemented.

Internal Audit Report – Construction Award Status Report
The internal audit review of construction procurement of major construction projects covers the time period from July 1, 2011 to September 30, 2011. We perform the following procedures for each major construction project:

- We review the RFQ / RFP posted on the State Comptroller’s Electronic State Business Daily, noting evaluation criteria and submission deadlines and other requirements.
- We review the Purchasing Department’s compilation of the selection team members’ rankings of RFQ / RFP for clerical accuracy and agreement of evaluation criteria to RFQ / RFP.
- We review the Purchasing Department’s recommendation of RFQ / RFP to the EVP for reasonableness.
- We review the EVP’s evaluation of the Purchasing Department’s recommendation of RFQ / RFP for reasonableness.

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

Internal Audit Report – UH College of Engineering, Endowments
We performed a review of the endowments managed by the UH College of Engineering. The primary objective of our review was to determine whether the College is managing endowment funds effectively and efficiently and is complying with the terms of the endowment agreements. In our opinion, the College is managing endowment funds effectively and efficiently and is complying with the terms of the endowment agreements. Although we noted no matters we considered to be significant engagement observations, we noted instances of non-compliance with certain university policies and procedures. Management is in the process of addressing these observations.
**Internal Audit Report – UH College of Hotel & Restaurant Management, Departmental Review**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in the College of Hotel & Restaurant Management. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the College was not in compliance with certain policies. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

**Internal Audit Report – UHS Board of Regents’ Travel, FY 2011**

As part of our annual audit plan, we reviewed the travel and entertainment expenditures of the members of the Board of Regents (BOR) for fiscal year 2011. It should be noted that in some cases, travel and entertainment expenditures for regents may be funded by accounts other than the BOR office account. The scope of this review only includes the expenditures funded by the BOR office account. The objective of our review was to determine whether expenditures for travel and entertainment were appropriately documented and allowable under university policies. In our opinion, the travel and entertainment expenditures for the year ended August 31, 2011, were appropriately documented and were allowable under university policies.

**Internal Audit Report – UHS/UH Chancellor/President’s Travel, FY 2011**

As part of our annual audit plan, we reviewed all travel and entertainment expenditures of the Chancellor/President and spouse for fiscal year 2011 funded by accounts of the Chancellor/President’s Office. It should be noted that in some cases, travel and entertainment expenditures for the Chancellor/President may be funded by accounts other than the Chancellor/President office accounts and by outside organizations. The objective of our review was to determine whether expenditures for travel and entertainment were appropriately documented and allowable under university policies. In our opinion, the travel and entertainment expenditures of the Chancellor/President and spouse for the year ended August 31, 2011, were appropriately documented and were allowable under university policies.

**Internal Audit Report – UH Graduate College of Social Work, Departmental Review**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in the Graduate College of Social Work. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the College was not in compliance with certain policies. Management agreed to implement action plans for certain areas of non-compliance and informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.
Internal Audit Report – Annual Non-Compliance Report, FY 2011

The purpose of this report is to compile a listing of all instances of non-compliance noted in the departmental reviews during the previous year in order that management can assess its risks associated with repetitive instances and take action, if necessary. During FY 2011, the Internal Audit Department issued 10 audit reports that contained the results of 63 departmental reviews. During previous fiscal years, management action plans were developed for all instances of non-compliance. For FY 2011, the departmental review process resulted in management action plans for 12 of the 178 noted instances of non-compliance. This change in methodology has resulted in a more effective and efficient use of Internal Audit’s resources, by eliminating the need to track and follow-up on 166 management action plans that would have otherwise been created. It also streamlined the reporting and follow-up process thereby saving time of both Internal Audit staff and management. We noted that the most frequent instances of non-compliance by audited units occurred in the areas of payroll/human resources, procurement cards, and cash handling. We received assurances from management that they would consider the instances of non-compliance in the modification or development of their training programs.
<table>
<thead>
<tr>
<th>REPORT NAME</th>
<th>Rpt. No.</th>
<th>Modify Policies and Procedures</th>
<th>Noncompliance with Guidelines</th>
<th>Efficiency of Resources</th>
<th>Contracts / Agreements</th>
<th>EDP / System Issues</th>
<th>Basic Internal Controls</th>
<th>Human Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Follow-up Status Report</td>
<td>AR2012-01</td>
<td></td>
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<tr>
<td>Construction Award Status Report</td>
<td>AR2012-02</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>UH College of Engineering, Endowments</td>
<td>AR2012-03</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>UH College of Hotel &amp; Restaurant Management, Departmental Review</td>
<td>AR2012-04</td>
<td>X</td>
<td>X</td>
<td></td>
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<td>X</td>
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<tr>
<td>Board of Regents' Travel, FY 2011</td>
<td>AR2012-05</td>
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<tr>
<td>Chancellor/President's Travel, FY 2011</td>
<td>AR2012-06</td>
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<tr>
<td>UH Graduate School of Social Work, Departmental Review</td>
<td>AR2012-07</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Annual Non-Compliance Report, FY 2011</td>
<td>AR2012-08</td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
INTERNAL AUDIT REPORTS

ACTION PLANS
(Who is responsible for performing certain action by a specific date)

REPORT NOS. AR2012-01 through AR2012-08
(If Applicable)

Note: The Internal Auditing Department will perform follow-up procedures to determine whether management’s actions addressing the recommendations have been implemented by the dates indicated in the management action plan. Follow-up status reports are included in the Internal Auditing Briefing Booklets for regularly scheduled Board of Regents Audit & Compliance Committee meetings.
### Action Plan

**UH Graduate College of Social Work - AR2012-07**

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

<table>
<thead>
<tr>
<th>Date</th>
<th>Responsibility for Action</th>
<th>Action To Be Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2012</td>
<td>Marsha Christ, College Business Administrator, Graduate College of Social Work</td>
<td>Restore deficit fund equity balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.</td>
</tr>
</tbody>
</table>
UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

INTERNAL AUDIT REPORTS

AR2012-01 Follow-up Status Report
AR2012-02 Construction Award Status Report
AR2012-03 UH College of Engineering, Endowments
AR2012-04 UH College Hotel & Restaurant Management, Departmental Review
AR2012-05 UHS Board of Regents’ Travel, FY 2011
AR2012-06 UHS/UH Chancellor/President’s Travel, FY 2011
AR2012-07 UH Graduate College of Social Work, Departmental Review
AR2012-08 Annual Non-Compliance Report, FY 2011

Note: These internal audit reports are submitted to the Board of Regents and the Chancellor for their review in order to comply with the Board of Regents policy and the Texas Government Code, Section 2102.008. These internal audit reports are also submitted to the Governor’s Office of Budget and Planning, the Legislative Budget Board, the State Auditor, and the Sunset Advisory Committee in order to comply with the Texas Government Code, Section 2102.0091.
UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

FOLLOW-UP STATUS REPORT

Actions Scheduled from July 1, 2011 to September 30, 2011

REPORT NO. AR2012-01
UNIVERSITY OF HOUSTON SYSTEM
FOLLOW-UP STATUS REPORT
(Actions Scheduled from July 1, 2011, to September 30, 2011)

Board of Regents Audit Committee Meeting
November 16, 2011

Table of Contents

1. Report
2. Listing of Audit Reports Containing Management Action Plans
3. Follow-up Status Matrix
Follow-up Status Report  
(Actions scheduled from July 1, 2011, to September 30, 2011)

The Standards for the Professional Practice of Internal Auditing require internal auditors to perform follow-up procedures to ascertain that appropriate action is taken on reported audit findings. We performed such procedures for all items included in management action plans which were scheduled to be implemented July 1, 2011, to September 30, 2011, in all audit reports with open recommendations. This status report addresses 33 management actions in 19 individual reports. In ascertaining whether appropriate action was taken, we interviewed personnel, reviewed documentation and performed other audit procedures as necessary. We determined that 20 of these management actions have been completed, 11 partially implemented and 2 not implemented.

The main portion of this report is a follow-up status matrix which lists the report number, report title, action number, total actions in each report, estimated completion date, name/title/entity responsible for action, action to be taken and status. The status of the action items included in the matrix has been categorized as either Action Complete, Partially Implemented or Not Implemented. In cases where the action item has been partially implemented or not implemented, an updated management’s response with an estimated completion deadline is included in the status column, where appropriate.

The "Listing of Audit Reports Containing Management Action Plans" indicates all reports where management has addressed all actions in the action plan during the current fiscal year and all reports which are addressed in this status report. All of the management action plans for internal audit reports contain a footnote indicating that documentation of implementation of actions will be furnished to the Internal Auditing Department on the same date as the estimated completion date of the action being implemented.

Don F. Guyton  
Chief Audit Executive  
October 19, 2011
UNIVERSITY OF HOUSTON SYSTEM
AUDIT REPORTS CONTAINING MANAGEMENT ACTION PLANS
FOLLOW-UP STATUS
FY 2012

<table>
<thead>
<tr>
<th>Report Number</th>
<th>Date</th>
<th>Report Title</th>
<th>Rept. No.</th>
<th>Final Addressed</th>
<th>Disposition in this Report</th>
<th>Actions Complete</th>
<th>Some Actions Addressed</th>
</tr>
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<tbody>
<tr>
<td>AR1999-08</td>
<td>02/18/99</td>
<td>UH, Physical Plant Department, 3rd FU</td>
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<tr>
<td>AR2009-02</td>
<td>12/09/08</td>
<td>UH College of Technology - Departmental Reviews</td>
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<td></td>
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</tr>
<tr>
<td>AR2009-12</td>
<td>02/10/09</td>
<td>UH NSM - Departmental Reviews</td>
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<tr>
<td>AR2009-18</td>
<td>04/14/09</td>
<td>UH Division of Administration &amp; Finance - Dept. Reviews</td>
<td>AR2012-01</td>
<td>X</td>
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<tr>
<td>AR2009-20</td>
<td>04/14/09</td>
<td>UHD Information Securities Standards</td>
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<tr>
<td>AR2009-22</td>
<td>08/11/09</td>
<td>UHS Facilities Development Project</td>
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<td>AR2010-02</td>
<td>11/05/09</td>
<td>UHCL TAC 202</td>
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<td>AR2010-03</td>
<td>11/05/09</td>
<td>UH TAC 202</td>
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<td>AR2010-07</td>
<td>11/05/09</td>
<td>UH, CLASS - Departmental Reviews</td>
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<tr>
<td>AR2010-17</td>
<td>05/12/10</td>
<td>UH Law Center, Departmental Reviews</td>
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<tr>
<td>AR2010-26</td>
<td>08/11/10</td>
<td>UH Athletics, NCAA Rules-Compliance</td>
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<tr>
<td>AR2011-05</td>
<td>02/16/11</td>
<td>UH, Division of Student Affairs Departmental Reviews</td>
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<td></td>
<td></td>
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<tr>
<td>AR2011-11</td>
<td>02/16/11</td>
<td>UH College of Optometry Departmental Review</td>
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<tr>
<td>AR2011-16</td>
<td>02/16/11</td>
<td>UHD Office of Academic Affairs &amp; Provost Departmental Reviews</td>
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<tr>
<td>AR2011-17</td>
<td>02/16/11</td>
<td>UHV, Financial Aid Pell Grants</td>
<td>AR2012-01</td>
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<td>AR2011-18</td>
<td>02/16/11</td>
<td>UHCL, Financial Aid Pell Grants</td>
<td>AR2012-01</td>
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<tr>
<td>AR2011-19</td>
<td>02/16/11</td>
<td>UHD, Financial Aid Pell Grants</td>
<td>AR2012-01</td>
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</tr>
<tr>
<td>AR2011-22</td>
<td>05/18/11</td>
<td>UHCL, Office of Academic Affairs &amp; Provost Dept. Reviews</td>
<td>AR2012-01</td>
<td>X</td>
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<td>AR2011-23</td>
<td>05/18/11</td>
<td>Executive and Foreign Travel, All Components</td>
<td>AR2012-01</td>
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<td>AR2011-24</td>
<td>05/18/11</td>
<td>UH Research Administration</td>
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<td>AR2011-25</td>
<td>05/18/11</td>
<td>Athletics Department, Endowments</td>
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<td>AR2011-26</td>
<td>05/18/11</td>
<td>College of Education, Endowments</td>
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<tr>
<td>AR2011-29</td>
<td>08/17/11</td>
<td>UH Library, Endowments</td>
<td>AR2012-01</td>
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<tr>
<td>AR2011-34</td>
<td>08/17/11</td>
<td>UH College of Natural Sciences &amp; Mathematics, Endowments</td>
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</table>

EXTERNAL AUDIT REPORTS WITH OPEN RECOMMENDATIONS:

<table>
<thead>
<tr>
<th>Report Number</th>
<th>Date</th>
<th>Report Title</th>
<th>Rept. No.</th>
<th>Final Addressed</th>
<th>Disposition in this Report</th>
<th>Actions Complete</th>
<th>Some Actions Addressed</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAO Report #05-010</td>
<td>11/02/04</td>
<td>UH - The Protection of Confidential Information and Critical Systems</td>
<td>AR2012-01</td>
<td>X</td>
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<tr>
<td>CCM #0901</td>
<td>01/31/09</td>
<td>Calhoun Lofts Residence Hall Interim Construction Audit</td>
<td>AR2012-01</td>
<td>X</td>
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</table>
### University of Houston System
#### Internal Auditing Department

**Follow-up Status Report**  
**as of September 30, 2011**

<table>
<thead>
<tr>
<th>Internal Audit Report Number</th>
<th>Report Title</th>
<th>Action No.</th>
<th>Total Actions</th>
<th>Est. Compl. Date</th>
<th>Name / Title</th>
<th>Entity</th>
<th>Action To Be Taken</th>
<th>Status</th>
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</thead>
<tbody>
<tr>
<td>AR2009-12</td>
<td>Departmental Reviews</td>
<td>22h</td>
<td>48</td>
<td>8/1/2011</td>
<td>Jennifer Chin-Davis, Department Business Administrator, Physics Department</td>
<td>UH</td>
<td>Work with the Office of Contracts and Grants to close expired project cost centers and with the Budget Office to close expired HEAF cost centers.</td>
<td>Partially Implemented - Updated Management's Response: The department is working with the Office of Contracts and Grants and the Budget Office to close expired project and HEAF cost centers. Estimated completion date: November 30, 2011.</td>
</tr>
<tr>
<td>AR2009-18</td>
<td>Departmental Reviews</td>
<td>3d</td>
<td>21</td>
<td>8/31/2011</td>
<td>Pat Sayles, Dir. Business Services Admin. &amp; Finance</td>
<td>UH</td>
<td>Restore deficit fund balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.</td>
<td>Action Complete</td>
</tr>
<tr>
<td>AR2009-18</td>
<td>Departmental Reviews</td>
<td>15b</td>
<td>21</td>
<td>8/31/2011</td>
<td>Lisa Castro, Department Business Administrator, Plant Operations, Ted Hair, Director, Business Services, Plant Operations</td>
<td>UH</td>
<td>Restore deficit budgetary balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.</td>
<td>Action Complete</td>
</tr>
<tr>
<td>AR2009-20</td>
<td>Information Security Standards</td>
<td>3b</td>
<td>7</td>
<td>8/31/2011</td>
<td>Hossein Shahrokhi, Associate VP, Information Technology</td>
<td>UHD</td>
<td>Work with university leadership to update UHD's Business Continuity Plan to include all business functions of the University.</td>
<td>Partially Implemented - Updated Management's Response: The University worked with the departments to include in the Business Continuity Plan a Business Impact Analysis, Security Risk Assessment, and Recovery Strategy. A table-top exercise was conducted to test the plan. The university also has developed a maintenance program to continue to review and update the plan. One division is in the process of updating their plan to accommodate the transition of the new Vice President of Student Success and Enrollment Management. Additionally, cost estimates for the Security Risk Assessment are being evaluated. Estimated completion date: January 30, 2012.</td>
</tr>
<tr>
<td>AR2009-22</td>
<td>UHS Facilities Development Project</td>
<td>2d</td>
<td>24</td>
<td>8/31/2011</td>
<td>Spencer Moore, Executive Director, FP&amp;C</td>
<td>UHS</td>
<td>Develop and implement department policies and procedures for all aspects of construction project management (major projects) to help ensure adequate management oversight and compliance with THECB rules.</td>
<td>Action Complete</td>
</tr>
</tbody>
</table>
# Follow-up Status Report

**as of September 30, 2011**

<table>
<thead>
<tr>
<th>Internal Audit Report Number</th>
<th>Report Title</th>
<th>Action No.</th>
<th>Total Actions</th>
<th>Ext. Comple. Date</th>
<th>Responsibility For Action</th>
<th>Action To Be Taken</th>
<th>Status</th>
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</thead>
<tbody>
<tr>
<td>AR2009-22 (PRT)</td>
<td>UHS Facilities Development Project</td>
<td>17c</td>
<td>24</td>
<td>8/31/2011</td>
<td>Lillian Wanjagi, Director, Facilities Information</td>
<td>Perform institutional audit of room number signage and incorporate a completion schedule for room signage in the space inventory control system documentation.</td>
<td>Partially Implemented - Updated Management’s response: This is an ongoing project that has been going on in different phases for the last two years. As of October 3, 2011, 74 buildings have been completed. UH has a total of 147 buildings so it is expected that the project will be fully completed in Fall 2013. Estimated completion date: September 30, 2013.</td>
</tr>
<tr>
<td>AR2009-22 (PRT)</td>
<td>UHS Facilities Development Project</td>
<td>18c</td>
<td>24</td>
<td>8/31/2011</td>
<td>Lillian Wanjagi, Director, Facilities Information</td>
<td>Perform walkthroughs to verify room use codes accurately reflect actual use and update changes as necessary.</td>
<td>Partially Implemented - Updated Management’s response: This is an ongoing project that has been going on in different phases for the last two years. As of October 3, 2011, 74 buildings have been completed. UH has a total of 147 buildings so it is expected that the project will be fully completed in Fall 2013. The university also purchased a space management information system to facilitate the management of the updates of the room use information using an electronic space survey. FAMIS is expected to go live in October 2011. Estimated completion date: September 30, 2013.</td>
</tr>
<tr>
<td>AR2009-22 (PRT)</td>
<td>UHS Facilities Development Project</td>
<td>19c</td>
<td>24</td>
<td>8/31/2011</td>
<td>Lillian Wanjagi, Director, Facilities Information</td>
<td>Perform walkthroughs to verify room type codes accurately reflect actual use and update changes as necessary.</td>
<td>Partially Implemented - Updated Management’s response: This is an ongoing project that has been going on in different phases for the last two years. As of October 3, 2011, 74 buildings have been completed. UH has a total of 147 buildings so it is expected that the project will be fully completed in Fall 2013. Estimated completion date: September 30, 2013.</td>
</tr>
<tr>
<td>AR2010-03</td>
<td>Information Security Standards</td>
<td>3b</td>
<td>11</td>
<td>8/31/2011</td>
<td>Mary Dickerson, Executive Director, IT Security</td>
<td>Review and update the Information Security Manual, SAMs, and MAPPs, as appropriate, to help ensure that the policies are aligned with current information security practices and are in compliance with TAC 202.</td>
<td>Partially Implemented - Updated Management’s Response: Review of all IT SAMs and MAPPs and the Information Security Manual has been completed. Proposed revisions have been submitted to the campus review process and are being reviewed. Revisions to the Information Security Manual are being made as the SAMs and MAPPs are approved to reflect appropriate updates. Estimated completion date: January 31, 2012.</td>
</tr>
<tr>
<td>AR2011-05</td>
<td>UH, Division of Student Affairs Departmental Reviews</td>
<td>1</td>
<td>1</td>
<td>8/31/2011</td>
<td>Pat Sayles, Dir. Business Services Admin. &amp; Finance</td>
<td>Implement a monitoring mechanism to help ensure all business functions are adequately performed, in accordance with university procedures.</td>
<td>Partially Implemented - Updated Management’s Response: We have made substantial progress in reorganizing business operations in all units of Student Affairs and we expect to have all processes and mechanisms in place to enable effective monitoring. Estimated completion date: August 31, 2012.</td>
</tr>
</tbody>
</table>
## University of Houston System
### Internal Auditing Department

#### Follow-up Status Report
as of September 30, 2011

<table>
<thead>
<tr>
<th>Internal Audit Report Number</th>
<th>Report Title</th>
<th>Action No.</th>
<th>Total Actions</th>
<th>Ext. Compl. Date</th>
<th>Responsibility For Action</th>
<th>Action To Be Taken</th>
<th>Status</th>
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<tr>
<td>AR2011-11</td>
<td>College of Optometry, Departmental Review</td>
<td>3</td>
<td>3</td>
<td>9/30/2011</td>
<td>Mary Juarez, College Business Administrator</td>
<td>UH</td>
<td>Reduce scholarship cost center equity balances (award scholarships) to help ensure that the year-end balances do not exceed total award commitments plus a reserve of 25% of the funds received in the previous fiscal year, in accordance with university policies.</td>
</tr>
<tr>
<td>AR2011-17</td>
<td>Financial Aid, Pell Grants</td>
<td>1</td>
<td>1</td>
<td>8/31/2011</td>
<td>Carolyn Mallory, Financial Aid Director, Office of Financial Aid</td>
<td>UHV</td>
<td>Work with the other campus Financial Aid Directors and with Enrollment Management Production Support to develop a process to identify, log, and review changes to critical data.</td>
</tr>
<tr>
<td>AR2011-18</td>
<td>Financial Aid, Pell Grants</td>
<td>1</td>
<td>1</td>
<td>8/31/2011</td>
<td>Billy Satterfield, Student Financial Aid Executive Director, Financial Aid Department</td>
<td>UHCL</td>
<td>Work with the other campus Financial Aid Directors and with Enrollment Management Production Support to develop a process to identify, log, and review changes to critical data.</td>
</tr>
<tr>
<td>AR2011-19</td>
<td>Financial Aid, Pell Grants</td>
<td>2</td>
<td>4</td>
<td>8/31/2011</td>
<td>LaTasha Goudeau, Director of Financial Aid, Financial Aid Department</td>
<td>UHD</td>
<td>Work with the other campus Financial Aid Directors and SunGard consultants to develop a process to identify, log, and review changes to critical data.</td>
</tr>
<tr>
<td>AR2011-22</td>
<td>Office of Academic Affairs and Provost Departmental Reviews</td>
<td>1</td>
<td>1</td>
<td>8/31/11</td>
<td>John Cordary, Associate Vice President for Finance</td>
<td>UHCL</td>
<td>Implement procedures to review updates/changes to Banner Financial Aid software to help ensure it is working as intended.</td>
</tr>
<tr>
<td>AR2011-23</td>
<td>Executive and Foreign Travel, All Components</td>
<td>1</td>
<td>1</td>
<td>8/31/2011</td>
<td>John Cordary, Associate Vice President for Finance</td>
<td>UHCL</td>
<td>Modify travel guidelines to address all aspects of the System Business Travel Policy, including the approval of the President's travel expenditures by the Chancellor or designee.</td>
</tr>
<tr>
<td>Internal Audit Report Number</td>
<td>Report Title</td>
<td>Action Number</td>
<td>Total Actions</td>
<td>Risk Level:</td>
<td>Action To Be Taken</td>
<td>Name / Title</td>
<td>Entity</td>
</tr>
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</tr>
<tr>
<td>AR2011-24</td>
<td>UH Research Administration</td>
<td>1</td>
<td>6</td>
<td>8/31/2011</td>
<td>UH</td>
<td>Elizabeth Anderson Fletcher, Assoc. VC/VP for Research &amp; Technology Transfer, Division of Research</td>
<td>Develop procedures to monitor grant cost centers to help ensure that deficit budgets are addressed in a timely manner.</td>
</tr>
<tr>
<td>AR2011-24</td>
<td>UH Research Administration</td>
<td>2</td>
<td>6</td>
<td>8/31/2011</td>
<td>UH</td>
<td>Elizabeth Anderson Fletcher, Assoc. VC/VP for Research &amp; Technology Transfer, Division of Research</td>
<td>Develop procedures to help ensure that expired grant cost centers are closed in a timely manner.</td>
</tr>
<tr>
<td>AR2011-24</td>
<td>UH Research Administration</td>
<td>3</td>
<td>6</td>
<td>8/31/2011</td>
<td>UH</td>
<td>Mike Glisson, Controller, Administration &amp; Finance</td>
<td>Implement comprehensive accounts receivable billing, accounting, collecting, and monitoring procedures to help ensure the accuracy of accounts receivable relating to non-federal sponsors and to facilitate the collection of money owed to the university.</td>
</tr>
<tr>
<td>AR2011-24</td>
<td>UH Research Administration</td>
<td>5</td>
<td>6</td>
<td>8/31/2011</td>
<td>UH</td>
<td>Mike Glisson, Controller, Administration &amp; Finance</td>
<td>Amend SAM 03.A.03, Business Travel, to address the export control requirements.</td>
</tr>
<tr>
<td>AR2011-25</td>
<td>Athletics Department, Endowments</td>
<td>1</td>
<td>3</td>
<td>8/31/2011</td>
<td>UH</td>
<td>Beth Schaefer, Stewardship Reporting Manager</td>
<td>Work with the Athletics Department to finalize the endowment agreements or create a Memorandum of Understanding, as appropriate.</td>
</tr>
<tr>
<td>AR2011-25</td>
<td>Athletics Department, Endowments</td>
<td>2</td>
<td>3</td>
<td>7/1/2011</td>
<td>UH</td>
<td>Jeramiah Dickey, Associate Athletics Director for Development T.J. Meagher, Associate Athletics Director for Internal Operations/Chief Financial Officer Athletics Department</td>
<td>Notify on an annual basis, endowment restrictions to all Athletic personnel responsible for endowments to help ensure compliance with terms.</td>
</tr>
<tr>
<td>Report Title</td>
<td>Action Number</td>
<td>Total Actions</td>
<td>Estimated Compl. Date</td>
<td>Name / Title</td>
<td>Entity</td>
<td>Action To Be Taken</td>
<td>Status</td>
</tr>
<tr>
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<td>--------</td>
</tr>
<tr>
<td>AR2011-25 Athletics Department, Endowments</td>
<td>3</td>
<td>3</td>
<td>7/1/2011</td>
<td>Jeramiah Dickey</td>
<td>UH</td>
<td>Work with University Advancement to modify the terms of the endowment that has changed.</td>
<td>Partially Implemented</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Associate Athletics Director for Development</td>
<td></td>
<td></td>
<td>Updated Management’s Response: This item has not been completed yet. We have worked with Advancement and we are in the process of getting the updated endowment signed by the donor. We should have the signed document as soon as possible. Estimated completion date: November 30, 2011.</td>
</tr>
<tr>
<td>AR2011-26 College of Education, Endowments</td>
<td>3</td>
<td>3</td>
<td>8/31/2011</td>
<td>Beth Schaefer</td>
<td>UH</td>
<td>Work with the College to finalize endowment agreements. (College of Education)</td>
<td>Action Complete</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Stewardship Reporting Manager University Advancement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AR2011-29 UH Library, Endowments</td>
<td>1</td>
<td>3</td>
<td>8/1/2011</td>
<td>Elizabeth Mullane</td>
<td>UH</td>
<td>Notify, on an annual basis, endowment restrictions to all personnel responsible for the endowments. The Library should enhance the memo that clearly states all restrictions for each endowment and include the Business Office in addition to other appropriate personnel for the endowments.</td>
<td>Action Complete</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Development Director UH Library</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AR2011-29 UH Library, Endowments</td>
<td>2</td>
<td>3</td>
<td>8/31/2011</td>
<td>Elizabeth Mullane</td>
<td>UH</td>
<td>Determine whether the terms of the endowments are too restrictive and, if appropriate, work with the Donors and University Advancement to revise the endowment agreements.</td>
<td>Action Complete</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Development Director UH Library</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>AR2011-29 UH Library, Endowments</td>
<td>3</td>
<td>3</td>
<td>8/31/2011</td>
<td>Mark Cooper</td>
<td>UH</td>
<td>Review expenditures made on this endowment during FY 2009, 2010, and 2011 and reimburse the endowment cost center for the expenditures that were not in compliance with the endowment agreement.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>College Business Administrator UH Library</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AR2011-34 UH College of Natural Sciences and Mathematics, Endowments</td>
<td>1</td>
<td>3</td>
<td>8/31/2011</td>
<td>Fred McGhee</td>
<td>UH</td>
<td>Annually communicate endowment restrictions to the appropriate parties within the College.</td>
<td>Action Complete</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Executive Director of College Business Operations UH College of Natural Sciences and Mathematics</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal Audit Report Number</td>
<td>Report Title</td>
<td>Action No.</td>
<td>Total Actions</td>
<td>Ext. Compl. Date</td>
<td>Responsibility For Action</td>
<td>Action To Be Taken</td>
<td>Status</td>
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<tr>
<td>AR2011-34</td>
<td>UH College of Natural Sciences and Mathematics, Endowments</td>
<td>2</td>
<td>3</td>
<td>8/31/2011</td>
<td>Fred McGhee Executive Director of College Business Operations UH College of Natural Sciences and Mathematics</td>
<td>UH Work with University Advancement to provide accurate and complete information to the donor.</td>
<td>Not Implemented – Updated Management’s Response: NSM will review the information and provide the correct listing of students to University Advancement. Estimated completion date: December 1, 2011.</td>
</tr>
<tr>
<td>AR2011-34</td>
<td>UH College of Natural Sciences and Mathematics, Endowments</td>
<td>3</td>
<td>3</td>
<td>8/31/2011</td>
<td>Fred McGhee Executive Director of College Business Operations UH College of Natural Sciences and Mathematics</td>
<td>UH Develop a centralized scholarship policy to help attract scholarship applicants and identify other methods to attract scholarship applicants.</td>
<td>Action Complete</td>
</tr>
<tr>
<td>CCM-0901</td>
<td>Calhoun Lofts Residence Hall Interim Construction Audit</td>
<td>1c</td>
<td>15</td>
<td>8/31/2011</td>
<td>Spencer Moore, Executive Director, FP&amp;C</td>
<td>UH Modify/develop departmental policies and procedures for construction management to address process for audits and related protocol.</td>
<td>Action Complete</td>
</tr>
<tr>
<td>SAO Report #05-010</td>
<td>The Protection of Confidential Information and Critical Systems</td>
<td>20k</td>
<td>25</td>
<td>8/1/2011</td>
<td>Malcolm Davis Executive Director for Public Safety - Chief of Police</td>
<td>UH Review and modify, as necessary, the existing comprehensive emergency plan/business continuity plan to ensure that it adequately addresses the requirements in Texas Administrative Code, Section 202, Business Continuity Plan Elements.</td>
<td>Action Complete</td>
</tr>
</tbody>
</table>
Background: UHS procures construction services under the provisions of the Texas Education Code, Sections 51.779 – 51.785. These statutes address the following construction contract methods: Design-Build, Construction Manager-Agent, Construction Manager-At-Risk, Construction Services through Competitive Sealed Proposals and Job Order Contracts. The UHS Facilities, Planning and Construction Department and the Purchasing Department have developed policies and procedures to help ensure compliance with these statutes. For major construction projects, UHS primarily uses the Design-Build and Construction Manager-At-Risk contract methods. The Internal Auditing Department reviews the construction RFQ / RFP evaluation process on an ongoing basis.

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

Scope of Work: The internal audit review of construction procurement of major construction projects covers the time period from July 1, 2011 through September 30, 2011.

Audit Procedures: We perform the following procedures for each major construction project:

1. We review the RFQ / RFP posted on the State Comptroller’s Electronic State Business Daily, noting evaluation criteria and submission deadlines and other requirements.
2. We review the Purchasing Department’s compilation of the selection team members’ rankings of RFQ / RFP for clerical accuracy and agreement of evaluation criteria to RFQ / RFP.
3. We review the Purchasing Department’s recommendation of RFQ / RFP to the EVP for reasonableness.
4. We review the EVP’s evaluation of the Purchasing Department’s recommendation of RFQ / RFP for reasonableness.

Appendices: Attached is an analysis of internal audit activity related to the construction projects awards evaluations (Appendix 1), the Purchasing Department Flowchart for construction activity (Appendix 2) and the FP&C Selection of Design-Build Team Flowchart (Appendix 3).

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

Don F. Guyton
Chief Audit Executive
October 19, 2011
### UHS Construction Projects
#### Internal Audit Activity
July 1, 2011 to September 30, 2011

|------------------------------------------|--------------------|------------------------|------------------------|---------------------------------------------|-----------------------------------|-------------------|------------------------|-----------------------------------------|-----------------------------------|-------------------|

(1) Confirmed date of posting RFQ/RFP to ESBD, (2) Confirmed evaluation criteria and weights used by selection team, (3) Checked clerical accuracy of Purchasing Department's compilation of selection team evaluation, (4) Reviewed EVC AF evaluation of purchasing recommendation for reasonableness.
University of Houston System Construction Procurement Process

### Request for Qualifications (RFQ)

1. Contracts Requiring UHS Board of Regents/THECB Approval ($4 Million)
   - UHS BOR Approves?
     - No → End
     - Yes → THECB Approves?
       - Yes → RFQ Required?
         - Yes → Publish RFQ on Electronic State Business Daily
         - No → Attempt to Contract with Highest Ranked Vendor
       - No → Valid Ranking Process?
         - No → EVC Asks Committee to Re-Evaluate Ranking Based on RFQ Criteria
         - Yes → Committee Evaluates Responses Based on Criteria in RFQ and Sends Ranking to Executive Vice Chancellor for Review
2. Purchasing Reviews Responses for Completeness and Sends Complete Responses to Selection Committee
3. Contract Completed?
   - Yes → End
   - No → Attempt to Contract with Next Highest Ranked Vendor

### Request for Proposal (RFP)

1. Publish RFP on Electronic State Business Daily
2. Send RFP to Top 5 Vendors Ranked in RFQ
3. Committee Evaluates Responses Based on Criteria in RFP and Sends Ranking to Executive Vice Chancellor for Review
4. Valid Ranking Process?
   - No → EVC Asks Committee to Re-Evaluate Ranking Based on RFP Criteria
   - Yes → Attempt to Contract with Highest Ranked Vendor
5. Contract Completed?
   - Yes → End
   - No → Attempt to Contract with Next Highest Ranked Vendor
6. THECB Approves?
   - Yes → End
   - No → UHS BOR Approves?
     - Yes → RFQ Required?
       - Yes → Valid Ranking Process?
         - No → EVC Asks Committee to Re-Evaluate Ranking Based on RFP Criteria
         - Yes → Committee Evaluates Responses Based on Criteria in RFP and Sends Ranking to Executive Vice Chancellor for Review
8. Purchasing Reviews Responses for Completeness and Sends Complete Responses to Selection Committee
9. Contract Completed?
   - Yes → End
   - No → Attempt to Contract with Next Highest Ranked Vendor
10. Valid Ranking Process?
    - No → EVC Asks Committee to Re-Evaluate Ranking Based on RFP Criteria
    - Yes → Attempt to Contract with Highest Ranked Vendor
11. Contract Completed?
    - Yes → End
    - No → Attempt to Contract with Next Highest Ranked Vendor

### Additional Notes
- Valid Ranking Process?
  - No → EVC Asks Committee to Re-Evaluate Ranking Based on RFQ Criteria
  - Yes → Committee Evaluates Responses Based on Criteria in RFQ and Sends Ranking to Executive Vice Chancellor for Review

---

Appendix 2
Appendix 3

DESIGN TEAM SELECTION FLOWCHART

BOR AND OTHER UH DEPARTMENTS

EVP ADMIN & FINANCE/PLANT OPERATIONS

FACILITIES PLANNING AND CONSTRUCTION

PROJECT MANAGER

A/E AND OTHER CONSULTANTS

CONTRACTOR

DT-3 EVP reviews and recommends SC

DT-4 ED approves RFQ

DT-5 PM sends RFQ to Office of General Counsel (OGC) for review and approval

Does OGC approve?

DT-1 PM develops RFQ & evaluation criteria

DT-2 ED proposes Selection Committee (SC)

DT-6 Approved RFQ routed back to PM

DT-8 PM sends RFQ to Purchasing Department

DT-9 Purchasing applies naming convention and posts to ESBD

DT-10 Purchasing conducts pre-submittal conference with PM performing logistics for the meeting. Respondents attend pre-submittal conference

DT-12 Purchasing distributes to Business Services

DT-13 Business Services posts RFQ to SharePoint and notifies PM and SC

DT-14 Selection Committee evaluates and submits results to Purchasing cc: PM

DT-11 Respondents submit qualifications to Purchasing

To DT-15
Appendix 3

DESIGN TEAM SELECTION FLOWCHART

BOR AND OTHER
IH DEPARTMENTS

DT-15 Purchasing compiles and sends to PM & ED

DT-17 Purchasing drafts recommendation & sends to EVP, cc: PM & ED

Does EVP approve?

DT-18 Purchasing issues RFP to short listed firms, schedules interviews

DT-20 PM works with Purchasing to convene Selection Committee and respondents for interviews

Selection Committee scores short listed firms and submits results to Purchasing

DT-23 Purchasing compiles and sends to PM & ED

DT-25 Purchasing drafts recommendation & sends to EVP, cc: ED & PM

Does EVP approve?

DT-26 Purchasing notifies successful respondent, ED & PM

DT-19 PM performs interview logistics and prepares agendas & questions

DT-16 PM & ED review, comment and return to Purchasing

DT-21 Short listed respondents attend interviews

DT-24 PM & ED review. PM returns to Purchasing

DT-28 PM, PPM & ED review fee proposal

DT-27 PM requests and reviews fee proposal from respondent

DT-30 PM requests fee proposal from next highest ranked respondent

DT-29 Fee proposal negotiated with respondent

To Y/N From No
DESIGN TEAM SELECTION FLOWCHART

BOR AND OTHER UH DEPARTMENTS

DT-32 CC assigns contract number

Does DBA approve & certify?

DT-33 CC prepares contract doc and RPT and sends to DBA

DT-34 CC edits and emails contract document

DT-36 CC sends approved contract to vendor via email

DT-37 CC prepares contracts and sends through proper signatory levels

DT-38 CC prepares and emails NTP to PM for review

Does any signatory level disapprove?

DT-40 PM rejects and sends back to CC for revisions

DT-39 To 1st level signatory for signature

DT-41 PM initiates contract cancellation process

EVP ADMIN & FINANCE/PLANT OPERATIONS

FACILITIES PLANNING AND CONSTRUCTION

PROJECT MANAGER

A/E AND OTHER CONSULTANTS

CONTRACTOR

Can agreement be reached?

Does vendor sign and return to CC?

Appendix 3
Appendix 3

DESIGN TEAM SELECTION FLOWCHART

BOR AND OTHER UH DEPARTMENTS

EVP ADMIN & FINANCE/PLANT OPERATIONS

FACILITIES PLANNING AND CONSTRUCTION

PROJECT MANAGER

A/E AND OTHER CONSULTANTS

CONTRACTOR

From DT-32

Does 1st level signatory approve?

N

Y

DT-43 CC sends vendor & PM executed contract & NTP

DT-44 Purchasing notifies unsuccessful respondents

DT-42 PM sends NTP to CC for processing

To DT-41

TO DESIGN PHASE
BACKGROUND:

We performed a review of the endowments managed by the College of Engineering. Reviews of endowments are scheduled in the annual audit plan over a six year period. This review was scheduled in the annual audit plan for FY 2010.

As of August 31, 2010, the University of Houston System endowment market value was $442,282,055, consisting of 1,320 separate endowments. Endowment income distributed during fiscal year 2010 was $12,009,138. The College of Engineering had 65 of these endowments with a market value of $10,668,473 and the endowment income distributed during the fiscal year was $367,387.

OBJECTIVES:

The objectives of our review were as follows:

1. Determine whether the College is managing endowment funds effectively and efficiently under an adequate system of internal controls.

2. Determine whether the College is complying with the terms of the endowment agreements and University policies and procedures.

SCOPE OF WORK:

We interviewed personnel responsible for managing endowments, reviewed policies and procedures, reviewed endowment agreements, analyzed expenditure and budget information, reviewed expenditures, and performed other audit procedures, as appropriate.

CONCLUSION:

In our opinion, the College is managing endowment funds effectively and efficiently and is complying with the terms of the endowment agreements. Although we noted no matters we considered to be significant engagement observations, we noted instances of non-compliance with certain university policies and procedures. Management is in the process of addressing these observations.
Appendix A contains areas where there are observations noted during the audit.

Don F. Guyton
Chief Audit Executive
October 19, 2011
OBSERVATIONS

Communication of Endowment Restrictions

The College did not annually communicate endowment restrictions to the primary signatory of the endowment income beneficiary cost centers, as required by university policy. However, during the audit, the Director of College Business Operations communicated endowment restrictions to all personnel responsible for endowments. We were informed that the Director of College Business Operations will continue this communication on an annual basis.

Non-Compliance – Travel Card/Cash Handling

The College did not follow its procedures to help ensure that cash funds and cash received in their areas are properly managed and there was not an adequate control of funds, as required by university policy. We noted an employee used a university travel card for non-reimbursable expenses (e.g. alcohol and spousal meals) during August 2009. The description of expenditures on the travel card expense report stated “Card inadvertently used for all hotel expenses. Reimbursement was made back to college for expense (ck#3544).” The expense report was approved by the employee and the Director of College Business Operations. We requested a copy of the deposit for this reimbursement; however, the Director was unable to determine if the check was deposited in a university cost center. We requested a copy of the cancelled check and according to the employee the bank had no record of the check. The employee wrote a check for $115 during the audit to reimburse the university for these expenses.
The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in the College of Hotel & Restaurant Management. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the College was not in compliance with certain policies. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

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

- Compliance Matrix
- Instances of Non-Compliance
- Management Background
- Financial Summary of Transactions

_______________________
Don F. Guyton
Chief Audit Executive
October 19, 2011
### University of Houston System  
#### Internal Auditing Department

#### University of Houston  
**College of Hotel & Restaurant Management**  
**Departmental Review**

<table>
<thead>
<tr>
<th>Compliance Area</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Management Oversight</td>
<td>✓</td>
</tr>
<tr>
<td>Operational Activities</td>
<td>N/A</td>
</tr>
<tr>
<td>Policies, Procedures, Required Training, And Reporting</td>
<td>1</td>
</tr>
<tr>
<td>Cost Center Management</td>
<td>✓</td>
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<tr>
<td>Payroll</td>
<td>1</td>
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<tr>
<td>Human Resources</td>
<td>1</td>
</tr>
<tr>
<td>Change Funds And Cash Receipts</td>
<td>2</td>
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<tr>
<td>Procurement And Travel Cards</td>
<td>✓</td>
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<td>Departmental Expenses</td>
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<tr>
<td>Contract Administration</td>
<td>2</td>
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<td>Property Management</td>
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<td>Departmental Computing</td>
<td>✓</td>
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<tr>
<td>Scholarships</td>
<td>✓</td>
</tr>
<tr>
<td>Incidental And Lab Fees</td>
<td>✓</td>
</tr>
<tr>
<td>Research</td>
<td>✓</td>
</tr>
</tbody>
</table>

- ✓  Fully Complies
- Θ  Opportunity for Improvement
- (   ) Number of action items required to address non-compliance
- N/A Not Applicable
WE brought the following instances of non-compliance to management’s attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

POLICIES, PROCEDURES, REQUIRED TRAINING AND REPORTING
- Annual training was not completed by all employees.

PAYROLL
- An employee worked additional hours after signing and dating their time and effort report.

HUMAN RESOURCES
- A Termination Checklist was not completed.

CHANGE FUNDS AND CASH RECEIPTS
- A check was not made payable to the university.
- Cash receipts were not being deposited in a timely manner.

CONTRACT ADMINISTRATION
- Contract cover sheets were not completed and/or not completed prior to the contract effective date.
- Contracts were signed after the contract effective date and/or were not signed by an employee with delegated signatory authority.
The Dean provided the following background:

The mission of the Conrad N. Hilton College of Hotel and Restaurant Management at the University of Houston is to prepare individuals for industry management and leadership by providing a quality hospitality education and ongoing professional development, as well as to be recognized globally as a premier learning environment through teaching, research and service excellence.

Budget/Financial Summary:

During fiscal year 2011, with a staff of 56 FTE and faculty of 22 FTE, the College administered 190 cost centers with an operating M&O budget of $9,173,099.

The following table presents the fund balance reconciliation for the College for FY 2011:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Beginning Fund Balance (9/1/2010)</td>
<td>$(1,405,600)</td>
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<tr>
<td>Revenues</td>
<td>9,512,298</td>
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<tr>
<td>Expenditures</td>
<td>(11,423,918)</td>
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<td>Transfers/Other</td>
<td>2,599,654</td>
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<tr>
<td>Ending Balance (8/31/2011)</td>
<td>$(717,566)</td>
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<tr>
<td>Account</td>
<td>Description</td>
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<td>---------</td>
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<tr>
<td>Revenue</td>
<td>Designated Tuition</td>
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<td>Other Fees</td>
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<td>Waivers &amp; Expenses</td>
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<td>Federal Grants &amp; Contracts</td>
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<td>State Grants &amp; Contracts</td>
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<td>Private Gifts, Grants and Cont</td>
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<td>Endowment Income Distribution</td>
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<td>Sales &amp; Services - E &amp; G</td>
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<td>Sales &amp; Services - Auxiliary</td>
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<td>Other Revenue Sources</td>
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<td>Recovered Costs</td>
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<table>
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<th>Cost of Goods Sold</th>
<th>Description</th>
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<th>FY 2010</th>
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<tbody>
<tr>
<td>50000-50049</td>
<td>Cost of Goods Sold</td>
<td>$ 89</td>
<td>$ 1,326</td>
</tr>
<tr>
<td>Total Cost of Goods Sold</td>
<td></td>
<td>$ 89</td>
<td>$ 1,326</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payroll</th>
<th>Description</th>
<th>FY 2011</th>
<th>FY 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>50100-50999</td>
<td>Salaries &amp; Wages</td>
<td>$ 5,505,104</td>
<td>$ 5,455,500</td>
</tr>
<tr>
<td>51000-51399</td>
<td>Fringe Benefits</td>
<td>694,060</td>
<td>700,153</td>
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<tr>
<td>Total Payroll</td>
<td></td>
<td>$ 6,199,164</td>
<td>$ 6,155,653</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>M &amp; O</th>
<th>Description</th>
<th>FY 2011</th>
<th>FY 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>52000-52199</td>
<td>Professional Services</td>
<td>$ 38,675</td>
<td>$ 106,812</td>
</tr>
<tr>
<td>52200-52399</td>
<td>General Services</td>
<td>280,701</td>
<td>101,336</td>
</tr>
<tr>
<td>52400-52499</td>
<td>Academic Service</td>
<td>300</td>
<td>32,317</td>
</tr>
<tr>
<td>52500-52599</td>
<td>Printing, Copying, &amp; Reproduction</td>
<td>63,724</td>
<td>48,587</td>
</tr>
<tr>
<td>52600-52799</td>
<td>Utilities &amp; Sanitation</td>
<td>531,480</td>
<td>660,777</td>
</tr>
<tr>
<td>52800-52999</td>
<td>Communication &amp; Transportation</td>
<td>122,983</td>
<td>153,982</td>
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<tr>
<td>53000-53499</td>
<td>Advertising Promotion &amp; Public</td>
<td>122,024</td>
<td>117,744</td>
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<tr>
<td>53500-53599</td>
<td>Rental Lease &amp; Royalties</td>
<td>170,319</td>
<td>87,599</td>
</tr>
<tr>
<td>53700-53799</td>
<td>Routine Repair</td>
<td>238,867</td>
<td>137,303</td>
</tr>
<tr>
<td>53850-53899</td>
<td>Contracting Services</td>
<td>315,801</td>
<td>133,853</td>
</tr>
<tr>
<td>53900-53999</td>
<td>General Supplies</td>
<td>324,431</td>
<td>235,750</td>
</tr>
<tr>
<td>54100-54199</td>
<td>Health &amp; Clinical Support</td>
<td>965</td>
<td>450</td>
</tr>
<tr>
<td>54200-54299</td>
<td>Construction Expenses</td>
<td>0</td>
<td>3,134</td>
</tr>
<tr>
<td>54300-54349</td>
<td>Facilities &amp; Ground Support</td>
<td>31,844</td>
<td>41,347</td>
</tr>
<tr>
<td>54350-54449</td>
<td>Parts &amp; Furnishing</td>
<td>116,467</td>
<td>281,513</td>
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<tr>
<td>54450-54549</td>
<td>Misc Supplies &amp; Material</td>
<td>119,009</td>
<td>98,076</td>
</tr>
<tr>
<td>54550-54699</td>
<td>Legal Services</td>
<td>325</td>
<td>320</td>
</tr>
<tr>
<td>54700-54799</td>
<td>Financial Tax &amp; License Cost</td>
<td>146,513</td>
<td>52,381</td>
</tr>
<tr>
<td>54800-54899</td>
<td>Other Recurring Expenses</td>
<td>127,207</td>
<td>86,706</td>
</tr>
<tr>
<td>54900-54999</td>
<td>Employee Expenses</td>
<td>86,942</td>
<td>45,138</td>
</tr>
<tr>
<td>55000-55199</td>
<td>Special Program &amp; Events</td>
<td>1,988,085</td>
<td>1,818,923</td>
</tr>
<tr>
<td>55200-55299</td>
<td>Interscholastic Events</td>
<td>432</td>
<td>544</td>
</tr>
<tr>
<td>55300-55499</td>
<td>Financial Aid</td>
<td>182,290</td>
<td>160,857</td>
</tr>
<tr>
<td>56000-56499</td>
<td>Travel</td>
<td>177,882</td>
<td>158,377</td>
</tr>
<tr>
<td>56500-56599</td>
<td>Contracts &amp; Grants</td>
<td>22,557</td>
<td>17,617</td>
</tr>
<tr>
<td>Total M&amp;O</td>
<td></td>
<td>$ 5,209,823</td>
<td>$ 4,581,443</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital Outlay</th>
<th>Description</th>
<th>FY 2011</th>
<th>FY 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>58000-58999</td>
<td>Capital Outlay</td>
<td>$ 17,760</td>
<td>$ 269,228</td>
</tr>
<tr>
<td>Total Capital Outlay</td>
<td></td>
<td>$ 17,760</td>
<td>$ 269,228</td>
</tr>
</tbody>
</table>

Total Cost of Goods Sold, Payroll, M&O and Capital Outlay | $ 11,426,837 | $ 11,007,649 |
UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

BOARD OF REGENTS’ TRAVEL, FY 2011

REPORT NO. AR2012-05
BACKGROUND/OBJECTIVE:

The Internal Auditing Department reviews the travel and entertainment expenditures of the members of the Board of Regents (BOR) annually. This review is scheduled in the annual audit plan.

The objective of this review was to determine whether expenditures for travel and entertainment were appropriately documented and allowable under university policies.

SCOPE:

We reviewed fiscal year 2011 vendor histories for direct payments to regents and found that two regents received sixteen direct reimbursements for travel-related incidental expenses in the amount of $3,705. In addition to the direct reimbursements, we determined that the BOR cost center also funded other travel-related charges of $11,901.

It should be noted that in some cases, travel and entertainment expenditures for regents may be funded by accounts other than the BOR office account. The scope of this review only includes the expenditures funded by the BOR office account. The BOR office maintains policies and procedures and related forms for regental travel and reimbursements to help ensure that all expenditures comply with statutes, regulations and BOR policies.

CONCLUSION:

In our opinion, the travel and entertainment expenditures for the year ended August 31, 2011, were appropriately documented and were allowable under university policies.

--

Don F. Guyton
Chief Audit Executive
October 19, 2011
UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

CHANCELLOR/PRESIDENT’S TRAVEL
FY2011

REPORT NO. AR2012-06
BACKGROUND/OBJECTIVE:

The Internal Auditing Department reviews the travel and entertainment expenditures relating to the Chancellor/President annually. This review is scheduled in the annual audit plan.

The objective of this review was to determine whether expenditures for travel and entertainment were appropriately documented and allowable under university policies.

SCOPE:

We reviewed all travel and entertainment expenditures of the Chancellor/President and spouse for fiscal year 2011 funded by the Chancellor/President’s Office. We reviewed the Chancellor/President’s cost centers and determined that there were $14,107 of travel-related charges.

It should be noted that in some cases, travel and entertainment expenditures for the Chancellor/President may be funded by accounts other than the Chancellor/President’s Office accounts and by outside organizations. The scope of our review only includes the expenditures funded by the Chancellor/President’s Office.

CONCLUSION:

In our opinion, the travel and entertainment expenditures of the Chancellor/President and spouse for the year ended August 31, 2011, were appropriately documented and were allowable under university policies.

______________________________
Don F. Guyton
Chief Audit Executive
October 19, 2011
The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in the Graduate College of Social Work. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the College was not in compliance with certain policies. Management agreed to implement action plans for certain areas of non-compliance and informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

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

- Compliance Matrix
- Action Plan
- Instances of Non-Compliance
- College Background
- Financial Summary of Transactions

Don F. Guyton
Chief Audit Executive
October 19, 2011
### Compliance Area

<table>
<thead>
<tr>
<th>Area</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Oversight</td>
<td>✚</td>
</tr>
<tr>
<td>Operational Activities</td>
<td></td>
</tr>
<tr>
<td>Policies, Procedures, Required Training, And Reporting</td>
<td>✚</td>
</tr>
<tr>
<td>Cost Center Management</td>
<td>(1)</td>
</tr>
<tr>
<td>Payroll</td>
<td>(2)</td>
</tr>
<tr>
<td>Human Resources</td>
<td>✚</td>
</tr>
<tr>
<td>Change Funds And Cash Receipts</td>
<td>(1)</td>
</tr>
<tr>
<td>Procurement And Travel Cards</td>
<td>(1)</td>
</tr>
<tr>
<td>Departmental Expenses</td>
<td></td>
</tr>
<tr>
<td>Contract Administration</td>
<td>✚</td>
</tr>
<tr>
<td>Property Management</td>
<td>(1)</td>
</tr>
<tr>
<td>Departmental Computing</td>
<td>(2)</td>
</tr>
<tr>
<td>Scholarships</td>
<td></td>
</tr>
<tr>
<td>Incidental And Lab Fees</td>
<td>(1)</td>
</tr>
<tr>
<td>Research</td>
<td>(2)</td>
</tr>
</tbody>
</table>

- **Fully Complies**
- **Opportunity for Improvement**
- **( ) Number of action items required to address non-compliance**
- **N/A Not Applicable**
We brought the following instances of non-compliance to management’s attention in order that it could take appropriate action. We recommended and management agreed to implement action plans to address the areas of non-compliance indicated by an asterisk below. In addition, management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with the remaining areas listed below.

OPERATIONAL ACTIVITIES
- Lack of oversight related to the Center for Drug and Social Policy Research. (Note: Internal Audit is in the process of reviewing other research centers and will have recommendations related to institutional governance of centers in its forthcoming reports.)

COST CENTER MANAGEMENT
- Deficit fund equity balances in non-project/grant cost centers at fiscal year-end.*

PAYROLL
- Employees worked additional hours after signing and dating their time and effort reports and after they were approved by the employee’s supervisor.
- A time and effort report was not submitted to Payroll in a timely manner.

CHANGE FUNDS AND CASH RECEIPTS
- Cash receipts were not deposited in a timely manner.

PROCUREMENT AND TRAVEL CARDS
- Expense reports were not signed by the certifying signatory by the 20th of the month.

PROPERTY MANAGEMENT
- Request for Authority to Remove Property from Campus forms are not being completed and renewed annually.

DEPARTMENTAL COMPUTING
- Information was not adequately secured.
- Anti-virus software scans were not being performed on the College’s computers.

INCIDENTAL FEES
- Incidental fee income was used for an unintended purpose.
RESEARCH GRANTS

- The College did not have a copy of a certified effort report.
- Grant cost centers had deficit budgetary balances.*
The Dean provided the following background:

The mission of the Graduate College of Social Work (GCSW) is to educate professionals for social work practice, research, and leadership. We advocate for innovative, collaborative, inclusive, and humane policies and solutions that promote social, economic, and political justice. GCSW generates new knowledge through critical thinking that links rigorous scientific inquiry, ethical social work practice, and community engagement.

GCSW offers two advanced concentrations in the Master of Social Work (MSW) program: Clinical Social Work Practice and Macro Social Work Practice. Additionally, MSW students may elect a specialization in children and families, gerontology, health disparities, social work practice with Latinos, and political social work. GCSW maintains over 400 potential internship sites for student placements in a variety of settings. Placements include a broad range of areas including local, state and federal public programs, nonprofit agencies, private settings, and placement in elected officials’ offices. The Ph.D. program prepares individuals for advanced research and leadership in social work. Graduates are found in academia, as well as, in significant positions in social service agencies. Students are challenged in their studies and are expected to be active participants in their learning, with the goal for competent, ethical social work practice.

GCSW’s tradition of excellence continues into the 21st century. The goal of eradicating social and economic justice by preparing individuals for competent, ethical social work practice drives GCSW, its faculty, staff, and student body. GCSW is committed to excellence and is broadening its support and linkage with the greater community, the alumni, and the professional social work and human services communities. GCSW of the 21st century will be a far different institution than that which alumni, faculty, students, and the social work community is familiar.

Budget/Financial Summary:

During fiscal year 2012, with a staff of 32 FTE and faculty of 19 FTE, the College administered 157 cost centers with an operating M&O budget of $7,831,157.

The following table presents the fund balance reconciliation for the College for FY 2011:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance (9/1/2010)</td>
<td>$2,083,778</td>
</tr>
<tr>
<td>Revenues</td>
<td>3,216,309</td>
</tr>
<tr>
<td>Expenditures</td>
<td>(7,270,124)</td>
</tr>
<tr>
<td>Transfers/Other</td>
<td>3,347,216</td>
</tr>
<tr>
<td>Ending Balance (8/31/2011)</td>
<td>$1,377,179</td>
</tr>
<tr>
<td>Account</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>Revenue</td>
<td>Designated Tuition</td>
</tr>
<tr>
<td></td>
<td>Other Fees</td>
</tr>
<tr>
<td>55500-55999;56700-57999</td>
<td>Waivers &amp; Expenses</td>
</tr>
<tr>
<td>41600-41899</td>
<td>Federal Grants &amp; Contracts</td>
</tr>
<tr>
<td>41900-42099</td>
<td>Federal Pass Through Grants/Contracts</td>
</tr>
<tr>
<td>42100-42299</td>
<td>State Grants &amp; Contracts</td>
</tr>
<tr>
<td>42700-43199; 44400-44428; 44440</td>
<td>Private Gifts, Grants and Cont</td>
</tr>
<tr>
<td>43500-43599</td>
<td>Endowment Income Distribution</td>
</tr>
<tr>
<td>43600-43630; 43634-43999</td>
<td>Sales &amp; Services - E &amp; G</td>
</tr>
<tr>
<td>50050-50099</td>
<td>Recovered Costs</td>
</tr>
<tr>
<td>Total Revenue</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost of Goods Sold</th>
<th>Total Cost of Goods Sold</th>
<th>FY 2011</th>
<th>FY 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>50100-50999</td>
<td>Salaries &amp; Wages</td>
<td>$4,807,145</td>
<td>$4,978,452</td>
</tr>
<tr>
<td>51000-51399</td>
<td>Fringe Benefits</td>
<td>440,049</td>
<td>469,427</td>
</tr>
<tr>
<td>Total Payroll</td>
<td></td>
<td>$5,247,194</td>
<td>$5,447,879</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>M &amp; O</th>
<th>Total M&amp;O</th>
<th>FY 2011</th>
<th>FY 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>52200-52399</td>
<td>General Services</td>
<td>$20,128</td>
<td>13,578</td>
</tr>
<tr>
<td>52400-52499</td>
<td>Academic Service</td>
<td>9,201</td>
<td>1,064</td>
</tr>
<tr>
<td>52500-52599</td>
<td>Printing, Copying, &amp; Reproduction</td>
<td>21,433</td>
<td>49,871</td>
</tr>
<tr>
<td>52600-52799</td>
<td>Utilities &amp; Sanitation</td>
<td>25</td>
<td>0</td>
</tr>
<tr>
<td>52800-52999</td>
<td>Communication &amp; Transportation</td>
<td>59,308</td>
<td>72,342</td>
</tr>
<tr>
<td>53000-53499</td>
<td>Advertising Promotion &amp;Public</td>
<td>43,756</td>
<td>67,087</td>
</tr>
<tr>
<td>53500-53599</td>
<td>Rental Lease &amp; Royalties</td>
<td>52,909</td>
<td>208,747</td>
</tr>
<tr>
<td>53700-53799</td>
<td>Routine Repair</td>
<td>1,664</td>
<td>924</td>
</tr>
<tr>
<td>53800-53849</td>
<td>Pass Through</td>
<td>70,617</td>
<td>46,040</td>
</tr>
<tr>
<td>53850-53899</td>
<td>Contracting Services</td>
<td>67,509</td>
<td>110,556</td>
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<tr>
<td>53900-53999</td>
<td>General Supplies</td>
<td>67,171</td>
<td>139,291</td>
</tr>
<tr>
<td>54100-54199</td>
<td>Health &amp; Clinical Support</td>
<td>22,749</td>
<td>17,231</td>
</tr>
<tr>
<td>54350-54449</td>
<td>Parts &amp; Furnishing</td>
<td>51,271</td>
<td>79,657</td>
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<td>54450-54549</td>
<td>Misc Supplies &amp; Material</td>
<td>136</td>
<td>293</td>
</tr>
<tr>
<td>54550-54699</td>
<td>Legal Services</td>
<td>1,488</td>
<td>4,070</td>
</tr>
<tr>
<td>54700-54799</td>
<td>Financial Tax &amp; License Cost</td>
<td>1,809</td>
<td>3,972</td>
</tr>
<tr>
<td>54800-54899</td>
<td>Other Recurring Expenses</td>
<td>126,813</td>
<td>262,939</td>
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<tr>
<td>54900-54999</td>
<td>Employee Expenses</td>
<td>63,192</td>
<td>54,104</td>
</tr>
<tr>
<td>55000-55199</td>
<td>Special Program &amp; Events</td>
<td>47,751</td>
<td>101,861</td>
</tr>
<tr>
<td>55300-55499</td>
<td>Financial Aid</td>
<td>449,754</td>
<td>196,308</td>
</tr>
<tr>
<td>56000-56499</td>
<td>Travel</td>
<td>152,224</td>
<td>177,873</td>
</tr>
<tr>
<td>56500-56599</td>
<td>Contracts &amp; Grants</td>
<td>625,144</td>
<td>657,157</td>
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<tr>
<td>Total Capital Outlay</td>
<td></td>
<td>$1,956,052</td>
<td>$2,264,966</td>
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</table>

<table>
<thead>
<tr>
<th>Capital Outlay</th>
<th>Total Cost of Goods Sold, Payroll, M&amp;O and Capital Outlay</th>
<th>FY 2011</th>
<th>FY 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>58000-58999</td>
<td>Capital Outlay</td>
<td>$66,879</td>
<td>$74,541</td>
</tr>
<tr>
<td>Total Capital Outlay</td>
<td></td>
<td>$66,879</td>
<td>$74,541</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$7,270,124</td>
<td>$7,787,385</td>
</tr>
</tbody>
</table>
UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

ANNUAL NON-COMPLIANCE REPORT
FY 2011

REPORT NO. AR2012-08
ANNUAL NON-COMPLIANCE REPORT
FY 2011

The purpose of this report is to compile a listing of all instances of non-compliance noted in the departmental reviews during the previous year in order that management can assess its risks associated with repetitive instances and take action, if necessary. During FY 2011, the Internal Audit Department issued 10 audit reports that contained the results of 63 departmental reviews. Departmental reviews were performed in 22 UH departments, 17 UHCL departments, 9 UHD departments, and 15 UHV departments. During previous fiscal years, management action plans were developed for all instances of non-compliance. For FY 2011, the departmental review process resulted in management action plans for 12 of the 178 noted instances of non-compliance.

The following methodology was employed to assess the need for management action plans.

<table>
<thead>
<tr>
<th>Assessment Level</th>
<th>Reporting Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of management oversight</td>
<td><strong>High Risk:</strong> Significant engagement observation, numerous instances of non-compliance, and a management action item</td>
</tr>
<tr>
<td>Routine non-compliance (key areas)</td>
<td><strong>Medium Risk:</strong> Instances of non-compliance with engagement observation to provide additional explanation, if necessary, and a management action item</td>
</tr>
<tr>
<td>Isolated instances of non-compliance</td>
<td><strong>Low Risk:</strong> Instances of non-compliance (no management action item required)</td>
</tr>
</tbody>
</table>

This change in methodology has resulted in a more effective and efficient use of Internal Audit’s resources, by eliminating the need to track and follow-up on 166 management action plans that would have otherwise been created. It also streamlined the reporting and follow-up process thereby saving time of both Internal Audit staff and management.

Attached is a summary of instances of non-compliance. We noted that the most frequent instances of non-compliance by audited units occurred in the areas of payroll/human resources, procurement cards, and cash handling. We have provided a table to each institution which summarizes these instances of non-compliance and have received their assurances that they would consider them in the modification or development of their training programs.

Don F. Guyton
Chief Audit Executive
October 19, 2011
### Summary of Instances of Non-Compliance

**FY 2011**

<table>
<thead>
<tr>
<th>Non-Compliance Area</th>
<th>UH (22 Departments)</th>
<th>UHCL (17 Departments)</th>
<th>UHD (9 Departments)</th>
<th>UHV (15 Departments)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivables</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash Handling</td>
<td>13</td>
<td>5</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Conflict of Interests</td>
<td>5</td>
<td>4</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Contract Administration</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Cost Center Management</td>
<td>11</td>
<td>1</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
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UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit and Compliance

ITEM: Report on External Audit Report – Texas Comptroller of Public Accounts Post Payment Audit of the University of Houston Downtown

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

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

The Texas Comptroller’s Office audited a sample of payroll, purchase, and travel transactions for the University of Houston Downtown during the period beginning March 1, 2010, through February 28, 2011. The purpose of the audit was to determine whether the university’s revenues and expenditures complied with certain state laws and rules concerning expenditures and with the processing requirements of the uniform statewide accounting system. The audit addressed incorrect calculation of overtime pay, missing payroll deduction form, payment in excess of purchase order amount, missing purchase agreement, missing documentation, prompt payment and payment scheduling issues, and control weakness over expenditure processing. Attached is a brief summary of the report, together with the report cover, transmittal letter, and executive summary. The entire report can be viewed on the Internal Auditing Department’s web site @ http://www.uh.edu/audit/Documents/External_Reports/Post%20Payment%20Audit%20UHD.pdf

SUPPORTING DOCUMENTATION: External Audit Report – Texas Comptroller of Public Accounts Post Payment Audit of the University of Houston Downtown (excerpts)

FISCAL NOTE:

RECOMMENDATION/ ACTION REQUESTED: Information

COMPONENT: University of Houston System

CHIEF AUDIT EXECUTIVE: Don Guyton

DATE: 10/27/11

CHANCELLOR: Remu Khatari

DATE: 11/1/11

AUDIT–G-58
Scope: The Texas Comptroller’s Office audited a sample of payroll, purchase, and travel transactions for the University of Houston Downtown during the period beginning March 1, 2010, through February 28, 2011. Their audit of the university revealed the following:

- Incorrect Calculation of Overtime Pay – The University incorrectly calculated overtime pay for four employees due to an incorrect overtime calculation formula used in its internal system.

- Missing Payroll Deduction Form – Payroll deduction document was missing, in one instance for the contributions to the Prepaid Higher Education Tuition Program.

- Payment in Excess of Purchase Order Amount – The University paid more than the authorized amount on the purchase order for one transaction.

- Missing Purchase Agreement – The University paid the vendor more than what was included on the documented quote from the vendor for one transaction.

- Prompt Payment and Payment Scheduling Issues – Fifteen purchase transactions were paid late where interest was not paid to the vendors.

- Control Weakness Over Expenditures Processing – The university had two employees that could both process and release payments through the Uniform Statewide Accounting System and process and release payrolls without oversight.

The entire report can be viewed on the web site of the UHS Internal Auditing Department @ http://www.uh.edu/audit/Documents/External_Reports/Post%20Payment%20Audit%20UHCL.pdf

11/16/11
AUDIT–G-59
Audit Report # 784-11-01

Post Payment Audit of University of Houston - Downtown

Fiscal Management Division
Expenditure Audit Section
August 19, 2011

Susan Combs
Texas Comptroller of Public Accounts

Auditor: Raymond McClintock

11/16/11
AUDIT-G-60
August 19, 2011

William V. Flores Ph. D.
President
University of Houston-Downtown
One Main Street
Houston, Texas  77002

Dear Dr. Flores:

We have completed a post payment audit of certain payroll, purchase, and travel transactions of the University of Houston-Downtown (University). A draft of this audit report was sent to the Vice President for Administration and Finance, David Bradley, on July 27, 2011. Responses to the draft are included within this final report.

We would like to thank your staff for their responsiveness and cooperation in assisting us with this audit.

Our purpose was to determine whether the University’s expenditures complied with certain state laws and rules concerning expenditures and with the processing requirements of the Uniform Statewide Accounting System (USAS). The University is responsible for ensuring that its staff is knowledgeable in those areas.

The University must submit to the Texas Comptroller of Public Accounts (Comptroller’s office) a corrective action plan that addresses the instances of payment and documentation errors detailed within this report. The plan must provide for appropriate improvements in the control structure related to the University’s payment process and show expected dates of implementation. The corrective action plan must be completed and signed by management. An electronic copy of the corrective action plan is available upon request. Our office must receive the completed plan by Sept. 19, 2011.

We intend for this report to be used by the University’s management and certain state officials and agencies as listed in Tex. Gov’t Code Ann. § 403.071 (Vernon Supp. 2010). However, the audit report is a public record, and its distribution is not limited.

We noted other matters involving the processing of expenditures by the University that we have communicated in an e-mail to George Anderson, dated July 31, 2011.
We would like to request input from you or your designee on the quality of the audit process and the service provided by the audit staff while conducting this audit. Please use the following website to provide feedback on the post-payment audit process. https://fmx.cpa.state.tx.us/fm/survey/audit/. We have also attached a copy of the document for your convenience. We greatly appreciate your feedback.

The University may inquire about registering for training related to these findings through the Fiscal Management Training Center website at https://fmx.cpa.state.tx.us/fmx/training/index.php.

Thank you for your cooperation. If we can be of any further assistance, please contact Raymond McClinton at raymond.mcclintock@cpa.state.tx.us or (512) 463-4859.

Sincerely,

Lisa Nance
Manager
Statewide Fiscal Services

Enclosures

c: Carroll Robertson Ray, Chair, Board of Regents, University of Houston-Downtown
David Bradley, Vice President for Administration and Finance, University of Houston-Downtown
George Anderson, Asst. Vice President, Business Affairs, University of Houston-Downtown
Don Guyton, Chief Audit Executive, University of Houston System
Raymond McClinton, Auditor, Statewide Fiscal Services, Texas Comptroller of Public Accounts
We audited a stratified random sample of payroll and purchase transactions and all of the travel transactions that processed through USAS during the period beginning March 1, 2010, through Feb. 28, 2011. We also reviewed a limited sample of payroll deductions and book and reference material transactions for the same audit period. We reviewed each transaction in the sample to determine compliance with applicable state laws. The report includes a projection of the payment errors to estimate the amount of improperly paid transactions in the population. Documentation errors and errors identified outside our sample are actual amounts and are not projected.

We believe the audit provides a reasonable basis for the findings set forth in the attached report. The University should implement the recommendations listed in the Detailed Findings of this report. It is the University’s responsibility to seek refunds for all overpayments, unless it determines it is not cost effective to do so. If necessary, the Comptroller’s office may take the actions set forth in Tex. Gov’t Code Ann., §403.071(h) (Vernon Supp. 2010) to ensure that the University’s documents comply in the future. The University must ensure that the findings discussed in this report are resolved.

**Overall Conclusion:**

Our audit of the University revealed the following:

- Incorrect Calculation of Overtime Pay
- Missing Payroll Deduction Form
- Payment In Excess Of Purchase Order Amount
- Freight Not On Purchase Agreement
- Missing Purchase Documentation
- Prompt Payment and Scheduling Issues
- Control Weakness Over Expenditure Processing

The appendices to this report provide schedules of the errors identified except for payroll and expenditure approval schedules, which are not included due to confidentiality issues.

**Follow up to Prior Audit:**

We issued a prior post-payment audit of the University’s payroll, purchase, and travel transactions on Dec. 4, 2006. Recurring findings from the previous audit included: prompt payment and scheduling errors, missing payroll deduction form, and control weakness over expenditure processing.

**Expanded Summary of Findings:**

**PAYROLL** We audited payroll transactions for compliance with the General Appropriations Act (GAA), the *State of Texas Payroll Policies and Procedures Guide (Payroll Guide)*, and other pertinent statutes. In our audit of the payroll transactions, we identified four instances of the University incorrectly calculating overtime pay.

We reviewed a limited number of payroll deductions. A deduction form for a University employee was missing.
PURCHASE  We audited purchase transactions for compliance with the GAA, expedit", and other pertinent statutes. We identified five transactions where the University could not verify the rates invoiced. We also identified two transactions where the University paid more than what was stated on the purchase agreement.

We conducted a limited review of book and reference material transactions from our purchase group. We did not identify any issues from our review of these transactions.

PROMPT PAY AND SCHEDULING  We audited the University’s compliance with the prompt payment law and scheduling rule. The University paid $1,078.26 in prompt payment interest during the audit period. We identified 15 purchase transactions that were paid late without paying interest to the vendors, and two purchase transactions where interest was paid too early causing a loss of interest to the state treasury.

TRAVEL  We audited travel transactions for compliance with the GAA, Textravel, and other pertinent statutes. We did not identify any issues from our review of travel transactions.

EXPENDITURE APPROVALS  We reviewed the University’s internal control structure. Our review was limited to obtaining an understanding of the University’s controls sufficient to plan our audit and did not include tests of control policies and procedures. We noted certain areas of risk involving the internal control structure and its operation. The University designated two employees with multiple security capabilities.

STATE PROPERTY ACCOUNTING SYSTEM (SPA) We selected a limited number of fixed assets acquired by expenditures during our audit period to test for accurate reporting in SPA and to verify existence of the assets. We were able to locate all assets and verified the recording of the assets in SPA.

Contact
Raymond McClintock
(512) 463-4859

Contributing Auditors
Valerie Davis, CTPM
Jesse Cantu, CPA, CTP

UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

Post-Payment Audit of American Recovery and Reinvestment Act (ARRA)
transactions of the University of Houston Downtown

DATE PREVIOUSLY SUBMITTED:

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

The Texas State Comptroller’s Office audited the University of Houston’s expenditures of
ARRA transactions during the period of June 1, 2010, through May 31, 2011, to determine
whether the university’s expenditures complied with certain state laws and rules governing these
expenditures. Their review did not reveal any errors.

SUPPORTING
DOCUMENTATION: External Audit Report – Texas Comptroller of Public Accounts Post-Payment
Audit of ARRA transactions of the University of Houston Downtown

FISCAL NOTE:

RECOMMENDATION/ ACTION REQUESTED: Information

COMPONENT: University of Houston System

11/16/11
AUDIT – H-65
August 31, 2011

Mr. Michael Bradley  
Vice President of Administration & Finance  
University of Houston - Downtown  
One Main Street, Suite S-910C  
Houston, Texas 77002-1014

Dear Mr. Bradley:

We have completed an audit of American Recovery and Reinvestment Act (ARRA) transactions of University of Houston-Downtown (University) that processed during the period of June 1, 2010, through May 31, 2011.

Our objective was to determine whether the University’s revenues and expenditures of ARRA funds complied with certain state laws and rules governing these transactions.

The audit scope and methodology included verification of the receipts of federal funds, a review of the system of internal controls and procedures, and the examination of evidence that supported the amounts expended. The audit was conducted in accordance with Tex Gov’t Code Ann. Sec. 403.071 (Vernon Supp. 2009), FY 2010-11 General Appropriations Act, Article XII, Sec. 6(e), and other applicable rules pertaining to ARRA related funds. All transactions were subject to audit, regardless of amount or materiality.

During the audit period, we reviewed a limited number of transactions in the revenue, payroll, purchase including payment card (p-card), travel, and indirect cost groups. Additionally, we assessed University procedures used to process and record ARRA revenues and expenditures. The transactions reviewed complied with the applicable state laws and rules governing ARRA transactions. However, due to the limited number of transactions reviewed, we are not issuing an opinion on the University’s overall compliance with the aforementioned rules.

Thank you for your cooperation. If we can be of further assistance, please contact Chris Escalante at chris.escalante@cpa.state.tx.us or (512) 463-8902.

Sincerely,

Lisa Nance  
Manager  
Statewide Fiscal Services

cc: George Anderson, Assistant V.P. Business Affairs, University of Houston-Downtown  
Don Guyton, Chief Audit Executive, University of Houston-Downtown  
Chris Escalante, Auditor, Statewide Fiscal Services, Texas Comptroller of Public Accounts
Audit Findings:

No errors were identified in the limited review.

Acknowledgements:

We would like to acknowledge the University’s compliance in the following areas:

- The University recorded and reported federal receipts in accordance with the Comptroller’s FPPs for ARRA funds. See FPP’s J.004 and B.008.

- The University’s reporting of its federal awards, including award number, amount, date, and CFDA number, on the Comptroller’s Weekly ARRA Activity Reporting website was accurate and complete for the audit period.

- The supporting documentation provided for all audited groups was sufficient to verify the University’s ARRA related expenditures and cost allocations. No discrepancies were noted.

- Policies and procedures in place are adequate for monitoring current grant award programs.
UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: Report on IRS Determination Letter – Bond Issue Examination

DATE PREVIOUSLY SUBMITTED:

SUMMARY:
The Internal Revenue Service completed its examination of the $130,955,000 University of Houston System Consolidated Revenue Bonds, Series 2002A and made a determination to close the examination with no change to the position that interest received by the beneficial owners of the Bonds is excludable from gross income.

SUPPORTING DOCUMENTATION: IRS Determination Letter, dated August 12, 2011

FISCAL NOTE:

RECOMMENDATION/ACTION REQUESTED: Information

COMPONENT: University of Houston System

CHIEF AUDIT EXECUTIVE

Don Guyton

DATE

11/16/11

CHANCELLOR

Renu Khator

DATE

11/1/11

AUDIT – I-68
Re: Notification of No-Change Determination ($130,955,000 Board of Regents of the University of Houston System Consolidated Revenue Bonds, Series 2002A)

Dear Mr. Bartlett:

We have recently completed our examination of the bond issue named above (the "Bonds"). As a result, we have made a determination to close the examination with no-change to the position that interest received by the beneficial owners of the Bonds is excludable from gross income under section 103 of the Internal Revenue Code.

Please note, if the need arises to open another examination of the Bonds, any change resulting from the future examination may affect all open years of the beneficial owners of the Bonds.

If you have any questions concerning this matter, please contact the person whose name and telephone number are shown in this letter.

Thank you for your cooperation in this matter.

Sincerely,

Robert E. Henn
Manager, Tax-Exempt Bonds
Field Operations

cc:

11/16/11
AUDIT – 1-69
UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: Report on Ethics and Conflict of Interest Policies of the Board of Regents and Each of the Universities

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Board of Regents Audit and Compliance Committee Charter and Checklist, item number 23, requires the Audit and Compliance Committee to conduct an annual review of the ethics and conflict of interest policies of the Board and each of the universities to ensure that the Board of Regents and each of the institutions have Conflict of Interest Policies in place. The policies include Code of Ethics/ethical Conduct of Employees and Conflicts of Interest. In addition to their own policies, all institutions also refer to the Texas Ethics Commission “Guide to Ethics Laws for State Officers and Employees.”

These policies provide guidelines to avoid conflicts of interest, generally described as the use of one’s university employment or position to obtain unauthorized privileges, benefits, or things of value for oneself or others. Standards of conduct for employees must also be maintained to fulfill their responsibility to the public in the in performance of their official duties. These policies set forth a code of accountability for component university employees in the performance of university responsibilities, identify areas of legal and ethical concern, and specify requirements for compliance with state laws, federal guidelines, Board of Regents policies, standards of ethics, and good business practices.

SUPPORTING DOCUMENTATION: Ethics and Conflicts of Interest Policies Summary (including changes during the past year), Table of Contents, and Ethics and Conflict of Interest Policies of the Board of Regents, University of Houston System, University of Houston, University of Houston Downtown, University of Houston Clear Lake, and University of Houston Victoria

FISCAL NOTE:

RECOMMENDATION/ ACTION REQUESTED: Information

COMPONENT: University of Houston System

Don Guyton

DATE 10/27/11

Remu Khator

DATE 11/11/11

AUDIT – J-70
UNIVERSITY OF HOUSTON SYSTEM
ETHICS AND CONFLICTS OF INTEREST POLICIES
As of November 16, 2011
Table of Contents

The Board of Regents Audit Committee Charter and Checklist, item number 23, requires the Audit Committee to conduct an annual review of the ethics and conflict of interest policies of the Board and each of the universities. The following policies are attached for this review, noting in parenthesis the date of last update:

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NOTE: University of Houston Clear Lake HR web site refers to the University of Houston System Board of Regents Conflict of Interest Policy and Ethical Conduct of Employees.

55 C-8 Employee Standards of Conduct – policy also addresses Conflicts of Interest (5/19/11)
65 Financial Aid Conflict of Interest Certification
67 E-7 Related Party (9/2/11)

In addition to their own policies, all institutions also refer to the Texas Ethics Commission “Guide to Ethics Laws for State Officers and Employees.”

Internal Audit 10/27/11

11/16/11
AUDIT – J-72
57.01 Code of Ethics [http://www.uhsa.uh.edu/regents/policy/af.html#personnel]

57.01.1 All members of the board and all employees of the system and its component institutions shall adhere to the highest ethical standards of conduct reflected in state law and board policies.

57.01.2 The system code of ethics is comprised of the following components:
   A. Statutory Standards of Conduct for State Employees, Section 572.051, Texas Government Code;
   B. the following board policies:
      a) Academic Freedom (21.03)
      b) Sexual Harassment (29.02)
      c) Governmental Appearances (81.01)
      d) Consulting and Paid Professional Service (57.02)
      e) Dual Office Holding (57.04)
      f) Nepotism (57.07)
      g) Conflicts of Interest (57.08)

57.01.3 All members of the board and employees of the system and its component institutions shall be furnished a copy of the laws and policies comprising the code of ethics at the time of employment or commencement of service and at the start of each academic year. (05/17/07)

57.01.4 All members of the board shall annually sign conflict of interest certification statements affirming their compliance with their official oath and specific provisions of Texas statutes related to ethical behavior. (12/16/08)

**Related Statutes, Policies, or Requirements**
Texas Government Code § 572.051 – Standards of Conduct, State Agency Ethics Policy

UH System Board of Regents Policy 57.01 – Code of Ethics

System Administrative Memoranda (SAM)
02.A.09 – Conflict of Interest
02.A.29 – Ethical Conduct of Employees
03.A.17 – Disclosure of Related Party Interests

57.08 Conflicts of Interest [http://www.uhsa.uh.edu/regents/policy/af.html#personnel]

All members of the board and employees of the system and its component institutions shall adhere to and be furnished a copy of the Statutory Standards of Conduct for State Employees, Section 572.051, Texas Government Code, and shall avoid conflicts of interest, generally described as the use of one's university employment or position to obtain unauthorized privileges, benefits, or things of value for oneself or others, including the following:

Internal Audit 10/27/11

11/16/11
AUDIT – J-73
BOARD OF REGENTS POLICIES

57.08.1 No board member or employee shall solicit, engage, or agree to accept any privilege, benefit or thing of value for the exercise of his or her discretion, influence, or powers as an employee or regent, except as is allowed by law.

57.08.2 No board member or employee shall accept any privilege, benefit, or thing of value that might influence him or her in the discharge of his or her duties as an employee or regent.

57.08.3 No board member or employee shall use his or her position to secure special privileges or exemptions for himself or herself or others, except as is allowed by law.

57.08.4 No board member or employee may be an officer, agent, employee, or member of, or own an interest in a professional activity that foreseeably might require or induce him or her to disclose confidential information acquired by reason of his or her system position.

57.08.5 No board member or employee shall accept employment or engage in any business or professional activity that foreseeably might require or induce him or her to disclose confidential information acquired by reason of his or her system position.

57.08.6 No board member or employee shall disclose confidential information gained by reason of his or her system position, nor shall he or she otherwise use such information for his or her personal gain or benefit.

57.08.7 No board member or employee shall transact any business for the system with any entity of which he or she is an officer, agent, employee, or member, or in which he or she owns a significant interest.

57.08.8 No board member or employee shall make personal investments in any enterprise that foreseeably might create a substantial conflict between his or her private interests and the system's interests.

57.08.9 No board member or employee shall accept other employment that might impair his or her independence of judgment in the performance of his or her system duties.

57.08.10 No board member or employee shall receive any compensation for his or her services to the system from any source other than the State of Texas except as is allowed by law.

57.08.11 No board member or employee who exercises discretion in connection with contracts, purchases, payments, claims, or other pecuniary transactions shall solicit, accept, or agree to accept any benefit from a person or entity the employee knows or should know is or is likely to become financially interested in such transactions.

Failure of any employee to comply with the foregoing shall constitute grounds for discharge or other disciplinary action. (5/17/07)

Related Statutes, Policies, or Requirements
Texas Government Code § 572.051 – Standards of Conduct; State Agency Ethics Policy
UH System Board of Regents Policy 57.08 – Conflicts of Interest

Internal Audit 10/27/11

11/16/11
AUDIT – J-74
System Administrative Memoranda (SAM)
02.A.09 – Conflict of Interest
02.A.29 – Ethical Conduct of Employees
BOARD OF REGENTS POLICIES

UNIVERSITY OF HOUSTON SYSTEM BOARD OF REGENTS
CONFLICT OF INTEREST CERTIFICATION
FY2010 - 2011

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

- I do solemnly swear that I will faithfully execute the duties of the Board of Regents of the University of Houston System, and will to the best of my ability preserve, protect, and defend the Constitution and laws of the United States and of this State, so help me God. See Texas Constitution Art. 16, § 1.

- I do solemnly swear that I have not directly or indirectly paid, offered, promised to pay, contributed, or promised to contribute any money or thing of value, or promised any public office or employment as a reward to secure my appointment or confirmation, whichever the case may be, so help me God. See Texas Constitution Art. 16, § 1.


- If I have a personal or private interest in a measure, proposal, or decision pending before the board, I shall publicly disclose the fact to the board in a meeting called and held in compliance with Texas Government Code Chapter 551. I acknowledge that I may not vote or otherwise participate in such a decision pending before the board and further understand that my public disclosure shall be entered in the minutes of the meeting. See Texas Government Code § 572.058(a).

- I shall not:
  
  o Accept or solicit any gift, favor, or service that might reasonably tend to influence me in the discharge of my official duties or that I know or should know is being offered with the intent to influence my official conduct. See Texas Government Code 572.051(a)(1).

  o Accept other employment or engage in a business or professional activity that I might reasonably expect would require or induce me to disclose confidential information acquired by reason of my position. See Texas Government Code 572.051(a)(2).

  o Accept other employment or compensation that could reasonably be expected to impair my independence of judgment in the performance of my official duties. See Texas Government Code 572.051(a)(3).

  o Make personal investments that could reasonably be expected to create a substantial conflict between my private interest and the public interest. See Texas Government Code 572.051(a)(4).

  o Intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised my official powers or performed my official duties in favor of another. See Texas Government Code 572.051(a)(5).

  o With the intent to obtain a benefit or with intent to harm or defraud another, intentionally or knowingly misuse government property, services, personnel, or any other thing of value belonging to the government that has come into my custody or possession by virtue of my office or employment. See Texas Penal Code § 39.02(a)(2).

__________________________ / _________________
Signature                                                  Date

Printed Name

Internal Audit 10/27/11

11/16/11
AUDIT – J-76
UNIVERSITY OF HOUSTON SYSTEM POLICIES

02.A.09 Conflict of Interest [http://www.uhsa.uh.edu/sam/2HumanResources/2A9.htm]

UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM

SECTION: Human Resources
AREA: General
SUBJECT: Conflict of Interest

NUMBER: 02.A.09

1. PURPOSE

Although the University of Houston System depends upon the integrity and discretion of its staff with respect to actual or apparent conflict of interest, all University of Houston System employees are subject to the prohibitions of state law and applicable federal guidelines. This administrative memorandum presents guidelines to avoid conflicts of interest in accordance with Board of Regents Policy 57.08.

2. POLICY

2.1 Conflict of interest is the use of one's University of Houston System employment to obtain unauthorized privileges, benefits, or things of value for oneself or others.

2.2 Guidelines to avoid conflict of interest include the following:
   a. No employee shall solicit, accept, or agree to accept any privilege, benefit or thing of value for the exercise of his or her discretion, influence or powers as an employee except as allowed by law.
   b. No employee shall accept any privilege, benefit or thing of value that might influence him or her in the discharge of his or her duties as an employee.
   c. No employee shall use his or her position to secure special privileges or exemptions for himself or herself or others, except as is allowed by law.
   d. Any employee who is an officer, agent, employee or member of, or owns a significant interest in any entity doing business with any component university of the University of Houston System must disclose such relationship in writing to his or her immediate superior.
   e. No employee shall accept employment or engage in any business or professional activity which foreseeably might require or induce him or her to disclose confidential information acquired by reason of his University of Houston System position.
   f. No employee shall disclose confidential information gained by reason of his or her component university position nor shall he or she otherwise use such information for his or her personal gain or benefit.
   g. No employee shall transact any business for the University of Houston System with any entity of which he or she is an officer, agent, employee, or member, or in which he or she owns a significant interest.
h. No employee shall make personal investments in any enterprise which foreseeably might create a substantial conflict between his or her private interests and the University of Houston System’s interests.

i. No employee shall accept other employment which might impair his or her independence or judgment in the performance of his or her University of Houston System duties.

j. No employee shall receive any compensation for his or her services from any source other than the State of Texas except as allowed by law.

k. No employee who exercises discretion in connection with contracts, purchases, payments, claims or other pecuniary transactions shall solicit, accept or agree to accept any benefit from a person or entity the employee knows, or should know, is or is likely to become financially interested in such transactions.

2.3. Failure of an employee to comply with the foregoing shall constitute grounds for discharge or other disciplinary action.

3. REVIEW AND RESPONSIBILITIES

Responsible Parties: Associate Vice Chancellor for Finance

Review: Every five years, on or before August 31

4. APPROVAL

Approved:
Jim McShan
Interim Vice Chancellor for Administration and Finance
Renu Khator
Chancellor
Date: April 7, 2008

5. INDEXING TERMS
Conflict of interest

http://www.uhsa.uh.edu/sam/2HumanResources/2A29.pdf

UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM

SECTION: Human Resources
AREA: General
SUBJECT: Ethical Conduct of Employees

Internal Audit 10/27/11

11/16/11
AUDIT – J-78
UNIVERSITY OF HOUSTON SYSTEM POLICIES

1. PURPOSE

1.1. New federal and state laws and regulations, together with growing scrutiny of the complex relationships between public institutions and outside public and private organizations and individuals, necessitate the clarification of standards of accountability for public servants. Requirements for ethical behavior are especially important in public institutions of higher education; component university employees are accountable to taxpayers for the use of public funds and also have the responsibility to lead and educate component university students by example.

1.2. University of Houston System employees have a responsibility to the public in the performance of their official duties. High institutional and personal standards of conduct must be maintained to fulfill that responsibility. These standards must include avoiding any actions that would create the appearance of violation of laws or ethical principles. This document sets forth a code of accountability for component university employees in the performance of their component university responsibilities; it identifies areas of particular legal and ethical concern and specifies requirements for compliance with state laws, federal guidelines, Board of Regents policies, standards of ethics, and good business practices.

2. POLICY

2.1. Employees of the System shall avoid using their positions for purposes that are, or give the appearance of being, motivated by a desire for private gain for themselves or others, such as those with whom they have family, business, or other ties. Component university employees shall exercise the utmost good faith in all transactions, activities, and behaviors related to their duties to the System and its property and resources. The principles of good faith and honest dealing apply to all aspects of the employee’s responsibilities and activities on the part of the component university, not just those identified in this directive as subject to particular statutes or causes for particular concern.

2.2. Prior to entering into any consulting, investment, professional or other arrangement that may involve a conflict of interest or commitment, a faculty or exempt employee must submit to the college or department head a complete written disclosure of the pending relationship and any potential conflicts that it may involve. The subsequent arrangements will then be subject to the approval of the appropriate dean, associate vice president, associate vice chancellor, or designee. This provision applies to all regular faculty and exempt staff with procurement or research responsibilities.

2.3. On an annual basis, all non-University business activities and arrangements shall be reported to the Chancellor through the Executive Vice Chancellor of Administration and Finance.

2.4. Component university employees shall promptly disclose to their supervisor or department head any substantiated information regarding what they believe to constitute a violation of this document or any law or institutional policy.
2.5. Failure to comply with the principles outlined in this document shall be considered a breach of the public trust and may subject the employee to disciplinary action up to and including dismissal, as well as to the possibility of criminal action.

3. DEFINITIONS

3.1. **Benefit:** Anything an independent third party observer might reasonably regard to provide a monetary gain or advantage. For the purposes of this policy, a benefit would include, but is not limited to, monetary gifts, meals, employment, or other items of significant gain or advantage. When the appropriateness of a benefit is in question, it should not be accepted.

3.2. **Conflict of commitment:** A situation in which an employee’s outside activities interfere with the employee’s primary commitment of time and intellectual energies to the University, or in which a full-time employee’s primary professional loyalty is not to the System. The general permitted limit to external commitments is one day per calendar week, never to conflict with the employee’s scheduled classes or other duties and responsibilities.

3.3. **Conflict of interest:** A situation in which there is a divergence between the employee’s private interests and the employee’s professional obligations to the component university (i.e. the public interest) such that an independent observer might reasonably question whether the employee’s actions or decisions are determined by considerations of private gain, financial or otherwise, to the component university’s detriment.

3.4. **Honoraria:** A payment for speech, lecture, or services on which, by custom or agreement, a specific price may not be set. For the purposes of this policy, this definition includes any payment from an outside entity for services such as making a speech, teaching a class or workshop, or providing consulting services.

3.5. **Immediate Family:** Includes spouse and dependent children. Children, for the purposes of this policy, include adopted, step and foster children, as well as natural sons and daughters.

3.6. **Relatives:** Individual laws prescribe the relationships covered in specific provisions.

3.7. **System Employee:** An employee of the System is an individual who performs services that are subject to the will and control of the component university in terms of what must be done and how it must be done within legal parameters. For purposes of this document, the term "employee" refers to any individual serving in a faculty, research or staff capacity subject to the terms and conditions described above. An employee is paid through the payroll system, with accompanying tax withholding as provided by law.

4. PROVISIONS

Internal Audit 10/27/11

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UNIVERSITY OF HOUSTON SYSTEM POLICIES

4.1. **Acceptance of gifts or other benefits:** An employee of the System (or member of the employee’s immediate family) may not solicit or accept any gift, favor, privilege, benefit, service, exemption or thing of value that might influence the employee to perform his or her job differently. An employee should assume that anyone having business with the component university as a client, contractor, or vendor is likely to be seen as attempting to curry favor if that person provides any gift or benefit to the employee. More detailed directives related to conflict of interest may be found in Board Policy 57.08 and SAM 02.A.09 - Conflict of Interest.

The only gifts and benefits not subject to this restriction are those conferred on account of kinship or a personal or professional relationship independent of employee’s status, non-cash items of less than $50.00 in value, and those used solely to defray expenses accrued in the performance of official duties that are not reimbursable by the component university.

4.2. **Bribery:** A component university employee commits the criminal offense of bribery if the employee solicits, offers or accepts any benefit in exchange for a decision, opinion, Recommendation, vote or other exercise of discretion by the employee.

4.3. **Business, investments, and professional activity:** An employee or the employee’s immediate family shall not make personal investments in any enterprise that foreseeably might create a significant conflict between the employee’s private interests and the University’s interests. An employee shall not transact any business for the University with any entity of which he or she is an owner, officer, agent, employee or member or in which the employee or the employee’s immediate family owns any significant interest or accrues any benefit.

4.4. **Charitable or professional organizations/pro bono work:** Any contribution of time without compensation to charitable or professional organizations or causes that may infringe upon the employee’s regular work hours must be disclosed to the employee’s department head and must not interfere with the individual’s University responsibilities.

4.5. **Disclosure of confidential information:** No component university employee shall disclose confidential information gained by reason of his or her position, nor shall the employee otherwise use such information for personal gain or benefit. Similarly, no employee shall accept other employment or engage in any business or professional activity that foreseeably might require or induce the employee to disclose confidential information acquired through his or her position.

4.6. **Dual employment:** A System employee may hold another non-elective state or federal office or position of honor, trust, or profit only after being granted prior approval. The Board delegates to the Chancellor or designee the authority to approve such dual office holding by any System employee who is not an officer of the System or its component universities. Officers of the System are defined as executive management employees serving in the following positions: Chancellor, vice chancellor, General Counsel, president, vice president, dean (academic), Chief Audit Executive, and their equivalents.
UNIVERSITY OF HOUSTON SYSTEM POLICIES

(e.g., an administrative head of a recognized department reporting directly to the Chancellor or component university president). Such approval must be based on formal findings that the dual office holding is of benefit to the state or is required by state or federal law and that the situation creates no conflict of interest or commitment.

4.7. **Governmental appearances or expert witness service:** Component university employees appearing before Congress or the Texas Legislature or their agencies, committees, or members to offer testimony, opinions or commentary in regard to existing or potential laws, rules or regulations, unless expressly authorized to do so by the Board or the Chancellor, must clearly state in advance that they are appearing in their individual capacities and that their testimony, opinions and commentary are not authorized by and must not be construed as reflecting upon the position of the System.

Appearances as an expert witness by any employee of the System shall be subject to the provisions of SAM 02.D.07 - Expert Witness Services.

4.8. **Honoraria:** By state law, a component university employee may not solicit, agree to accept, or accept an honorarium in consideration for services the employee would not have been asked to provide but for his or her official position; i.e. for providing services on behalf of the component university. This prohibition includes a payment made to a third party if made in exchange of the employee’s services. This restriction applies to any fee for any service provided in the employee’s official capacity, but does not apply to food, transportation and lodging in connection with the service provided.

4.9. **Lobbying by state employees, political campaigns, holding public office, and other political activities:** The General Appropriations Act prohibits the use of state funds to influence the outcome of any election or any legislative measure. Likewise, this act restricts the use of any component university funds to hire lobbyists and provides restrictions against offering gifts to legislators and accepting gifts from legislators. Similarly, federal restrictions prohibit the use of federal funds to influence federal legislation. The Vice Chancellor for Governmental Relations shall be responsible for the general coordination of System governmental activities.

No component university employee may use his or her authority, influence, or time during University work hours to affect the result of any election or political campaign or to achieve any other political purpose. Likewise, University funds, equipment, or other resources may not be used to work on a political campaign. Component university employees may run for local elective office and serve as elected public officials so long as campaign activities are not conducted during official component university hours and so long as the office does not involve a political party primary or a party affiliation. The employee must provide prior notification to his or her supervisor of the candidacy and election to office.

4.10. **Nepotism:** Relatives of component university employees may not be employed in positions where the employee has the official authority to hire or recommend or approve the hiring, salary, or promotion of the relative, even if it results from marriage after the
employment relationship was formed. The requirements of nepotism statutes may be
found in Board Policy 57.07 and SAM 02.A.21 - Nepotism.

4.11. **Outside consulting or other employment:** The System expects employees to accord a full
professional commitment to the component university during the terms of their
appointments. Interaction between employees and external entities for reasonable periods
of time and for personal remuneration may be desirable when the relationship benefits the
University, enhances the professional skills of the employee, or constitutes a public
service.

However, no employee shall accept consulting or external employment that might impair
his or her independence of judgment in performance of University duties, nor shall an
employee receive any compensation from any source other than the State of Texas except
as allowed by law. All consulting and other paid professional service shall comply with
Board Policy 57.02 and SAM 02.A.08 - Consulting and Outside Employment.

In accordance with Board Policy 57.05, any outside employment of the Chancellor, other
executive officers of the System Administration, or the president or vice presidents of any
component university, including serving on the Board of Directors or governing board of
any outside organization, shall be approved in advance by the Board.

4.12. **Reporting of time and effort; maintenance of all records:** It is a violation of law to falsify
or alter the reporting of time worked, salary records, or any way revise component
university documents or records so as to provide an unearned benefit to the employee or
another party.

4.13. **Transfer of research results, materials, products, records:** Board Policy 21.08 requires that
component university faculty and staff disclose on a timely basis the creation or
discovery of all potentially patentable inventions created with University resources.
Ownership of these inventions must be assigned to the component university regardless
of source of funding.

Component universities must have policies and procedures in place to ensure compliance
with all applicable federal guidelines related to funded research, intellectual property, and
related conflict of interest regulations.

4.14. **Travel:** Travel undertaken on official System business may be paid or reimbursed from
University funds when arrangements comply with applicable SAMs 01.C.05 - Executive
Travel, 03.A.03 - Business Travel, and 03.A.04 - University Credit Cards.

4.15. **Use of component university equipment, facilities, support staff, and other resources:** As
a state employee, under statute, an employee is required to use component university
property for component university purposes only, not for personal or private purposes. In
situations where there is no direct cost to the component university, such as use of
telephones to make occasional local calls, such use is not considered a misapplication of
state property and may be permitted within reason.
UNIVERSITY OF HOUSTON SYSTEM POLICIES

Use of component university facilities, space, equipment or support staff for any activity other than the conduct of the employee’s job responsibilities is permitted only if an appropriate and equitable financial arrangement has been concluded between the individual and the institution prior to the beginning of the outside activity. Please review SAMs 01.B.06 – Facilities Reservation and Rentals and 03.A.05 – Contract Administration for additional guidance.

4.16. Use of System and component university names: The name of the University of Houston System or its component universities may in no case be used for advertising or procurement purposes by any individual or external organization for non-University purposes. Likewise, employees may not represent themselves as acting in the capacity of System or component university employees when conducting consulting or personal activities. The System as well as the component universities bear no responsibility for any actual or implied obligations or liabilities incurred by an individual resulting from a consulting or other paid professional agreement or activity.

5. COMPLIANCE

5.1. In compliance with Board Policy 57.01, each component university is required to provide a copy of the laws and policies comprising the code of ethics to employees annually and to each new employee at the start of their employment. To acknowledge receipt and understanding of these laws and policies, all employees must annually complete Code of Ethics training.

Each component shall establish procedures related to the ethical conduct of employees that shall include the following compliance actions:

a. Annual certification by regular faculty, exempt staff, and other key staff involved in procurement or funded research activities to include the following:

- receipt of this document and compliance with its provisions,

- disclosure of any external consulting, employment, and professional activities – including service on governing boards and ownership in outside enterprises - providing the names of the external employers/organizations involved,

- disclosure of any actual or potential conflicts of interest related to external employment, acceptance of benefits, or external investments, and

- any additional information that may be required by federal funding agencies.

b. A procedure for the timely prior review and approval or disapproval of written disclosures of pending relationships by component university employees entering into any consulting, investment, professional, or other arrangement that may potentially involve a conflict of interest or commitment. Such procedures shall require approval...
at the vice presidential or vice chancellor level of all such activities and annual
reporting to the Chancellor.

5.2. In addition to these System-wide certifications, the Chancellor and presidents are
required to submit an annual financial statement with the Texas Ethics Commission using
the forms provided by the commission. Vice presidents, those at the director level or
higher positions over procurement and contracting functions, and those others considered
by the component to have high-level procurement responsibilities shall file with the chief
financial officer of each component university a report disclosing the following
information:

a. The amount of any compensation received for services related to these associations;
and

b. Known information regarding whether any of the organizations cited have any
relationship to the System and a description of the relationship.

5.3. Information received during the annual certification shall be compiled and submitted to
the Chancellor through the Office of the Executive Vice Chancellor for Administration
and Finance prior to the Chancellor’s annual report to the Board.

6. REVIEW AND RESPONSIBILITIES

   Responsible Party: Associate Vice Chancellor for Finance
   Review: Every five years, on or before March 1

7. APPROVAL

   Approved: Carl P. Carlucci
              Executive Vice Chancellor for Administration and Finance
              Renu Khator
              Chancellor

   Date: June 9, 2009

EXHIBIT A

Citations and References

General

System Board of Regents Policies:
21.08 Intellectual Property
57.02 Consulting and Paid Professional Service
57.04 Dual Employment
57.07 Nepotism
57.08 Conflicts of Interest
81.01 Governmental Appearances

System Administrative Memoranda:
01.C.05 Executive Travel
02.A.08 Consulting and Outside Employment
02.A.09 Conflict of Interest
02.A.21 Nepotism
02.D.07 Expert Witness Services
03.A.03 Business Travel
03.A.04 University Credit Cards

Texas Revised Civil Statutes:
Article 6252-9b-Standards of Conduct
Government Code Chapter 554 - Whistleblower Act

By Provision:

4.1. Acceptance of gifts or other benefits:
     03.F.01 Gift Acceptance Policies

4.2. Bribery:
     01.C.04 Reporting/Investigating Fraudulent Acts

4.3. Business, investments, and professional activity:
     02.A.09 Conflict of Interest
     03.A.17 Disclosure of Related Party Interests

4.4. Charitable or professional organizations/pro bono work:
     03.A.17 Disclosure of Related Party Interests

4.5. Disclosure of confidential information:
     01.D.06 Protection of Confidential Information
     02.A.31 Access to and Maintenance of Staff Personnel Files

4.6. Dual employment:
     02.B.02 Overtime and Compensatory Time

4.7. Governmental appearances or expert witness service:
     09.A.01 Governmental Relations Communications and Appearances

4.8. Honoraria:
     02.A.08 Consulting and Outside Employment
4.9. Lobbying by state employees, political campaigns, holding public office, and other political activities:

02.A.39 Political Aid and Legislative Influence

4.10. Nepotism:
02.A.21 Nepotism

4.11. Outside consulting or other employment:
02.A.08 Consulting and Outside Employment

4.12. Reporting of time and effort and maintenance of other records:
03.D.03 Employee Time and Effort Reporting

4.13. Transfer of research results, materials, products, records:

4.14. Travel:
01.C.05 Executive Travel
03.A.03 Business Travel
03.A.04 University Credit Cards

4.15. Use of University equipment, facilities, support staff, and other resources:
01.B.06 Facilities Reservation and Rental

4.16. Use of University name:

Internal Audit 10/27/11

11/16/11
AUDIT – J-87
UNIVERSITY OF HOUSTON POLICIES

02.04.07 Ethical Conduct of University Employees
[http://www.uh.edu/mapp/02/02/020407.htm]

UNIVERSITY of HOUSTON
MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Human Resources
AREA: Employee Relations
SUBJECT: Ethical Conduct of University Employees (Interim)
December 7, 1999; Interim Revised May 13, 2011

I. PURPOSE AND SCOPE

This document outlines the processes prescribed by the university to ensure that employees are
informed of their responsibilities for accountability and ethical conduct. It requires that any
potential conflict be reviewed and reported in accordance with state and federal laws and
regulations and with Board of Regents policies.

II. DEFINITIONS

A. Benefit: According to statute, anything reasonably regarded as providing monetary gain
or advantage for an employee or an employee’s immediate family. For the purposes of
this document, such benefit shall include personal and individual invitations to meals,
travel, entertainment, services or items of significant gain or advantage with a value of
$50 or more.

B. Bribery: A situation in which an employee solicits, offers, or accepts a benefit in
exchange for a decision, opinion, recommendation, vote, or other exercise of official
discretion.

C. Conflict of commitment: A situation in which an employee’s outside activities interfere
with the employee’s commitment of time and intellectual energies to the university, or in
which a full-time employee’s professional loyalty is not to the University of Houston.

D. Conflict of interest: A situation in which there is a divergence between the employee’s
private interests and professional obligations to the university (i.e., the public interest),
such that an independent observer might reasonably question whether the employee’s
actions or decisions are determined by considerations of private gain, financial or
otherwise, to the university’s detriment.

E. Consulting and outside employment: For the purposes of this document, activities
undertaken for remuneration from a third party where the activity is within the scope of
activities, functions, or expertise for which the individual is compensated by the
University of Houston. This definition does not include unpaid public service or lectures
for fees, unless these activities require significant amounts of time or they otherwise
adversely affect the employee’s performance of university duties.

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F. Honorarium: A payment for speech, lecture, or other services on which, by custom or agreement, a specific price may not be set. For the purposes of this document, this definition includes any payment from an outside entity for services such as making a speech, teaching a class or workshop, or providing consulting services.

G. Immediate family: Includes spouse and dependent children. Children, for the purposes of this document, include adopted, step, and foster children, as well as natural sons and daughters.

H. Related-party interest: A business or personal relationship that exists between a university employee and an outside individual or organization that may influence the employee’s actions or decisions due to considerations of private benefit – financial or otherwise – and/or may create or be perceived as creating a conflict of interest.

I. Significant financial interest: Anything of monetary value including, but not limited to: salary, other payments for services (e.g., consulting fees or honoraria); equity interests (e.g., stocks, stock options, or other ownership interests); and intellectual property rights (e.g., patents, copyrights, and royalties from such rights) that, when aggregated with immediate family:
   1. exceeds $10,000 fair market value and five percent ownership;
   2. or, is expected to exceed $10,000 in payments during the next 12-month period.

III. DISTRIBUTION OF POLICIES REGARDING ETHICAL CONDUCT

In accordance with state law or Board of Regents Policy 57.01.3, copies of the laws and Board of Regents Policies listed below are distributed and otherwise made available online upon initial employment (by Human Resources) and annually (by the Board of Regents’ office).

   A. Statutory Standards of Conduct for State Employees, § 572.051, Texas Government Code

   B. 1997 General Appropriations Act, Article IX, § 5. Political Aid, Legislative Influence

   C. Board of Regents Policies:
      1. Consulting and Paid Professional Service (57.02)
      2. Dual Employment (57.04)
      3. Nepotism (57.07)
      4. Conflicts of Interest (57.08)
      5. Academic Freedom (21.03)
      6. Governmental Appearances (81.01)
      7. Sexual Harassment (29.02)

IV. TIMELY DISCLOSURE OF POTENTIAL CONFLICT OF INTEREST SITUATION
University employees are required and expected to take the initiative to disclose and request prior approval of their department head before entering into any activity or situation that may involve, or appear to involve, a conflict of interest or other potentially incompatible obligation. Such a relationship includes consulting or other outside employment, a relationship defined as a related party interest, or any other relationship that results in a gift or other benefits to the employee. Under the terms of the Board Policy 57.02, exempt staff are required to obtain written approval from their supervisor prior to entering into a consulting/outside employment relationship; faculty are required to notify their department chair and dean prior to entering into such a relationship. Where a question of propriety of the proposed employment or business relationship exists, the department head shall submit the application to the dean (for faculty) or dean or director (for staff). The dean or director may, in turn, consult with the appropriate vice president, Human Resources, or the university Ethics Coordinator, as applicable, prior to resolving the conflict.

V. ANNUAL CERTIFICATION AND REPORTING OF OUTSIDE CONSULTING/EMPLOYMENT AND DISCLOSURE OF EXTERNAL RELATIONSHIPS

On an annual basis, consulting and outside employment shall be reported to the Board through the Executive Vice President for Administration and Finance. Also, on an annual basis, a possible conflict with external business activities and benefits shall be reported to the appropriate vice president. The Office of the Executive Vice President for Administration and Finance is responsible for coordinating this annual survey during the fall of each year, working with the Office of the Senior Vice President for Academic Affairs and Provost and appropriate vice presidents. On an annual basis, the Office of the Vice President for Research and Technology Transfer will coordinate the annual certification of compliance with the Policy on Conflict of Interest for Academic Staff for those staff involved in research or educational activities funded or proposed for funding by an external sponsor.

VI. GUIDELINES, STANDARDS FOR EVALUATING AND RESOLVING POTENTIAL CONFLICT OF INTEREST SITUATIONS

A. Ethics violations include, but are not limited to, bribery, the existence of a conflict of commitment or the existence of a conflict of interest. With the exception of certain transportation, lodging and meals, an ethics violation may also include acceptance of honorarium where the employee solicits, accepts or agrees to accept an honorarium in consideration for services that the employee would not have been requested to provide but for the employee’s official position.

B. Ethics violations are to be reported to the university Ethics Coordinator in Human Resources. The Executive Director of Human Resources or designee will be the university’s Ethics Coordinator.

C. The Ethics Coordinator will make a determination as to the severity of the ethics violation and determine the appropriate university administrative unit(s) that may be a part of the investigation. Investigation of an alleged ethics violation may involve the Internal Auditing Department, University of Houston Department of Public Safety.
(UHDPS), and/or the General Counsel. The employee’s supervisor and the appropriate vice president will be notified. When a staff employee is involved, the investigation shall involve Human Resources and the appropriate vice president. When a faculty member is involved, the investigation shall include input from the Senior Vice President for Academic Affairs and Provost. When sponsored projects are involved, the investigation shall include the Vice President for Research and Technology Transfer and the Policy on Conflict of Interest for Academic Staff will be followed.

D. The Ethics Coordinator notifies the investigative unit(s) (i.e., Internal Auditor, UHDPS, and/or Human Resources, and the appropriate vice presidents) of the reported violation and submits the allegations to the unit(s) for review and investigation.

E. Confidentiality of the information and employee(s) involved in the investigation will be of utmost importance to insure proper adjudication of the allegations.

F. The investigative unit will render its recommendation and/or report to the Ethics Coordinator

G. The Ethics Coordinator reviews the investigative report. Every attempt will be made to resolve internal ethical violations at the lowest level of administrative review. If, however, a reasonable solution cannot be reached; the Ethics Coordinator will appoint the Ethics Review Panel to make a final recommendation for disposition of the issue based upon review the alleged ethical violation the report and/or recommendation of the investigative unit, and any additional information the Ethics Review Panel deems necessary.

H. Recommendations from the investigative unit and/or the Ethics Review Panel may be reviewed by the General Counsel and the appropriate vice president where the internal ethical violation was not resolved at a lower level of administrative review.

I. Based upon the findings of the ethics review process, appropriate administrative action will be taken to insure that the investigated ethics violation is corrected.

J. A final report of the investigation, findings, and recommended corrective action is then submitted through administrative channels to the State Ethics Commission.

VII. PROCESS FOR REQUESTING “ETHICS OPINION” FROM THE ETHICS COORDINATOR AND/OR THE ETHICS REVIEW PANEL

In any case, the responsible manager may contact the university Ethics Coordinator for direction and assistance in resolving a conflict situation. Upon review, the Ethics Coordinator may recommend that the Ethics Review Panel be convened to review the situation and make a recommendation. In such a case, the situation must be put in writing and involve the signatures of the dean or director and the responsible vice president, as well as Human Resources.

VIII. SANCTIONS FOR CONDUCT NOT MEETING STANDARDS OF ETHICS
Employees who fail to comply with the responsibilities and requirements outlined in this document may be subject to disciplinary action. If criminal activity is involved, UHDPS will be involved and the employee will be subject to prosecution and criminal charges.

IX. REVIEW AND RESPONSIBILITY

Responsible Party: Executive Director, Human Resources

Review: Every three years on or before October 1

X. APPROVAL

Carl Carlucci, Executive Vice President for Administration and Finance

John Antel, Senior Vice President for Academic Affairs and Provost

Renu Khator, President

Date of President’s Approval: May 13, 2011

XI. REFERENCES

- Texas Ethics Commission Guide to Ethics Laws for State Employees (www.ethics.state.tx.us/pamphlet/G080o&e.htm)
- Statutory Standards of Conduct for State Employees, § 572.051, Texas Government Code
- Penal Code § 36.02 (Bribery), §36.07 (Honoraria), § 39.01 (Abuse of Office)
- Government Code 572.051 (www.statutes.legis.state.tx.us/docs/gv/htm/gv.572.htm)
- General Appropriations Act Article IX, § 5. Political Aid, Legislative Influence
- UH Board of Regents Policies 21.03, 29.02, 81.01, 57.01, 57.02, 57.04, 57.07, 57.08 (www.uhsa.uh.edu/regents/policy)
- Index Terms: Acceptance of gifts by employees
  - Bribery
  - Confidential information
  - Conflicts of interest
  - Consulting and paid professional services
  - Dual employment
  - Ethics
  - Expert witness service
  - Governmental appearances
  - Honoraria
  - Lobbying by state employees
  - Nepotism
  - Outside employment
UNIVERSITY OF HOUSTON POLICIES

- Political activities by state employees
- *Pro bono* work
- Related party interest
- Sexual Harassment

REVISION LOG

<table>
<thead>
<tr>
<th>Revision Number</th>
<th>Approved Date</th>
<th>Description of Changes</th>
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<tbody>
<tr>
<td>1</td>
<td>12/07/1999</td>
<td>Initial version</td>
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<tr>
<td>2</td>
<td>09/15/2004</td>
<td>Applied revised MAPP template to meet current documentation standards. Added information to Section III for online documentation. Revisited the title of responsible Ethics Coordinator. In Section VI.H, added the sentence on employees being subject to disciplinary action who fail to comply with MAPP 02.04.07</td>
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<tr>
<td>Interim</td>
<td>05/13/2011</td>
<td>Interim designation based on Texas Workforce Commission audit in 04/2011. Applied revised MAPP template and added new Revision Log. Applied hyperlinks throughout documents to references. Added “bribery” to Section II. Rewrote Sections VI and VII to reflect current operating requirements; included UHDPS and Internal Auditing to task force investigating ethics violations. Added Index term. Added web site address to Addendum A</td>
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Addendum A

Statutory Standards of Conduct for State Employees
Board of Regents 57.08 - Conflicts of Interest
§ 572.051, Texas Government Code

All members of the board and employees of the system and its component institutions shall adhere to the Statutory Standards of Conduct for State Employees, Section 572.051, Texas Government Code available online at http://www.statutes.legis.state.tx.us/docs/gv/htm/gv.572.htm. All members of the board and employees of the system and its component institutions shall avoid conflicts of interest, generally described as the use of one’s university employment or position to obtain unauthorized privileges, benefits, services or things of value for oneself or others, including the following:

1. No board member or employee shall solicit, engage, or agree to accept any privilege, benefit, service or thing of value for the exercise of his or her discretion, influence, or powers as an employee except as is allowed by law.
2. No board member or employee shall accept any privilege, benefit, service or thing of value that might influence him or her in the discharge of his or her duties as an employee.
3. No board member or employee shall use his or her position to secure special privileges or exemptions for themselves or others, except as is allowed by law.
4. No board member or employee may be an officer, agent, employee, or member of, or own an interest in a professional activity that might require or induce them to disclose
5. No board member or employee shall accept employment or engage in any business or professional activity that might require or induce them to disclose confidential information acquired by reason of their system position.

6. No board member or employee shall disclose confidential information gained by reason of their system position, or otherwise use such information for personal gain or benefit.

7. No board member or employee shall transact any business for the system with any entity of which they are an officer, agent, employee, or member, or in which they own a significant interest.

8. No board member or employee shall make personal investments in any enterprise that might create a substantial conflict between their private interests and the system’s interests.

9. No board member or employee shall accept other employment that might impair their independence of judgment in the performance of their system duties.

10. No board member or employee shall receive any compensation for services from any source other than the State of Texas except as allowed by law.

11. No board member or employee who exercises discretion in connection with contracts, purchases, payments, claims or other pecuniary transactions shall solicit, accept, or agree to accept any benefit from a person or entity the employee knows or should know is or is likely to become financially interested in such transactions.

12. No board member or employee shall make unauthorized commitments or promises of any kind purporting to bind the system or any of its components. Failure of any employee to comply with the foregoing shall constitute grounds for discharge or other disciplinary action.

Division of Research Policy on Conflict of Interest for Academic Staff [http://www.research.uh.edu/PCC/Research_Policies.html]

University of Houston

Policy on Conflict of Interest for Academic Staff

Introductory Note

In recent years, the issue of conflict of interest has become increasingly important. University faculty and some staff members have taken on new and different functions in addition to the traditional roles of teaching, research, and public service. Spin-off companies transferring technology developed in the laboratory, extensive consultative activities, and various types of public service involvement are encouraged by both federal and state agencies, and by the University as necessary for the public good. Governmental agencies, becoming more concerned about the extent and type of these activities as they relate to funded and proposed research and scholarly activities of faculty and some staff have issued regulations which require universities to develop, publish, and enforce institutional policies which comply with certain federal mandates. Key in these policies is the requirement for regular, timely, and full disclosure of actual or potential conflicts of interest as they relate to significant financial interests which could
reasonably be seen by an impartial observer as effecting the design, conduct, or reporting of research or educational activities funded or proposed for funding by an external sponsor.

DEFINITIONS

Academic Staff Member

An academic staff member means the principal investigator, co-principal investigator, and any other person at the University who is responsible for the design, conduct, or reporting of research or educational activities. This definition includes anyone who is paid by or whose work is supported by a grant or contract whether the support is internal or external (e.g., graduate students, postdoctoral fellows, but not technicians or clerical employees) and includes the immediate family of the academic staff member.

Executive Unit Head

The executive unit head means the chair, or equivalent of other units such as the director of a center or institute, in whom primary administrative authority resides. If a conflict exists for an executive unit head, the term refers to the head of the next level of administrative authority in the normal reporting line.

Immediate Family

Immediate family means the academic staff member’s spouse and dependent children as defined by the IRS.

Significant Financial Interest

Significant financial interest means anything of monetary value, including, but not limited to salary, other payments for services (e.g., consulting fees or honoraria); equity interests (e.g., stocks, stock options, or other ownership interests); and intellectual property rights (e.g., patents, copyrights and royalties from such rights).

The term does not include:

- Salary, royalties or other remuneration from the University;
- Any ownership interest in the institution, if the institution is an applicant under the Small Business Innovation Research Program or Small Business Technology Transfer Program;
- Income from seminars, lectures, or teaching engagements sponsored by public or nonprofit entities;
- Income from service on advisory committees or review panels for public or nonprofit entities;
- An equity interest that, when aggregated for the investigator and the investigator’s spouse and dependent children, meets both of the following tests: does not exceed $10,000 in value as determined through reference to public prices or other reasonable measures of fair market value, and does not represent more than a 5% ownership interest in any single entity; or
Salary, royalties or other payments that, when aggregated for the investigator and the investigator’s spouse and dependent children, are not expected to exceed $10,000 during the next twelve-month period.

GENERAL PRINCIPLES

Conflict of Interest

A conflict of interest may take various forms but exists when there is a divergence between an individual’s private interests and his or her professional obligations to the University such that an independent observer might reasonably question whether the individual’s professional actions or decisions might be influenced by considerations of gain, financial or otherwise, for the individual or his or her family members or for other parties. A conflict of interest depends on the situation, and not on the character or the actions of the individual.

Conflicts of interest are common and practically unavoidable in a modern research university. Conflicts of interest can arise out of the fact that a mission of the University is to promote public good by fostering the transfer of knowledge gained through University research and scholarship to the private sector. Two important means of accomplishing this mission include consulting and the commercialization of technologies derived from University research. It is appropriate that individuals be rewarded for their participation in these activities through consulting fees, sharing in royalties resulting from the commercialization of their work, ownership and/or other associations with spin-off companies. It is wrong, however, for an individual’s actions or decisions, made in the course of his or her University activities, to be determined by considerations of personal financial gain. Such behavior calls into question the professional objectivity and ethics of the individual and reflects negatively on both the institution and the external sponsor of the research activity.

Members of the academic community should conduct their affairs so as to avoid or minimize conflicts of interest, and must respond appropriately when apparent conflicts of interest arise. To that end, the purposes of this policy are to educate individuals about situations that generate conflicts of interest, to provide means for individuals and the University to manage, reduce, or eliminate actual or potential conflicts of interest, and to describe situations that are prohibited. Every member of the academic community has an obligation to become familiar with, and abide by, the provisions of this policy. If a situation arises which raises questions of conflict of interest academic staff are urged to discuss the situation with their department chair, college dean, or the Vice President for Research.

STATEMENT OF POLICY

Policy

Prior to the University entering into any of the arrangements listed below, the involved academic staff member must have submitted to the chair of his/her department or the executive unit head a complete written disclosure. This disclosure should include 1) his or her current or pending relationship with the outside enterprise or entity in which the academic staff member has a
significant financial interest, 2) the relationship of the proposed University activity to the enterprise or entity, and 3) the means by which the academic staff member proposes to address actual or potential conflicts of interest which arise from his or her, including immediate family members, dual University and enterprise or entity roles.

A) Project proposals where any of the involved academic staff members (or immediate family members) have employment or consulting arrangements or significant financial interests in an enterprise or entity whose interests might be affected by the outcome of the proposed project.

B) Project proposals in which any of the involved academic staff members (or immediate family members) have employment or consulting arrangements or significant financial interests in the proposed sponsor, subcontractor, vendor, or collaborator with the proposed project.

C) Gifts, including cash or property, which will be under the control, or will directly support the teaching or research activities of an academic staff member from an enterprise or entity in which that academic staff member (or immediate family members) has an employment or consulting arrangement or significant financial interests.

D) University technology licensing arrangements with an enterprise or entity for which the inventor (or immediate family members) has employment or consulting arrangement or significant financial interests.

E) Common sense must prevail in the interpretation of these provisions. That is, if a reasonable, disinterested person would question the relationship, it should be disclosed and approval sought for the proposed arrangement.

Certification of Compliance

On an annual basis, all academic staff members must certify to their department chair or executive unit head their knowledge of and compliance with the financial disclosure policy of the University as outlined herein. (A sample certification form is at the end of this document.) The certification form also requires the same information about members of the academic staff member’s immediate family. Academic staff members must supply this information for confidential review by the University. At minimum, disclosures must include the information found on the sample certification form at the end of this document. Individual colleges of the University may design their own forms, including more, but not less, information than that requested below.

In addition, academic staff members must disclose to their department chair or executive unit head on an ad hoc basis new situations in which significant financial interests are obtained and which may raise questions of conflict of interest as soon as such situations become known to the academic staff member.
The department chair or the executive unit head (if he/she does not report to the Vice President for Research) will review the certification form and forward to the Division of Research or to the Dean of the appropriate college as indicated on the certification form.

The dean or executive unit head (if he/she reports to the Vice President for Research) will review the financial disclosure, determine whether an actual or potential conflict of interest exists, and determine what conditions or restrictions, if any, should be imposed by the institution to manage, reduce or eliminate such conflict of interest. An actual or potential conflict of interest exists when the reviewer(s) reasonably determines that a significant financial interest could affect the design, conduct, or reporting of the research or educational activities in question.

Examples of conditions or restrictions that might be imposed to manage, reduce, or eliminate actual or potential conflicts of interest include:

- Public disclosure of significant financial interests;
- Monitoring of research by independent reviewers;
- Modification of the research plan;
- Disqualification from participation in that portion of the research that would be affected by the significant financial interests;
- Divestiture of the significant financial interests; or
- Severance of relationships that create actual or potential conflicts.

If the dean or executive unit head determines that imposing conditions or restrictions would be either ineffective or inequitable, and that the potential negative impacts that may arise from a significant financial interest are outweighed by interests of scientific progress, technology transfer, or the public health and welfare, then the dean or executive unit head may recommend that the research go forward without imposing such conditions or restrictions. Such a recommendation will be forwarded to the Vice President for Research, who shall be advised by a committee of faculty, for his or her review and approval. However, in any case any significant financial interest shall be publicly disclosed.

Following review and approval of any proposed arrangements by the dean or the executive unit head, the academic staff member’s disclosure and the dean’s findings and recommendation shall be submitted to the Vice President for Research, who shall be advised by a committee of faculty, for his or her review and approval.

Records of all financial disclosures and of all actions taken to resolve actual or potential conflicts of interest will be maintained in the Division of Research until at least 3 years beyond the termination or completion of the sponsored project award to which they relate, or the resolution of any government action involving those records.

Failure of any academic staff member to comply with this policy shall constitute grounds for disciplinary action.
Responsibilities of Academic Deans and Executive Unit Heads

Each department chair, dean, executive unit head and the Vice President for Research is responsible for the timely review of annual certifications as well as ad hoc disclosure reports. The dean shall use his or her discretion and knowledge of local conditions to set up a system that works well for the college. Each college’s plans for distribution, receipt, processing, and review of disclosure forms shall be submitted to and approved by the Vice President for Research. However, individual colleges may have more, but not less, restrictive internal policies than those set forth by the University.

College deans and executive unit heads will file their own disclosures and certifications of compliance with the Vice President for Research.

Responsibilities of the Vice President for Research

The Vice President for Research is the University officer responsible for interpreting and overseeing implementation of and compliance with this Policy. He or she is responsible for reviewing and approving each college’s mechanisms for implementing this Policy.

The Vice President for Research is responsible for keeping the appropriate external funding agency informed if the institution finds it is unable to satisfactorily manage an actual or potential conflict of interest for any activity where that agency requires that it be notified in such instances.

Appeals of Decisions Made by the Vice President for Research

Should an academic staff member wish to appeal a decision made by the Vice President for Research, he or she may present the appeal to the President of the University of Houston.

Implementation

This policy as written is based on the final regulations issued by the National Science Foundation and the Public Health Service effective October 1, 1995.

All academic staff members will be required to submit an annual disclosure (see attached) beginning September 1995 and when submitting a research proposal to one of the agencies which has mandated financial disclosure and to respond to the specific requirements related to that proposal submission as required by that agency. Faculty submitting proposals to the NSF or PHS (including NIH) on or after October 1, 1995, will be required to complete and submit a disclosure prior to submission of proposals.

Reviewed 9/1999
UNIVERSITY OF HOUSTON POLICIES

APPENDIX I

University of Houston
Annual Certification of Compliance
With the Policy on Conflict of Interest for Academic Staff
September 1, __________ (year) through August 31, __________ (year)

NAME ___________________________________________

DEPARTMENT _______________________________ TITLE __________________________

The following questions apply to your situation as it currently exists. If there are any changes during the current fiscal year (i.e., September 1 through the following August 31) you must resubmit this form with the new information. If you answer "YES" to any of the questions below, list each such arrangement, provide an attached written explanation, and indicate how you propose to manage, reduce or eliminate the conflict of interest.

1. Do you currently have internally or externally sponsored research or are you supported by a grant or contract the outcome of which could affect the interests of an enterprise or entity which you (or your immediate family of relations, i.e. spouse, blood relations, step-relations, in-laws and adoptive relations) have employment or consulting arrangements and/or significant financial interest?
   □ YES or □ NO

2. Do you currently have internally or externally sponsored research or are you supported by a grant or contract where you (or your immediate family of relations, i.e. spouse, blood relations, step-relations, in-laws and adoptive relations) have employment or consulting arrangements and/or significant financial interests with the sponsor of the research, a subcontractor to the grant, a vendor, or a research collaborator?
   □ YES or □ NO

3. Do you currently have gifts or cash or property which are under your control, or which directly support your teaching or research activities from an enterprise or entity in which you (or your immediate family of relations, i.e. spouse, blood relations, step-relations, in-laws and adoptive relations) have an employment or consulting arrangement and/or significant financial interests?
   □ YES or □ NO

CERTIFICATION

In submitting this form, I certify that the above information is true to the best of my knowledge and that I have read the University’s policies related to conflict of interest as described in the “Policy on Conflict of Interest for Academic Staff.” I supply this information for confidential review by the University and I do not authorize release of any of it for any other use.

SIGNATURE ___________________________ DATE ___________________________

Revised COI Form 08.2009

Internal Audit 10/27/11

11/16/11
AUDIT – J-100
Administrative Review and Approval

Department Chairman or Unit Head (signature required on all forms):

☐ To the best of my knowledge no conflict of interest exists.
☐ A conflict of interest may exist but does not appear to be significant.
☐ A conflict of interest may exist which warrants further review

Chair (or Unit Head) Signature: ________________________________ Date: __________________

Dean and Vice President for Research (signature required if any potential conflict is reported):

Based on the information reported:

☐ To the best of my knowledge no conflict of interest exists.
☐ A conflict of interest may exist but does not appear to be significant.
☐ A conflict of interest may exist which warrants further review

Dean’s (or Director’s) Signature: ________________________________ Date: __________________

Vice President for Research Signature: __________________________ Date: __________________

Instructions for Processing:

All forms must be submitted annually by October 31 to the Division of Research. Original signatures are required. “Signed by,” computer-generated, and rubber stamp signatures WILL NOT be accepted. Individuals with joint appointments must file a form with each unit. Completed and signed forms should be scanned and uploaded into the Division of Research database system. Instructions are available at:


Select “Procedure for Scanning and Storing Files in RD2K.” The departments/dean’s offices must have procedures in place for the filing and storage of the conflict of interest forms. Should you have any questions, please contact the Division of Research.

Revised COI Form 08.2009

Internal Audit 10/27/11

11/16/11
AUDIT – J-101
01.A.12 Standards of Conduct
[http://www.uhd.edu/about/hr/PS01A12.pdf]

Memo to: All UH-Downtown/PS Holders
From: Max Castillo, President
Subject: Standards of Conduct Policy

1. PURPOSE

This Policy Statement specifies the standards of conduct to which University of Houston - Downtown (UHD) employees shall adhere to in order to avoid conflicts of interest, in accordance with Chapter 572, Texas Government Code. In summary, no state employee may have a direct or indirect interest, including financial and other interests, or engage in business transactions or professional activities, or incur any obligation of any nature that is in substantial conflict with the proper discharge of the employee’s duties in the public interest. Further, new federal and state laws and regulations, together with growing scrutiny of the complex relationships between public institutions and outside public and private organizations and individuals, necessitate the clarification of standards of accountability for public employees. Requirements for ethical behavior are especially important to university employees because they are accountable to taxpayers for the use of public funds and have the responsibility to lead and educate students by example.

2. DEFINITIONS

2.1 Benefit: Anything an independent third party observer might reasonably regard to provide a monetary gain or advantage. When the appropriateness of a benefit is in question, it should not be accepted.

2.2 Conflicts of interest: are defined as the use of one’s University employment to obtain unauthorized privileges, benefits or things of value for oneself or others.

2.3 Conflict of commitment: A situation in which an employee’s outside activities interfere with the employee’s primary commitment of time and intellectual energies to the University, or in which a full-time employee’s primary professional loyalty is not to the University of Houston-Downtown.

2.4 Honoraria: A payment for speech, lecture, or services on which, by custom or agreement, a specific price may not be set.

3. POLICY/PROCEDURES

3.1 No employee shall accept or solicit any gift, favor, privilege, benefit, service, exemption, or thing of value that might reasonably tend to influence him/her in the discharge of official duties
or that the employee knows or should know is being offered with the intent to influence the employee’s official conduct.

3.2 A university employee commits the criminal offense of bribery if the employee solicits, offers, or accepts any benefit in exchange for a decision, opinion, recommendation, vote, or other exercise of discretion by the employee.

3.3 No employee shall accept other employment or engage in a business or professional activity, which foreseeably might require or induce him/her to disclose confidential information acquired by reason of this University position.

3.4 No employee shall accept other employment or compensation which might impair his/her independence of judgment in the performance of his/her University duties.

3.5 No employee shall make personal investments that could reasonably be expected to create a substantial conflict between the employee’s private interests and the public interest.

3.6 By law, an employee may not solicit, agree to accept, or accept an honorarium in consideration for services the employee would not have been asked to provide but for his or her official position. This prohibition includes a payment made to a third party if made in exchange of the employee’s services. These restrictions do not apply to food, transportation, and lodging in connection with the service provided.

3.7 No employee shall intentionally or knowingly solicit, accept or agree to accept any benefit for having exercised his/her official powers or his/her official duties in favor of another.

3.8 Board of Regents Policy, 21.08 requires university faculty and staff to disclose on a timely basis the creation or discovery of all potentially patentable inventions created or discovered in the course of their university activities or with use of university resources. Ownership of these inventions must be assigned to the university regardless of source of funding.

3.9 Failure of any employee to comply with the foregoing standards of conduct shall constitute grounds for discharge or other disciplinary action.

4. COMPLIANCE

4.1 The University of Houston - Downtown will distribute annually Policy Statement 01.A.12, Standards of Conduct, to all employees. An annual certification by regular faculty, exempt staff, and other key staff involved in procurement or funded research activities is required to include the following:

- Receipt of this Policy Statement and compliance with its provisions,
- Disclosure of any external consulting, employment, and professional activities,
- Including service on governing boards and ownership in outside enterprises,
- Providing the names of the external employers/organizations involved,
- Disclosure of any actual or potential conflicts of interest related to external employment, acceptance of benefits, or external investments, and
UNIVERSITY OF HOUSTON DOWNTOWN POLICIES

- Any additional information that may be required by federal funding agencies.

A timely review and approval or disapproval of written disclosures of pending relationships by university employees entering into any consulting, investment, professional, or other arrangements that may potentially involve a conflict of interest or commitment must be done prior to beginning any such activities. Approval must be secured in writing from the Vice-President for Administration and Finance. All approved activities must be reported annually by the Vice President of Administration and Finance to the University of Houston System Chancellor.

4.2 In addition to university-wide certifications, the President is required to submit an annual financial statement with the Texas Ethics Commission using the forms provided by the Commission. Vice Presidents, those at the director level or higher positions over procurement and contracting functions, and those employees considered by the University of Houston - Downtown to have high-level procurement responsibilities shall file with the Vice President for Administration and Finance a report disclosing the following information:

- The amount of any compensation received for services related to these associations and
- Known information regarding whether any of the organizations cited have any relationship to the University of Houston System and a description of the relationship.

4.3 Information received during the annual certification shall be compiled and submitted to the Chancellor through the Office of the Vice Chancellor for Administration and Finance prior to the Chancellor’s annual report to the Board of Regents.

5. REVIEW AND RESPONSIBILITIES
Responsible Party (Reviewer): Assistant Vice President for Human Resources and Affirmative Action
Review: Bi-annually

President

Policy History
Issue #1: 05/16/1994
Issue #2: 03/15/1999
Issue #3: 02/01/2004
1. PURPOSE

University of Houston-Downtown (UHD) employees have a responsibility to the public to maintain high institutional and personal standards in the performance of their official duties. This policy defines the standards of conduct that must be met by all university employees engaged in any activity related to purchasing or contracting for goods or services for the university. This policy complies with state and federal laws, standards of ethics, and good business practices.

2. DEFINITIONS

2.1 Benefit: Anything reasonably regarded as providing monetary gain or advantage. For the purposes of this policy, such benefit shall include personal and individual invitations to meals or items of significant gain or advantage with a value of $50.00 or more.

2.2 Conflict of interest: A situation in which there is a divergence between the employee's private interests and the employee's professional obligations to the University (i.e. the public interest) such that an independent observer might reasonably question whether the employee's actions or decisions are determined by considerations of private gain, financial or otherwise, to the University's detriment.

2.3 Financial relationship: Includes paid employment, consulting or other contract work, ownership or investment such that the relationship accrues a financial benefit to the employee or family member. This directive concerns benefits to the employee or family member that are direct and substantial.

2.4 Immediate family: Includes spouse and dependent children. Dependent children, for the purposes of this policy, include adopted, step-, and foster children, as well as natural sons and daughters.

2.5 Procurement or purchasing activities includes:

2.5.1 approvals, disapproval, or recommendations concerning a procurement transaction
2.5.2 preparation of any part of procurement actions
2.5.3 influencing the content of any specification or procurement standard
2.5.4 acting in any advisory capacity including rendering of advice, investigation, or auditing in any procurement activity

2.6 Regular employee: A university employee who is employed at least 20 hours per week on a regular basis for a period of at least 4-1/2 months, excluding students employed in a position for which student status is a condition of employment.

3. POLICY

3.1 This policy applies to all procurement activities by all university employees, and in particular to regular faculty, exempt staff, and non-exempt staff who have certifying signature authority. These directives apply to procurement actions from all sources of funds.

3.2 UHD employees shall not participate in the selection of a vendor or the award or administration of any contract or purchase if a real or apparent conflict of interest would be involved. A conflict would exist if the employee or any member of his or her immediate family had a financial or other interest in a firm otherwise eligible for the procurement action, and that interest would result in personal benefit to the employee or family member.

3.3 University employees shall neither solicit, demand nor accept any gift, favor, privilege, benefit, service, exemption, special discount, trip, employment, loan, gratuity, economic opportunity, or thing of value from any vendor, contractor, or party to a subagreement that would result in personal benefit and/or that could influence the employee's official conduct. In cases where the appropriateness of the benefit may be in question, the benefit should not be accepted.

3.4 Any attempt to realize personal gain through conduct inconsistent with the proper discharge of the employee's duties to the university is a breach of the public trust and will subject the employee to disciplinary action up to and including termination, as well as to the possibility of criminal charges.

3.5 University employees who, as a function of their job responsibilities, participate directly or indirectly in any procurement activity may not (nor shall any member of their immediate families):

3.5.1 acquire or maintain a direct financial relationship pertaining to the procurement
3.5.2 acquire or maintain a direct financial relationship with a business or organization pertaining to the procurement
3.5.3 enter into a negotiation or an arrangement concerning prospective employment with a person, business, or organization involved in any specific procurement in which the employee is involved.
3.6 A university employee shall not offer, give, or agree to give any individual or organization a gratuity, benefit, or offer of employment in connection with any procurement activity.

3.7 A university employee may not disclose confidential information obtained by reason of his or her position nor otherwise use such information for actual or anticipated personal gain or for the personal gain of any other person.

3.8 This policy allows the use of employee-authored textbooks or other intellectual property in the employee's courses.

3.9 All faculty and staff in a position to originate purchase requests or influence purchasing decisions shall annually complete a disclosure statement regarding related-party interests as required in UH System Administrative Memorandum 03.A.17, Disclosure of Related Party Interests.

4. PROCEDURES

There are no procedures associated with this policy.

5. EXHIBITS

There are no exhibits associated with this policy.

6. REVIEW PROCESS

Responsible Party: Vice President for Administration & Finance and Vice President for Academic Affairs

Review: Every three years on or before August 1st.

Signed original on file in Employment Services and Operations.

7. POLICY HISTORY

Issue #1: 11/01/99

8. REFERENCES

UH System Administrative Memorandum 03.A.17

Internal Audit 10/27/11

11/16/11
AUDIT – J-107
06.A.03 Standards of Conduct in Government-Sponsored Research
[http://www.uhd.edu/about/hr/PS06A03.pdf]

Memo to: All UH-Downtown/PS Holders
From: Max Castillo, President
Subject: Standards of Conduct in Government-Sponsored Research

1. PURPOSE

This PS outlines the standards of procedure and conduct in Government-sponsored research adhered to by the University of Houston - Downtown (UHD). These standards are part of a joint statement of The Council of the American Association of University Professors and The American Council on Education. All University employees must abide by the procedures outlined herein to prevent conflicts of interest with outside parties, including government agencies.

2. POLICY/PROCEDURES

2.1 Favoring of Outside Interests. When a University employee involved in government-sponsored work has a significant financial interest in, or a consulting arrangement with, a private business concern, actual or apparent conflicts of interest must be avoided between his government-sponsored University research obligations and his outside interests and other obligations. Situations in or from which conflicts of interest may arise are:

2.1.1 Undertaking or orientation of the employee’s University research to serve the research or other needs of the private firm without disclosure of these activities to the University and to the sponsoring agency;

2.1.2 Purchase of major equipment, instruments, materials, or other items for University research from the private firm in which the employee has the interest without disclosure of such interest;

2.1.3 Use for personal gain or to benefit a private entity of Government-sponsored work products, results, materials, records, or information that are not made generally available (This would not necessarily preclude appropriate licensing arrangements for inventions, or consulting on the basis of Government-sponsored research results where there is significant additional work by the employee independent of the Government-sponsored research);

2.1.4 Use for personal interest or other unauthorized use of privileged information acquired in connection with the employee’s Government-sponsored activities. Privileged information includes, but is not limited to, medical, personnel or security records of individuals; anticipated material requirements of price actions; possible new sites for government operations; and knowledge of forthcoming programs or selection of contractors/subcontractors in advance of official notice.
2.1.5 Negotiation or influence upon the negotiation of contracts relating to the employee’s Government-sponsored research between the University and private organizations with which the employee has consulting or other significant influence.

2.1.6 Acceptance of gratuities or special favors from private organizations with which the University does or may conduct business in connection with a Government-sponsored research project, or extension of gratuities or special favors to employees of the sponsoring Government agency, under circumstances which might reasonably be interpreted as an attempt to influence the recipients in the conduct of their duties.

2.2 Distribution of Effort. There should be a clear understanding, by all concerned parties, of the amount of time and responsibilities for which an employee is accountable, when involved in Government-sponsored research. A demonstrable relationship between the effort or responsibility proposed in the research agreement and the actual extent of the employee’s involvement is expected in order to avoid any misconceptions of the amount of intellectual effort being devoted to the research in question.

2.3 Consulting for Government Agencies or their Contractors. When the University employee engaged in Government-sponsored research also serves as a consultant to a Federal agency, his/her conduct is subject to the provisions of the Conflict of Interest Statutes (18 U.S.C. 202-209 as amended). If the employee consults for one or more Government contractors, or prospective contractors, in the same technical field as his/her research project, care must be taken to avoid giving advice that may be of questionable objectivity because of its possible bearing on his/her other interests. In undertaking and performing consulting services, the employee shall make full disclosure of such interests to the University and to the contractor insofar as they may appear to relate to the work at the University for the contractor.

2.4 University Responsibilities. UHD recognizes that disclosure and consultation are the obligations assumed by the University when it accepts government funds for research. UHD will herein implement organizational and administrative actions to prevent conflicts of interest in Government-sponsored research.

2.4.1 The Coordinator of Grants and Contracts and the Principal Investigator will insure that all Government funds are expended for the purposes for which they are intended and that all services which are required in return for these funds are supplied (See Exhibit A for specific procedures.).

2.4.2 Any UHD employee involved in Government-sponsored research must consult with the appropriate vice president before accepting any outside professional work to insure there will not be any real or perceived conflicts of interest with the research.

2.4.3 The Vice President for Administration or designee will serve as an informed source of advice and guidance for consultation on problems that may or do develop as a result of University employees’ outside financial or consulting interests, as they relate to their participation in any Government-sponsored research.

2.4.4 All University employees participating in Government-sponsored research must abide by the standards outlined herein as well as those delineated in all Grant Administration policies (PS 06.A.xx).

3. REVIEW AND RESPONSIBILITIES
Responsible Party (Reviewer): Vice President for Administration
UNIVERSITY OF HOUSTON DOWNTOWN

GRANT ACCOUNTING PROCEDURES

The University of Houston – Downtown (UHD) is the recipient of awards and grants from various governmental or private entities. These grants are awarded for specific activities, such as research.

The Coordinator of Grants and Contracts is responsible for the accounting, reconciliation, reporting and reimbursement activities relating to awards. For each award, separate accountability is maintained.

Upon receipt of an award, an account number is assigned and the budget is established based on the allocations approved by the awarding agency. The budget is created according to the categories of the award and the Principal Investigator (PI) is assigned as the Account Manager. In most cases, the University will initially expend its own funds. Some federal grants are reimbursed through a letter of credit arrangement with the various federal agencies. An established volume criteria per agency must be maintained before a letter of credit may be established with an agency. Therefore, UHD’s letters of credit are combined with the other UH components. UHD draws down funds daily or weekly depending on the agency. The Coordinator of Grants and Contracts monitors these types of expenditures closely to minimize the length of time local funds are used. UH Central Research Accounting Office prepares the federal PMS 272 report (monthly for the Department of Education and quarterly for other federal agencies). Expenditures for grants from state or private entities are billed to the agencies. These billed receivables are also monitored closely to insure timely payments.

Grant Accounting is responsible for requesting funds from the awarding agency, tracking expenditures, verifying the legality of the expenditures and matching them against the award budget and balance. Periodic reporting of the expenditures and reconciliation of reimbursements is required for each grant, as dictated by the awarding agency.

Once a month, an account analysis is processed for each grant and forwarded to the respective Principal Investigator. The PI will:

1. Review all expenditures;
2. Recommend action should encumbrances need to be changed or canceled. (PI notifies Grant Accounting of needed corrections);
3. Request Grant Accounting to process any necessary reclassification of budgetary-related items, after seeking approval from the awarding agency. Accounting will notify the Budget Office which will make all necessary changes; and
4. Request reclassification of accounts if overexpenditures occur. The PI must supply Grant Accounting with the departmental account that will absorb this expense. Grant Accounting will process the entry.

Research Accounting will reconcile the general subledgers for all grant accounts (Ledger 5) on a monthly basis.

Prior to the expiration of a grant, the PI will be responsible for the following:

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1. Notify the Purchasing Department regarding the disposition of any outstanding encumbrances relating to purchases.

2. Notify the Payroll Department regarding the disposition of any outstanding payroll encumbrances relating to items that are not in line with the original intent of the approved grant budget.

3. Review expenditures as they relate to particular budgets granted. If expenditures should be applied to another account, the Grant Accounting Department should be notified.

4. Notify the Budget and Grant Accounting departments regarding any reclassification, or proposed reclassification, of any budgetary change to the account. This may require prior approval by the awarding agency.

5. If the account has a negative balance of funds available, the Grant Accounting Department will be notified as to which account will be used to absorb any expenditures that have exceeded the original budgeted amount.

Once the PI complies with the foregoing steps, Grant Accounting will process and forward the final financial report to the regulatory agency.
UNIVERSITY OF HOUSTON DOWNTOWN POLICIES

06.A.04 Procurement Integrity Policy

Memo to: All UH-Downtown/PS Holders

From: Max Castillo, President

Subject: Procurement Integrity Policy

1. PURPOSE

This PS outlines the prohibited actions by of University of Houston - Downtown (UHD) personnel who have any role in the development and submission of proposals to federal agencies and/or negotiations of any contracts.

2. POLICY/PROCEDURES

2.1 Section 27 of the OFPP Acts Amendment of 1988, entitled “Procurement Integrity” prohibits certain activities by universities and their personnel, especially principal investigators and administrative officials, while the government is reviewing proposals in anticipation of making an award. This law affects the interaction of University personnel with program and procurement officials in the federal government. It may also affect the interaction of University personnel as consultants to any governmental agency.

2.2 Activities which University personnel are prohibited from engaging in are as follow:

2.2.1 Discuss any potential future employment of government officials;

2.2.2 Provide anything of value to governmental officials or their families;

2.2.3 Offer any money, gratuity, or other thing of value to any procurement officer; or

2.2.4 Solicit proprietary or source selection information from governmental officials.

2.3 If the proposed award is $100,000 per year or more, the Vice President for Administration shall file, concurrent with submission of the proposal and/or the award, a certification concerning procurement integrity by the University (Exhibit A).

2.4 Violation of these regulations will result in loss of contract awards (or a part thereof), and may result in suspension or debarment from receipt of any federal awards.

3. REVIEW AND RESPONSIBILITIY

Responsible Party (Reviewer): Vice President for Administration

Review: Biennial

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UNIVERSITY OF HOUSTON DOWNTOWN POLICIES

President

Policy History
Issue #1: 08/01/94

EXHIBIT B
(PS 06.A.04)

UNIVERSITY OF HOUSTON-DOWNTOWN
CERTIFICATION REGARDING PROCUREMENT INTEGRITY
(Federal Contracts and Grants)

The undersigned certifies, to the best of his knowledge and belief, that the University of Houston-Downtown has abided by the requirements of the Procurement Integrity regulations, whereby University employees have not, knowingly:

a) Made, directly or indirectly, any offer or promise of future employment with any procurement officer of the federal agency;

b) Offered or gave, directly or indirectly, any money, gratuity, or other thing of value to any procurement officer of the federal agency;

c) Solicited or obtained, directly or indirectly, any proprietary or source selection information regarding such procurement.

T. Chaney Anderson, Vice President for Administration

Date

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AUDIT – J-114
06.A.07 Ethical Conduct in Research and Government-Sponsored Activities
[http://www.uhd.edu/about/hr/PS06A07.pdf]

Memo to: All UH-Downtown/PS Holders

From: Max Castillo, President

Subject: Ethical Conduct in Research and Government-Sponsored Activities

1. PURPOSE

This PS states the University of Houston - Downtown (UHD) policy and procedures for promoting ethical behavior in all research, scholarly and creative activities, and government-sponsored activities, and outlines how to handle allegations of scientific misconduct. This policy does not address items such as differences in interpretation or judgment of data, scholarly or political disagreements, personal or professional opinions, or private, moral or ethical behavior or views.

2. DEFINITIONS

2.1 Misconduct is defined as deliberate fabrication, falsification plagiarism, or other serious deviation from practices commonly accepted in the academic and scientific communities for proposing, conducting, or reporting results from education, research, and scholarly or creative activities. Misconduct also refers to retaliation against a person who, acting in good faith, reports or provides information about suspected or alleged misconduct.

2.2 Inquiry is defined as a stage of preliminary information-gathering and initial fact-finding to determine whether an allegation or apparent instance of misconduct warrants an investigation.

2.3 Investigation is a formal examination and evaluation of relevant facts to determine whether misconduct has taken place or, if misconduct has already been confirmed, to assess its extent and consequences and/or to determine appropriate action.

2.4 Relevant Parties is defined as the person(s) against whom the allegations were made, the person making the allegations, and the funding agency (if a government-sponsored activity).

3. POLICY/PROCEDURES

3.1 Policy

3.1.1 All research and government-sponsored activities in which members of the University community engage shall be conducted according to the recognized high ethical standards of collegiate education and research.
3.1.2 Ethical behavior includes, but is not limited to, faithful representation of data and accurate disclosure of all facts pertaining to all education and research activities.

3.1.3 Participants in research projects must be noted and persons listed as coauthors on research reports of any type must have a bona fide role in the research and accept responsibility for the quality of work reported.

3.1.4 All members of the University community have the responsibility to report those activities which they believe constitute unethical behavior.

3.1.5 All allegations of misconduct involving science and/or engineering activities funded by the Public Health Service, the National Institutes of Health, and/or the National Science Foundation, must be reported according to the steps delineated in Exhibit A.

3.2 Procedures for Investigating Allegations of Misconduct

3.2.1 Allegations of unethical behavior or misconduct shall be reported in writing to the Vice President of Academic Affairs and Provost (VPAA) for review and action. If the VPAA has a possible conflict of interest, the allegation shall be reported to the President. In such instances, duties assigned to the VPAA in implementing this policy will be implemented by the President.

3.2.2 The VPAA will authorize an inquiry into the suspected or alleged misconduct and determine whether the allegations warrant further examination as violations of University policy. The initial inquiry will last no longer than 60 calendar days and must include a meeting with the subject(s) of the allegation. This inquiry will result in the VPAA Inquiry Report containing the following information:

a. Name of the person(s) against whom the allegations were made;

b. General nature of the allegations;

c. The application/grant number (if a government-funded activity);

d. Evidence reviewed and persons interviewed; and

e. Conclusions. (A decision to dismiss the allegation or proceed with a formal investigation.)

3.2.3 If the allegations are dismissed, the VPAA will notify the relevant parties within 10 working days. A detailed record of the inquiry shall be maintained in the Office of the Vice President for Administration to allow for a later assessment of the reasons for not conducting a formal investigation. These records shall be securely stored for a period of at least three years after termination of the inquiry.

3.2.4 If the decision is made to initiate a formal investigation, the VPAA will notify the relevant parties and appoint an Investigating Committee (IC). The VPAA will forward to the IC the initial report. The members of the IC will be appointed by the VPAA in consultation...
with the Executive Committee of the Faculty Senate. The IC will consist of at least two tenured faculty representatives from each of the three colleges.

3.2.5 At its first meeting, the IC will elect a chair to handle procedural and administrative matters. The investigative phase will begin within 10 days of completion of the inquiry and shall reach a disposition within 60 days of its initiation. The IC may request the advice or appearance of individuals familiar with the nature of the study while maintaining, to the extent allowed by law, their confidentiality.

3.2.6 The IC shall insure confidentiality of the proceedings and shall undertake diligent efforts to protect the position, anonymity, and reputation of all parties in the misconduct investigation.

3.2.7 The subject of the allegation has the right to submit information to the committee and/or appear personally before the IC to present his/her case. Prior to such appearance, the subject of the allegation has the right to receive a written report from the IC detailing all the evidence relevant to the allegation. At this appearance, he/she may bring legal counsel or an advisor but must speak for himself/herself. If either the IC or the subject of the allegation wishes to have legal counsel or an advisor present during the hearing, the chair of the IC and/or the subject of the allegation must be notified at least one week in advance. This meeting shall be conducted informally.

3.2.8 A record of the proceedings and all related documentation shall be maintained by the IC’s chair throughout the investigative process. Breach of confidentiality will be grounds for a charge of misconduct or other appropriate personnel action.

3.2.9 Once the investigation has been completed, the IC shall issue a formal report summarizing its findings and conclusions which may include a majority and minority report. Copies of the investigative report, the record of the proceedings and all related documentation will be forwarded to the VPAA. Within 10 working days of receiving this report, the VPAA will forward copies of the report to the relevant parties.

3.2.10 All documentation related to the inquiry and investigation proceedings shall be stored in the Office of the Vice President for Academic Affairs and Provost.

3.3 Penalties and Appeals

3.3.1 Within 10 working days of receipt of the report, the VPAA, consonant with the seriousness of the offense, shall impose disciplinary measures which include, but are not limited to, a written reprimand to be placed in the employee’s personnel file, withholding of pay raises for a period of time, notification of the offense to pertinent organizations and publishers, or initiating dismissal procedures within the regulations of the University.

3.3.2 Sanctions imposed by the funding agency, if misconduct occurs in a government-sponsored activity, range from minimal restrictions to suspension or termination of an active award, loss of funding and/or debarment or suspension of an individual, a department, or the University from participating in government-sponsored programs.
UNIVERSITY OF HOUSTON DOWNTOWN POLICIES

3.3.3 Retaliation against the person(s) reporting the allegations of misconduct is prohibited and shall be dealt with as misconduct.

3.3.4 Interim administrative action may be taken by the university and/or the awarding agency upon receipt of allegations of misconduct in research or government-sponsored activities.

3.3.5 The subject of the investigation may appeal the IC’s ruling and/or sanctions imposed by the VPAA to the President. This appeal must occur within 30 calendar days of the receipt of the ruling and/or sanctions being appealed. The President’s decision will be final and binding.

4. REVIEW AND RESPONSIBILITIES
Responsible Party (Reviewer): Vice President for Academic Affairs
Review: Biennial

President

Policy History
Issue #1: 10/16/95

EXHIBIT A
(PS 06.A.07)

STEPS FOR DEALING WITH ALLEGATIONS OF MISCONDUCT
(Science and Engineering Government-Sponsored Activities)
The University of Houston - Downtown has established an administrative process for promoting ethical behavior in education, research and government-sponsored activities and for handling allegations of scientific misconduct. To this end, the procedures stipulated in PS 06.A.07 and the steps outlined below will be followed.

1. Inform the funding agency if an initial inquiry into suspected or alleged scientific misconduct warrants a formal investigation. A copy of the written report resulting from the inquiry shall be received by the funding agency prior to the commencement of the investigation.

2. Keep the funding agency informed throughout the investigation.

3. Provide the funding agency with a copy of the investigation report including the sanctions imposed on the individual(s) against whom the allegations of scientific misconduct were made.

4. Notify the funding agency at any point during the inquiry and/or investigation phase(s) of the alleged misconduct if it involves any of the following:

   a. Immediate health hazards;

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b. Resources, reputation, or other interests of the funding agency which need to be protected;

c. Federal action may be needed to protect the interests of the subject of the investigation or of others potentially affected;

d. The scientific community or the public should be informed, or will be informed; or

e. There is a reasonable indication of a criminal violation. In that instance, the funding agency must be notified within 24 hours of obtaining that information.

4. Science and engineering proposals, for activities funded by the Public Health Service, the National Institutes of Health, and/or the National Science Foundation, must include a copy of the “Certification of Scientific Integrity” executed by the Vice President for Academic Affairs and Provost. This form may be obtained in the Office of the Vice President for Academic Affairs and Provost.
UNIVERSITY OF HOUSTON DOWNTOWN
CERTIFICATION OF SCIENTIFIC INTEGRITY
(Certification for Science or Engineering Proposals)

The undersigned certifies that the University of Houston - Downtown (UHD) will ensure protection of the integrity of all education and research activities, research subjects, and the public; observance of legal requirements and responsibilities; an impartial process for receipt and disposition of allegations of scientific misconduct; prompt notification to the agency if allegations of scientific misconduct occur; protection of the person(s) bringing the allegation; and proper maintenance of a complete and accurate record of the misconduct proceedings for all government-sponsored science and engineering activities.

Vice President for Academic Affairs and Provost

Date

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AUDIT – J-120
10.2.3 Procedure on Conflicts of Interest for Investigators
[http://ptrl.uhcl.edu/portal/page/portal/PRV/FORMS_POLICY_PROCEDURES/FACULTY_H
ANDBOOK/10_2_3_fh]

Approved by University Council, March 10, 2005

1. Purpose

The Conflict of Interest policy applies to individual(s) applying for or receiving funds that are to be managed through the University. In accordance with Federal regulations, the University has a responsibility to manage, reduce, or eliminate any actual or potential conflicts of interest that may be presented by a financial interest of an investigator. Thus, the University requires that investigators disclose any significant financial interest that may present an actual or potential conflict of interest with a sponsored project. Violations of conflict of interest may result in fines and/or penalties against the university.

The goal of the Conflict of Interest policy is to facilitate maintaining objectivity in the production of research results.

2. Definitions

2.1 To be in compliance with Federal regulations governing sponsored projects, we have adopted the following definitions.

2.2 Investigator means the principal investigator/project director, co-principal investigators, and any other person at the university who is responsible for the design, conduct, or reporting of research, educational, or service activities funded, or proposed for funding, by an external sponsor providing funds that are to be managed through the university. In this context, the term “Investigator” includes the investigator’s spouse and dependent children.

2.3 Significant Financial Interest means anything of monetary value, including, but not limited to:

- salary or other payments for services (e.g., consulting fees or honoraria)
- equity interests (e.g., stocks, stock options or other ownership interests)
- intellectual property rights (e.g., patents, copyrights, and royalties from such rights).

The term does not include:

1. salary, royalties, or other remuneration from the university;
2. income from seminars, lectures, or teaching engagements sponsored by public or nonprofit entities;
3. income from service on advisory or review panels for public or nonprofit entities;
4. an equity interest that when aggregated for the Investigator and the Investigator’s spouse and dependent children, meets both of the following tests: does not exceed $10,000 in value as determined through reference to public prices or other reasonable measures of

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fair market value, or constitute more than a five percent ownership interest in any single entity, or
5. salary, royalties, or other payments that when aggregated for the Investigator and the Investigator’s spouse and dependent children over the next twelve months, are not expected to exceed $10,000.

Provided, however, that the exclusions in items (1), (4), and (5) shall not apply if the compensation or transfer of an equity interest is conditioned upon a particular outcome in a sponsored research project.

2.4 A Potential Conflict of Interest occurs when there is a divergence between an individual’s private interests and his or her professional obligations to the University such that an independent observer might reasonably question whether the individual’s professional actions or decisions are determined by considerations of personal gain, financial or otherwise. An actual conflict of interest depends on the situation and not on the character or actions of the individual.

2.5 Conflict of Interest

The following list illustrates some of the most common conflicts of interest that occur with sponsored programs:

- Altering the focus of a research program for the benefit of one’s outside interests or for financial gain;
- Obtaining personal gain by influencing purchases of equipment, instruments, etc.;
- Influencing the negotiation of contracts for inappropriate personal or third party benefit;
- Using or releasing privileged information for personal or third party gain;
- Accepting gratuities or special favors in return for influencing the conduct of research.

3. Procedure

3.1 Prior to the University entering into any of the arrangements listed below, the involved Investigator must have submitted to the dean of his/her School or to the executive unit head a complete written disclosure. This disclosure should include 1) his or her current or pending relationship with the outside enterprise or entity in which the Investigator has a significant financial interest, 2) the relationship of the proposed University activity to the enterprise or entity, and 3) the means by which the Investigator proposes to address actual or potential conflicts of interest which arise from his or her, including immediate family members, dual University and enterprise or entity roles.

3.2 Project proposals where any of the involved Investigators (or immediate family members) have employment or consulting arrangements or significant financial interests in an enterprise or entity whose interests might be affected by the outcome of the proposed project.

3.3 Project proposals in which any of the involved Investigators (or immediate family members) have employment or consulting arrangements or significant financial interests in the proposed sponsor, subcontractor, vendor, or collaborator with the proposed project.
3.4 Gifts, including cash or property, which will be under the control, or will directly support the teaching or research activities of an Investigator from an enterprise or entity in which that Investigator (or immediate family members) has an employment or consulting arrangement or significant financial interests.

3.5 University technology licensing arrangements with an enterprise or entity for which the inventor (or immediate family members) has employment or consulting arrangement or significant financial interests.

3.6 Common sense must prevail in the interpretation of these provisions. That is, if a reasonable, disinterested person would question the relationship, it should be disclosed and approval sought for the proposed arrangement.

4. Implementation

This procedure as written is based on the final regulations issued by the National Science Foundation contained in Manual Number 15 as revised October, 1977 and the Public Health Service Objectivity in Research Guide, National Institutes of Health Guide, effective October 1, 1995.

5. Certification of Compliance

5.1 On an annual basis, all Investigators engaging in sponsored projects must certify to their dean or executive unit head their knowledge of and compliance with the financial disclosure policy of the University as outlined herein. (See Appendix I, sample certification form, at the end of this document.) The certification form also requires the same information about members of the Investigator’s immediate family. Investigators must supply this information for confidential review by the University. At minimum, disclosures must include the information found on the sample certification form at the end of this document.

5.2 In addition, Investigators engaging in sponsored projects must disclose to their Dean or executive unit head on an ad hoc basis new situations in which significant financial interests are obtained and which may raise questions of conflict of interest as soon as such situations become known to the Investigator.

5.3 The dean or executive unit head will review the financial disclosure, determine whether an actual or potential conflict of interest exists, and determine what conditions or restrictions, if any, should be imposed by the institution to manage, reduce or eliminate such conflict of interest. An actual or potential conflict of interest exists when the reviewer(s) reasonably determines that a significant financial interest could affect the design, conduct, or reporting of the research or educational activities in question.

5.4 Examples of conditions or restrictions that might be imposed to manage, reduce, or eliminate actual or potential conflicts of interest include:

- Public disclosure of significant financial interests;
UNIVERSITY OF HOUSTON CLEAR LAKE POLICIES

- Monitoring of projects by independent reviewers;
- Modification of the research plan;
- Disqualification from participation in that portion of the project that would be affected by the significant financial interests;
- Divestiture of the significant financial interests; or
- Severance of relationships that create actual or potential conflicts.

5.5 If the dean or executive unit head determines that imposing conditions or restrictions would be either ineffective or inequitable, and that the potential negative impacts that may arise from a significant financial interest are outweighed by interests of scientific progress, technology transfer, or the public health and welfare, then the dean or executive unit head may recommend that the project go forward without imposing such conditions or restrictions. Such a recommendation will be forwarded through the Executive Director, Office of Sponsored Programs, to the Associate Vice President for Information Resources, who shall provide his or her approval and/or disapproval as delegated by the Provost. Restrictions similar to those listed in section 5.4 may be imposed by the Associate Vice President for Information Resources.

6. Appeals of Decisions

Should an Investigator wish to appeal a decision made by the Associate Vice President for Information Resources, he or she may present the appeal to the Provost who then forms the ad hoc appeals committee. The ad hoc appeals committee is to be made up of one faculty from each school selected by the dean of that school, one member from A&F and one non-academic position appointed by the Provost. The ad hoc appeals committee will make a recommendation to the Provost who has final authority.

7. Retention of Records

Records of all financial disclosures and of all actions taken to resolve actual or potential conflicts of interest will be maintained in the Office of Sponsored Programs until at least 3 years beyond the termination or completion of the sponsored project award to which they relate, or the resolution of any government action involving those records.

Failure of any Investigator to comply with this policy shall constitute grounds for disciplinary action.

Appendix I
University of Houston-Clear Lake
Annual Certification of Compliance
With the Procedure on Conflict of Interest for Investigators

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<th>NAME</th>
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The following questions apply to your situation as it currently exists. If there are any changes during the current fiscal year (i.e., September 1 through the following August 31) you must resubmit this form with the new information. If you answer yes to any of the questions below,
UNIVERSITY OF HOUSTON CLEAR LAKE POLICIES

list each such arrangement, provide an attached written explanation, and indicate how you propose to manage, reduce or eliminate the conflict of interest.
1. Do you currently have internally or externally sponsored projects or are you supported by a grant or contract the outcome of which could affect the interests of an enterprise or entity in which you (or members of your immediate family, i.e., spouse or dependent children as defined by the Internal Revenue Service) have employment or consulting arrangements and/or significant financial interest. YES or NO
2. Do you currently have internally or externally sponsored project or are you supported by a grant or contract where you (or members of your immediate family, i.e., spouse or dependent children as defined by the Internal Revenue Service) have employment or consulting arrangements and/or significant financial interests with the sponsor of the project, a subcontractor to the grant, a vendor, or a research collaborator. YES or NO
3. Do you currently have gifts of cash or property which are under your control, or which directly support your teaching or research activities from an enterprise or entity in which you (or your immediate family members) have an employment or consulting arrangement and/or significant financial interests. YES or NO
4. Does the University currently have a technology licensing arrangement with an enterprise or entity for which you, the inventor, (or your immediate family members) have employment or consulting arrangements and/or significant financial interests. YES or NO

CERTIFICATION

In submitting this form, I certify that the above information is true to the best of my knowledge and that I have read the University's policies related to conflict of interest as described in the "Procedure on Conflicts of Interest for Investigators." I supply this information for confidential review by the University and I do not authorize release of any of it for any other use.

SIGNATURE ___________________________ DATE ________________

Administrative Review and Approval

Possible Conflict of Interest
1. ___ No activity is reported and to the best of my knowledge no conflict of interest exists.
2. Based on the activity reported (brief explanation for each significant interest must be attached), to the best of my knowledge and in my judgment:
   a) ___ No conflicts exist.
   b) ___ A conflict of interest may exist but does not appear to be significant.
   c) ___ A conflict of interest may exist which warrants further review.

Dean’s Signature\footnote{1} ___________________________ Date
Associate Vice President for Information Resources\footnote{2} ___________________________ Date

Distribution instructions:

When Item 1 is checked: Copies of each annual Certification of Compliance will be submitted to the Office of Sponsored Programs from the deans or executive unit heads for retention.

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When Item 2 is checked: The dean will forward such certification to the Associate Vice President for Information Resources—as designated by the Senior Vice President and Provost—who will forward copies of all Annual Certification of Compliance forms to the Office of Sponsored Programs after the potential conflict has been addressed.

Final Authority: Final authority resides with the Provost. In the event of appeal, final authority resides with the Provost. See Section 6.

Retention by Division of Research: The Office of Sponsored Programs will retain those annual Certification of Compliance and ad hoc reports as required by the external agencies.

1Required on all disclosures, whether or not any activity is reported.
2Required whenever 2(b) or 2(c) is checked.

For office use only
Action: 
Comments: 
Date: ______________________ Initials: ______________________

Signature: 
William A. Staples

Title: President
University of Houston-Clear Lake
Approval Date: March 10, 2005
Sunset Date: March 10, 2015
C-8 Employee Standards of Conduct (policy also addresses Conflicts of Interest)  

SECTION: PERSONNEL INDEX C-8  
SUBJECT: EMPLOYEE STANDARDS OF CONDUCT

POLICY

Employees of the University of Houston-Victoria (UHV) are public servants and have a responsibility to the public in the performance of official duties. Federal and state law, together with growing scrutiny of the complex relationships between public institutions and outside public and private organizations and individuals, necessitate the clarification of standards of accountability for public servants. Requirements for ethical behavior are especially important in public institutions of higher education; university employees are accountable to taxpayers for the use of public funds and also have the responsibility to lead and educate university students by example.

The purpose of this policy is to ensure that employees are informed of their responsibilities for accountability and ethical conduct and that any potential conflict is reviewed and reported in accordance with state and federal law and University of Houston System Board of Regents Policies. This policy applies to all university employees, with certain reporting requirements for specific groups as noted.

University employees shall promptly disclose to their supervisor any substantiated information regarding what they believe to constitute a violation of this policy or any law or institutional policy.

Failure to comply with the provisions of this policy may subject the employee to disciplinary action up to and including dismissal, as well as to the possibility of criminal action.

DEFINITIONS

Benefit: Anything reasonably regarded by an independent observer as providing monetary gain or advantage. For the purposes of this policy, a benefit shall include, but is not limited to monetary gifts, meals, employment, travel, or items of significant gain or advantage with a value of $50 or more. When the appropriateness of a benefit is in question, it should not be accepted.

Bribery: A university employee commits the criminal offense of bribery if the employee solicits, offers, or accepts any benefit in exchange for a decision, opinion, recommendation, vote, or other exercise of discretion by the employee.

Conflict of Interest: A situation in which there is a divergence between the employee's private interests and the employee's professional obligations to the university (i.e. the public interest) such that an independent observer might reasonably question whether the employee's actions or
decisions are determined by considerations of private gain, financial or otherwise, to the university's detriment.

**Conflict of Commitment:** A situation in which an employee's outside activities interfere with the employee's primary commitment of time and intellectual energies to the university, or in which a full-time employee's primary professional loyalty is not to UHV. The general permitted limit to external commitments for faculty is one day per calendar week, never to conflict with the employee's scheduled classes or other duties and responsibilities.

**Consulting and outside employment:** For the purposes of this policy, activities undertaken for remuneration from a third party when the activity is within the scope of activities, functions, or expertise for which the individual is compensated by the university. This definition does not include unpaid public service or lectures for fees, unless these activities require significant amounts of time or otherwise adversely affect the employee's performance of university duties.

**Honoraria:** A payment for speech, lecture, or other services on which, by custom or agreement, a specific price may not be set. For the purposes of this policy, this definition includes any payment from an outside entity for services such as making a speech, teaching a class or workshop, or providing consulting services.

**Immediate family:** Includes spouse and dependent children. Children, for the purposes of this document, include adopted, step, and foster children, as well as natural sons and daughters.

**Related-party interest:** A business or personal relationship that exists between a university employee and an outside individual or organization that may influence the employee's actions or decisions due to considerations of private benefit - financial or otherwise - and/or may create or be perceived as creating a conflict of interest.

**Significant financial interest:** Anything of monetary value including, but not limited to salary, other payments for services (e.g., consulting fees or honoraria); equity interests (e.g., stocks, stock options, or other ownership interests); and intellectual property rights (e.g., patents, copyrights, and royalties from such rights) that, when aggregated with immediate family:

- exceeds $10,000 fair market value and 5 percent ownership; or
- is expected to exceed $10,000 in payments during the next 12-month period

**STANDARD OF CONDUCT GUIDELINES**

University employees have a responsibility to the public in the performance of their official duties. High institutional and personal standards of conduct must be maintained to fulfill that responsibility. These standards must include avoiding any actions that would create the appearance of violation of laws or ethical principles.

UHV employees shall avoid using their positions for purposes that are, or give the appearance of being motivated by a desire for private gain for themselves or others, such as those with whom they have family, business, or other ties. University employees shall exercise the utmost good
faith in all transactions, activities, and behaviors related to their duties to the university and its
property and resources. The principles of good faith and honest dealing apply to all aspects of the
employee's responsibilities and activities on the part of the university, not just those identified in
this policy as subject to particular statutes or causes for particular concern.

- **Disclosure of Confidential Information**- No university employee shall disclose
  confidential information gained by reason of his or her position, nor shall the employee
  otherwise use such information for personal gain or benefit. Similarly, no employee shall
  accept other employment or engage in any business or professional activity that
  foreseeably might require or induce the employee to disclose confidential information
  acquired through his or her position.

- **Business, Investments, and Professional Activity**- An employee or the employee's
  immediate family shall not make personal investments in any enterprise that foreseeably
  might create a significant conflict between the employee's private interests and the
  university's interests. An employee shall not transact any business for the university with
  any entity of which he or she is an owner, officer, agent, employee, or member or in
  which the employee or the employee's immediate family owns any significant interest or
  accrues any benefit.

- **Bribery**- No employee shall solicit, offer or accept any benefit in exchange for a
decision, opinion, recommendation, vote, or other exercise of discretion.

- **Outside Consulting or Other Employment**- The University expects employees to
  accord a full professional commitment to the university during the terms of their
  appointments. Interaction between employees and external entities for reasonable periods
  of time and for personal remuneration may be desirable when the relationship benefits the
  university, enhances the professional skills of the employee, or constitutes a public
  service. However, no employee shall accept consulting or external employment that
  might impair his or her independence of judgment in performance of university duties,
  nor shall an employee receive any compensation from any source other than the State of
  Texas except as allowed by law. The University bears no responsibility for any actual or
  implied obligations or liabilities incurred by an individual resulting from a consulting or
  other paid professional agreement or activity. All such activity must be reported to the
  immediate supervisor for approval before performing the work. The employee must be
  careful to avoid conflicts of interest and conflicts of commitment. Employees should be
  aware that a Conflict of Interest situation exists when outside activities interfere with the
  employee's primary commitment of time and intellectual energies to the university, or
  when a full-time employee's primary professional loyalty is not to the University. The
  general permitted limit to external commitments for faculty is one day per calendar week,
  never to conflict with the employee's scheduled classes or other duties and
  responsibilities. Unpaid public service or lectures for fees are not included unless these
  activities require significant amounts of time or otherwise adversely affect the employee's
  performance of university duties. All consulting and other paid professional employment
  shall comply with Board Policy 57.02 and UHS SAM 02.A.08.
Prior to entering into any consulting, investment, professional, or other arrangement that may involve a conflict of interest or commitment, a faculty or exempt employee must submit to the appropriate supervisor a complete written disclosure of the pending relationship and any potential conflicts that it may involve. The subsequent arrangements will then be subject to the approval of the appropriate Cabinet-level supervisor. When a question of propriety of the proposed employment or business relationship exists, the supervisor shall submit the application to the Vice President for Academic Affairs and Provost (for faculty) or Vice President for Administration (for staff). These procedures apply to all regular faculty and exempt staff and to non-exempt staff with procurement or research responsibilities.

In accordance with Board of Regents Policy 57.05, any outside employment of the Chancellor, other officers of the System Administration, or the President or vice presidents of any component, including serving on the board of directors or governing board of any outside organization, shall be approved in advance by the Board of Regents.

- **Honoraria**- By state law, a university employee may not solicit, agree to accept, or accept an honorarium in consideration for services the employee would not have been asked to provide but for his or her official position; i.e. for providing services on behalf of the university. This prohibition includes a payment made to a third party if made in exchange of the employee's services. This restriction applies to any fee for any service provided in the employee's official capacity, but does not apply to food, transportation, and lodging in connection with the service provided.

- **Dual Employment**- A UHV employee may hold another non-elective state or federal office or position of honor, trust, or profit only with the prior approval of the President and the Board of Regents. Such approval must be based on formal findings that the dual office holding is of benefit to the state or is required by state or federal law and that the situation creates no conflict of interest or commitment. UHV is required to maintain records of any compensation, including per diem, associated with the second position.

- **Charitable or Professional Organizations/Pro Bono Work**- Any contribution of time without compensation to charitable or professional organizations or causes that may infringe upon the employee's regular work hours must be disclosed to the employee's supervisor and must not interfere with the individual's university responsibilities.

- **Use of University Equipment, Facilities, Support Staff, and Other Resources**- As a state employee, an employee is required to use university property for university purposes only, not for personal or private purposes. In situations where there is no direct cost to the university, such as use of university telephones to make non-toll calls, or use of computers for occasional internet use, such use is not considered a misapplication of state property and may be permitted within reason. Use of university equipment, facilities, or support staff for any activity other than the conduct of the employee's job responsibilities is permitted only if prior appropriate and equitable financial arrangements have been concluded between the individual and the University.
UNIVERSITY OF HOUSTON VICTORIA POLICIES

- Use of University Name-The name of the University of Houston-Victoria may in no case be used for advertising or procurement purposes by any individual or external organization for non-university purposes. Likewise, employees may not represent themselves as acting in the capacity of university employees when conducting consulting or personal activities. UHV bears no responsibility for any actual or implied obligations or liabilities incurred by an individual resulting from a consulting or other paid professional agreement or activity.

- Governmental Appearances or Expert Witness Service- University employees appearing before Congress or the Texas Legislature or their agencies, committees, or members to offer testimony, opinions, or commentary in regard to existing or potential laws, rules, or regulations, unless expressly authorized to do so by the Board or the Chancellor, must clearly state in advance that they are appearing in their individual capacities and that their testimony, opinions, and commentary are not authorized by and must not be construed as reflecting upon UHV's position.

- Nepotism- Relatives of university employees may not be employed in positions where the employee has the official authority to hire or recommend or approve the hiring, salary, or promotion of the relative, even if it results from marriage after the employment relationship was formed. The requirements of nepotism statutes may be found in Board of Regents Policy 57.07 and UHS SAM 02.A.21.

- Transfer of Research Results, Materials, Products, Records- Board of Regents Policy 21.08 (http://www.uhsa.uh.edu/regents/policy/asa.html) requires that university faculty and staff disclose on a timely basis the creation or discovery of all potentially patentable inventions created or discovered in the course of their university activities or with use of university resources. Ownership of these inventions must be assigned to the university regardless of source of funding.

- Travel- Travel undertaken on official university business may be paid or reimbursed from university funds when arrangements comply with applicable University of Houston System SAMs 01.C.05, 03.A.03, 03.A.04, and 03.A.14.

- Lobbying by State Employees, Political Campaigns, Holding Public Office, and Other Political activities- The General Appropriations Act prohibits the use of state funds to influence the outcome of any election or any legislative measure. Likewise, this act restricts the use of any university funds to hire lobbyists and provides restrictions against offering gifts to legislators and accepting gifts from legislators. Similarly, federal restrictions prohibit the use of federal funds to influence federal legislation. The Vice Chancellor for Governmental Relations shall be responsible for the general coordination of University of Houston System governmental activities.

- Political Campaigns- No university employee may use his or her authority, influence, or time during university work hours to affect the result of any election or political campaign or to achieve any other political purpose. Likewise, university funds, equipment, or other resources may not be used to work on a political campaign.

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University employees may run for local elective office and serve as elected public officials so long as campaign activities are not conducted during official university hours and so long as the office does not involve a political party primary or a party affiliation. The employee must provide prior notification to his or her supervisor of the candidacy and election to office.

- **Reporting of Time and effort: Maintenance of All Records** - It is a violation of law to falsify or alter the reporting of time worked, salary records, or any way revise university documents or records so as to provide an unearned benefit to the employee or another party.

- **Acceptance of gifts or other benefits** - A benefit is anything reasonably regarded by an independent observer as providing monetary gain or advantage. Benefits include, but are not limited to monetary gifts, meals, employment, travel, or items of significant gain or advantage with a value of $50 or more. When the appropriateness of a benefit is in question, it should not be accepted. An employee (or member of the employee's immediate family) may not solicit or accept any gift, favor, privilege, benefit, service, exemption, or thing of value that might influence the employee to perform his or her job differently. An employee should assume that anyone having business with the university as a client, contractor, or vendor is likely to be seen as attempting to curry favor if that person provides any gift or benefit to the employee.

The only gifts and benefits not subject to this restriction are those conferred on account of kinship or a personal or professional relationship independent of employee's status, non-cash items of less than $50.00 in value, and those used solely to defray expenses accrued in the performance of official duties that are not reimbursable by the university.

- **Related Party Interests** - A related party interest is a business or personal relationship that exists between a university employee and an outside individual or organization that may influence the employee's actions or decisions due to considerations of private benefit - financial or otherwise - and/or may create or be perceived as creating a conflict of interest. There is a distinction between a related-party interest and a conflict of interest. A related-party interest is a question of fact and results when an individual is in a position to personally benefit from transactions entered into by the University.

However, whether the transaction or relationship creates a conflict of interest requires a subjective evaluation of the facts and circumstances. All faculty and staff in a position to originate purchase requests or influence purchasing decisions must annually complete a disclosure statement.

- **Conflicts of Interest** - No employee shall use their employment to obtain unauthorized privileges, benefits, or things of value for oneself or others. Employees are required to take the initiative to disclose and request prior approval of their supervisor before entering into any activity or situation that may involve, or appear to involve, a conflict of interest or other potentially incompatible obligation. Such a relationship includes
consulting or other outside employment, a relationship defined as a related-party interest, or any other relationship that results in a gift or other benefit to the employee.

Although the University of Houston System depends upon the integrity and discretion of its staff with respect to actual or apparent conflict of interest, all University of Houston System employees are subject to the prohibitions of state law and applicable federal guidelines. Guidelines to avoid conflict of interest include the following:

- No employee shall solicit, accept, or agree to accept any privilege, benefit or thing of value for the exercise of his or her discretion, influence or powers as an employee except as allowed by law.

- No employee shall accept any privilege, benefit or thing of value that might influence him her in the discharge his duties as an employee.

- No employee shall use his or her position to secure special privileges or exemptions for himself or herself or others, except as is allowed by law.

- Any employee who is an officer, agent, employee or member of, or owns a significant interest in any entity doing business with any component of the University of Houston System must disclose such relationship in writing to his or her immediate superior.

- No employee shall accept employment or engage in any business or professional activity which foreseeably might require or induce him or her to disclose confidential information acquired by reason of his/her university position.

- No employee shall disclose confidential information gained by reason of his or her university position nor shall he or she otherwise use such information for his or her personal gain or benefit.

- No employee shall transact any business for the university with any entity of which he or she is an officer, agent, employee, or member, or in which he or she owns a significant interest.

- No employee shall make personal investments in any enterprise which foreseeably might create a substantial conflict between his or her private interests and the university's interests.

- No employee shall accept other employment which might impair his or her independence or judgment in the performance of his or her university duties.

- No employee shall receive any compensation for his or her services from any source other than the State of Texas except as allowed by law.
UNIVERSITY OF HOUSTON VICTORIA POLICIES

- No employee who exercises discretion in connection with contracts, purchases, payments, claims or other pecuniary transactions shall solicit, accept or agree to accept any benefit from a person or entity the employee knows, or should know, is or is likely to become financially interested in such transactions.

University employees are required and expected to take the initiative to disclose and request prior approval of their supervisor before entering into any activity or situation that may involve, or appear to involve, a conflict of interest or other potentially incompatible obligation. Such a relationship includes consulting or other outside employment, a relationship defined as a related-party interest, or any other relationship that results in a gift or other benefits to the employee.

Evaluating and Resolving Violations of Standards

University employees are asked to report in good faith violations of this policy or any law, regulation or other occurrence of institutional noncompliance, whenever observed or suspected. Reports may be made to either the employee's immediate supervisor, the HR/AA Director, the campus assigned Institutional Compliance Officer (Director of Business Services) or confidentially to the telephone number provided on the University's Institutional Compliance website. Violations involving sponsored project agreements should be directed to the Provost and Vice President for Academic Affairs and handled in accordance with applicable policy.

Confidentiality of the information and employee(s) involved is of utmost importance to insure proper adjudication of the allegations. Federal and state laws prohibit university officials from retaliating against employees who report violations in good faith. In addition, the university is committed to maintaining the confidentiality and anonymity of all individuals who make such reports to the extent allowed by law.

All reports received will be reviewed immediately to determine whether an investigation is warranted. Every attempt will be made to resolve internal violations at the lowest level of administrative review. However, after a determination of the seriousness of the violation has been made, other administrators may also become involved. When criminal activity is suspect, appropriate civil authorities may become involved. When the investigation involves the Internal Auditing Department, the Office of General Counsel, or the UHS Institutional Compliance Officer, the appropriate campus Vice President will be notified as well as the Director, Human Resources/Affirmative Action.

Based upon the findings, appropriate action will be taken to remedy the situation.

Supervisors may contact the Director, Human Resources/Affirmative Action or the campus Institutional Compliance Officer (Director of Business Services) at any time for guidance and assistance in resolving standards of conduct violations. Also, employees may call the State of Texas Ethics Commission (512.463.5800) for guidance.

Sanctions for Violations of Employee Standards of Conduct
Standard of Conduct violations, depending upon the severity, may subject the employee to disciplinary action up to and including dismissal, as well as to the possibility of criminal charges and prosecution.

SUMMARY OF DISCLOSURE AND REPORTING REQUIREMENTS

1. In accordance with Board of Regents Policy 57.01.3, copies of the laws and Board of Regents Policies listed below are to be distributed to an employee by the Human Resources Office upon initial employment and annually by the University of Houston System Board of Regents' office.

- Statutory Standards of Conduct for State Employees, Â§ 572.051, Texas Government Code
- General Appropriations Act Article IX, Â§ 5, Political Aid, Legislative Influence
- Board of Regents Policies:
  - Consulting and Paid Professional Service (57.02)
  - Dual Employment (57.04)
  - Nepotism (57.07)
  - Conflicts of Interest (57.08)
  - Governmental Appearances (81.01) (http://www.uhsa.uh.edu/regents/policy/external.html)
  - Sexual Harassment (29.02) (http://www.uhsa.uh.edu/regents/policy/asa.html#A4)

2. UHS Policy Distribution- In accordance with UHS Administrative Memorandum 02.A.29, Ethical Conduct of Employees, copies of this policy are to be distributed to all university employees annually. The annual distribution may be by e-mail.

3. UHV Policy Distribution- Copies of university policy C-8, Employee Standards of Conduct, are to be distributed upon initial employment and then electronically, annually to all employees.

4. Faculty Consulting or Outside Paid Professional Activity Disclosure- In accordance with Board of Regent policy 57.02.5, Faculty who wish to arrange consulting or other paid professional activities must provide prior written notification and receive written approval from their dean. Review by their dean of such activities will include consideration of any real or apparent conflict of interest and the benefit of the proposed service to the system and the component university.

5. Exempt Staff Consulting or Paid Professional Activity Personal Disclosure- In accordance with Board of Regent policy 57.02.6, professional or administrative staff who wish to arrange consulting or other paid professional activities must obtain prior written approval from the appropriate supervisor. While consulting is a recognized aspect of faculty activities with the limitations noted in this document, consulting by professional or administrative staff must be justified on an individual basis by clear and direct benefit to the system.

6. Institutional Reporting of Outside Consulting, Employment or Expert Witness Services- Annually, during the first quarter, faculty and exempt professional staff will be surveyed by the Provost's Office for any consulting, outside employment, or expert witness activities. The information will be forwarded to the appropriate state office with an information copy to the UHS General Counsel's office.
7. **Employee Reporting of Violations of Ethical Standards** - University employees are asked to report violations of this policy or any law, regulation or other occurrence of institutional noncompliance, whenever observed, to one of the following: the employee's immediate supervisor, the HR/AA Director, the Institutional Compliance Officer or anonymously to the telephone number provided on the University's Institutional Compliance website.

8. **Employee Disclosure and Annual Reporting of Related Party Interests** - Annually, within the first quarter, the Department of Business Services will obtain signed disclosure statements from all faculty and staff in a position to originate purchase requests or influence purchasing decisions of any possible conflict of interest situations. Information is reported in accordance with UHS Administrative Memorandum 02.A.29. Disclosures are required from any employee who
   - has previously disclosed a related party interest, or
   - will serve in a supervisory capacity at a department level or higher in the coming fiscal year, or
   - is in a position to make final purchasing decisions. (this category includes all delegated departmental purchasers and ProCard users), or
   - has signature authority on any university cost center, or
   - can personally benefit from a relationship or business transaction.

9. **Financial Statement Report** - In accordance with UHS Administrative Memorandum 02.A.29, Section 5.2, the President is required to submit an annual financial statement with the Texas Ethics Commission using forms prescribed by the Commission.

10. **Procurement Disclosure Report** - In accordance with UHS Administrative Memorandum 02.A.29, Section 5.2, certain employees, including vice presidents, employees at the director level or higher, employees who are over procurement and contracting functions, and those others considered by the campus to have high-level procurement responsibilities shall file with the chief financial officer of each component a report disclosing the following information:

   - The amount of any compensation received for services related to these associations; and
   - Known information regarding whether any of the organizations cited have any relationship to the University of Houston System and a description of the relationship.

**REFERENCES**

3. Texas Ethics Commission’s *Guide to Ethics Laws for State Employees* (www.ethics.state.tx.us/pamphlet/G08n/hr.htm)
5. Texas Government Code, Section 572.051, *Standards of Conduct* (http://www.ethics.state.tx.us/statutes/07ch572.htm#572.051)

Approved by:

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UNIVERSITY OF HOUSTON VICTORIA POLICIES

Signature Obtained 05/19/11
Dr. Don Smith, Ph.D. Date
Interim President

Originating Department: Business Services
Next Review Date: May 2013

Financial Aid Conflict of Interest Certification
Can be found on UHV Compliance Website under Standards of Conduct at

Financial Aid Employee Standards of Conduct and Conflict of Interest Certification

Instructions: All Financial Aid (FA) employees are to complete this certification, which
supplements University Policy C-8, Employee Standards of Conduct, annually by August 31st.
New FA employees are to complete within 30 days of employment.

Distribution: Original to employee’s personnel file. Copy to employee. Copy to Financial Aid
Director.

As a University of Houston-Victoria (UHV) financial aid employee, I am expected to always
maintain exemplary standards of professional conduct in all aspects of carrying out my
responsibilities, specifically including all dealings with any entities involved in any manner in
student financial aid, regardless of whether such entities are involved in a government sponsored,
subsidized, or regulated activity. In doing so, I understand I will:

1. Refrain from taking any action for personal benefit.
2. Refrain from taking any action I believe is contrary to law, regulation, or the best
interests of the students and parents I serve.
3. Ensure that the information I provide is accurate, unbiased, and does not reflect any
preference arising from actual or potential personal gain.
4. Be objective in making decisions and advising the Financial Aid Director regarding
relationships with any entity involved in any aspect of student financial aid.
5. Refrain from soliciting or accepting anything of other than nominal value, (retail value of
not more than $10) from any entity, other than an institution of higher education or a
governmental entity such as the U.S. Dept of Education, involved in the making, holding,
consolidating or processing of any student loans, including anything of value (including
reimbursement of expenses) for serving on an advisory body or as part of a training
activity of or sponsored by any such entity.
6. Avoid all actual or perceived conflicts of interest, promptly disclosing to the university,
in such manner as UHV prescribes, any involvement with or interest in any entity,
including any family members attending UHV, UHSCR, or UHSSL involved in any aspect of student financial aid.

I further understand that:

1. I cannot award and disburse the same transaction.
2. I cannot participate in the selection, award, or administration of any scholarship, grant or loan award supported or funded by Federal, State or University funds if a real or apparent conflict of interest exists. I understand that a conflict of interest arises when I, my immediate family, partner, or other organization which employs or is about to employ any of these parties, has a financial or other interest in my decision.
3. I cannot manipulate the dates of award of any scholarship, grant or loan that may be perceived as favorable to myself or any family member.

Acknowledgement and Certification:

I understand my responsibilities as stated above and that I have a responsibility to promptly report any real or apparent conflict of interest, violations of laws or regulations, fraud, theft or other irregularities to the Director of Financial Aid.

To my knowledge, there are no actual or potential conflicts of interest where an independent observer might reasonably question my actions or decisions were determined or motivated by considerations of personal gain. I further understand that I may be subject to civil fines and disciplinary action up to and including termination and/or prosecution in the event of intentional fraud or other serious violation of these standards.

Employee Signature  Date  Financial Aid Director Signature

Printed Name

Notes:

1. Family is defined as the employee’s spouse, the employee’s or the spouse’s natural and adopted children, grandchildren, and great-grandchildren; parents, grandparents, and great-grandparents; brothers, sisters, half brothers, and half sisters; aunts, uncles, nieces, nephews, first cousins, and second cousins; and persons married to them
E-7 Related Party

www.uhv.edu/fin/policy/e/e-7.aspx

SECTION: PURCHASING INDEX: E-7

SUBJECT: RELATED PARTY DISCLOSURES

POLICY

Employees of the University of Houston-Victoria shall avoid using their positions for purposes that are, or give the appearance of being, motivated by a desire for private gain for themselves or others, such as those with whom they have family, business, or other ties. University employees shall exercise the utmost good faith in all transactions, activities, and behaviors related to their duties to the UH System, its property, and resources. Faculty and staff in a position to personally benefit from a transaction entered into by the University of Houston-Victoria or other UHS components shall annually complete a disclosure statement regarding related party interests as required by UHS Administrative Memorandum 03.A.17.

DEFINITION

Conflict of Interest: A situation in which there is a divergence between the employee's private interests and professional obligations to the University, such that an independent observer might reasonably question whether the employee's actions or decisions are determined by considerations of private gain, whether financial or otherwise, to the University's detriment. Such a situation may result from consulting or other outside employment, a relationship defined as a related-party interest, or any other relationship that results in a gift or benefit to the employee.

Related Party Interest: A question of fact that results when an individual is in a position to personally benefit from transactions entered into by the University of Houston-Victoria or other System component. Transactions may include, but are not limited to (1) originating purchase requests, influencing purchasing decisions and/or consulting or professional relationships that are created or perceived as creating a conflict of interest.

PROCEDURE

The Related Party Disclosure will be completed annually online as part of UH System mandatory training and reporting process. In the event that online reporting is unavailable, Business Services will coordinate the reporting process using the Related Party Disclosure Form (Attachment A).

Related Party Disclosures are to be completed by all faculty and staff employees within any of the following categories:

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(a) employees who have previously disclosed a related party interest;
(b) employees who serve in a supervisory capacity at a department level or higher;
(c) employees in a position to make final purchasing decisions. This category includes all
delegated departmental purchasers and ProCard users;
(d) employees having signature authority on any university cost center;
(e) employees who could personally benefit from a relationship or business transaction.

The Business Services Department will initially review disclosure information and notify the
Dean or Department head, appropriate Vice President and the President of those employees who
may have a related party interest. The Dean or Department head shall inform any faculty or staff
member whose outside activity is believed to represent a conflict of interest. Remedial action
will be suggested when indicated. Disclosures which indicate potential conflicts of interest will
also be forwarded to the UH System Chancellor.

Deans and department heads should, at least annually, discuss related party interests and
potential conflict of interest with their employees. Employees are instructed to report in writing
to their Dean or Department Head all facts about any activity or transaction and the potential
conflicts of interest that may be involved before any such activity or transaction occurs.

Any purchase requisition, delegated departmental order form or ProCard that can be identified as
a related party transaction must include the following information and be authorized by the Dean
or Department Head, “This is a Related Party Transaction. Reason for this
purchase: ___________________________”

REFERENCES

UHS Administrative Memorandum, 03.A.17

Approved:

Signature Obtained 09/02/2011
Don Smith, Ph. D. Date
Interim President

Originating Department: Business Services Department

Next Review Date: August, 2014

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UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: Report on Annual Fraud Prevention and Awareness Report

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

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

The key points from the reports from each component included the following:

- University of Houston and UH System Administration (page 1)
  - Conducted Department and Institutional Fraud Risk Surveys
  - Conducted Online Fraud Prevention and Awareness Training and P-card Cardholder Training
- University of Houston Clear Lake (pages 2-4)
  - Conducted Institutional Fraud Risk Assessment
  - Conducted review of Fraud Risk Assessment report and attended training
- University of Houston Downtown (pages 4-5)
  - Conducted Department Fraud Prevention Survey
  - Conducted Employee Fraud Awareness Training
  - Upgraded to Banner’s Financial Aid module, with enhanced security
  - Hosted a presentation by former high ranking Houston AIG executive of “The Whistle Blower’s Dilemma: Confronting Fraud at AIG” and a webinar sponsored by the SCCE (Society for Corporate Compliance and Ethics) of “Psychology of Fraud: Why Good People Do Bad Things and What We Can Do About It”
- University of Houston Victoria (pages 5-7)
  - Conducted employee training in areas of Fraud Awareness, Code of Ethics, Securing Systems, and Credit Card Data Security
  - Conducted review of select operations
  - Conducted employee P-card Cardholder Training

SUPPORTING DOCUMENTATION: Annual Fraud Prevention and Awareness Report

FISCAL NOTE:

RECOMMENDATION/ACTION REQUESTED: Information

COMPONENT: University of Houston System

CHIEF AUDIT EXECUTIVE: Don Guyton  DATE: 10/27/11

CHANCELLOR: Renu Khator  DATE: 11/1/11

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The Audit Committee Planner, Item 5.05, requires the Committee to evaluate management’s identification of fraud risks, the implementation of fraud prevention and detection measures, and the creation of the appropriate “tone at the top” by reviewing an annual report which summarizes the fraud risk analyses and related risk mitigation strategies. Listed below are the reports from each component.

University of Houston and UH System Administration

In October 2011, UH and UHSA departments completed their seventh annual online Department Fraud Risk Survey to identify internal controls within their department that need to be strengthened in order to prevent and detect fraud. In addition, processing units and other offices that have a far reaching effect on campus operations (Purchasing, Payroll, Information Technology, etc.) completed an Institutional Fraud Risk Survey to identify procedures within their unit that may need improvement. The fraud risk surveys are completed annually to remind administrators and unit heads of their responsibilities, so that they remain vigilant in fraud prevention and detection.

During October and November 2011, all UH System employees are required to complete online Fraud Prevention and Awareness training, as well as Code of Ethics training. This is the fifth year that training has been required for fraud prevention and ethics. The purpose of this training is to raise awareness of appropriate and inappropriate behavior for UH System employees, encourage fraud prevention and detection, and encourage reporting of suspected fraudulent activity.

Procurement cards (P-Cards) reduce the time and effort required to make small-dollar purchases and decrease the number of employee reimbursements. However, P-Card transactions must be carefully reviewed to ensure all transactions are appropriate and documented. In addition to reviews within each department, Accounts Payable reviews selected P-Card transactions for appropriateness and documentation. All P-Card cardholders are required to complete online training prior to receiving a P-Card and annually thereafter, and administrators who review P-Card transactions are also required to complete annual training as well. P-Card applicants are also required to pass a criminal history investigation prior to receiving a P-Card.

Finally, UH Finance maintains a link to fraud and institutional compliance frequently asked questions on the Finance home page (www.uh.edu/finance), which includes instructions for reporting suspected fraud and non-compliance through the MySafeCampus telephone hotline or web link.
University of Houston – Clear Lake

The University of Houston - Clear Lake continues to expand its fraud prevention and awareness activities with the formal establishment of the campus Institutional Compliance program on October 29, 2002. The Vice President of Administration and Finance is designated as the campus contact person for fraud and prevention.

The Fraud Triangle includes three elements - Pressure, Rationalization and Opportunity, that must be present for a fraud to occur. UHCL’s goal is to help create and maintain an environment hostile to fraud. Fraud prevention continues to be a top priority for the campus and is taken very seriously. Raising staff and student awareness of the risks of internal/external fraud and the importance of compliance with internal control procedures is vital in preventing fraud. The main purpose of the fraud risk assessment report is:

- To ensure that UHCL has adequate procedures and internal controls in place designed to prevent, detect and deter fraud
- Identify potential risk areas and develop administrative and departmental action items for minimizing these risks; and
- Highlight UHCL’s oversight function designed to prevent, detect and deter fraud.

In FY 2011 Fraud Risk Assessment was conducted in the academic, administrative and finance areas — Schools, Departments, General Accounting, Accounts Payable, Travel, Asset Management, Petty Cash and Cash Receipts, General Purchasing, Human Resources, Payroll, Computing and were confirmed with the University Business Coordinators as existing or not existing along with a fraud risk assessment rating system. Using the Fraud risk assessment rating system:

- 1 - Very low (Provides no apparent opportunity for fraudulent activity excluding the existence of collusion and requiring no action)
- 3 – Low (Provides a low level of opportunity for fraudulent activity and requires no action except for weakness awareness)
- 5 – Moderate (Provides a moderate opportunity for fraudulent activity and requires a design strategy for improvement)
- 7 – High (Provides a high opportunity for fraudulent activity and requires design and implementation of strategy for improvement in the near future)
- 9 – Very High (Provides a very high opportunity for fraudulent activity and requires design and implementation of strategy for improvement immediately)
## Fraud Risk Assessment Results

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<thead>
<tr>
<th>Fraud Risk Category</th>
<th>Number of Control Measures Rated</th>
<th>Sum of Risk Assessment Rating</th>
<th>Average Risk Assessment Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
<td>4</td>
<td>4</td>
<td>1.00</td>
</tr>
<tr>
<td>General Accounting</td>
<td>7</td>
<td>7</td>
<td>1.00</td>
</tr>
<tr>
<td>General Resources</td>
<td>8</td>
<td>8</td>
<td>1.00</td>
</tr>
<tr>
<td>Assets</td>
<td>5</td>
<td>5</td>
<td>1.00</td>
</tr>
<tr>
<td>Petty Cash and Cash Receipts</td>
<td>9</td>
<td>9</td>
<td>1.00</td>
</tr>
<tr>
<td>Inventory</td>
<td>7</td>
<td>7</td>
<td>1.00</td>
</tr>
<tr>
<td>Accounts Payable and Travel</td>
<td>7</td>
<td>8</td>
<td>1.14</td>
</tr>
<tr>
<td>General Purchasing</td>
<td>4</td>
<td>4</td>
<td>1.00</td>
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<tr>
<td>Purchase of Services</td>
<td>8</td>
<td>8</td>
<td>1.00</td>
</tr>
<tr>
<td>Human Resources &amp; Payroll</td>
<td>12</td>
<td>12</td>
<td>1.00</td>
</tr>
<tr>
<td>Computing</td>
<td>8</td>
<td>10</td>
<td>1.25</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>79</strong></td>
<td><strong>82</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Overall Fraud Risk Exposure (Very Low to Low):** 1.04

Based on the fraud risk assessment results, no significant problems or trends were noted. The University as of August 31, 2011, maintains an overall fraud risk assessment rating of 1.04 which is “Very Low”.

In FY 2011 the University of Houston – Clear Lake Compliance Committee lead by Harry Stenvall, Director Risk Management met on a quarterly basis to discuss the identification and documentation of the major risks associated with the operations of each individual department. Based on goals for FY 2011 the Committee was presented with a report on objective; risk and exposure; operating controls and risk assessment rating associated with Laboratory Safety; Property Handling and the Administration and Finance audit items. The Committee also received an online Compliance Program Power Point Presentation on “Why we sign an Acknowledgement Form”. In the month of December, 2010 the Compliance committee attended a presentation by Mr. Gordon Massie on “Confronting Fraud at AIG”. The presentation not only highlighted the accounting practices for high-yield bonds of AIG but also reinforced in understanding the warning signs of fraud and key actions that one can take to protect the University and decrease the risk of fraud.

The University continues to encourage and educate staff and students on the Institutional compliance program, My Safe Campus hotline and My Safe Campus on-line reporting. All new employees receive this information during New Employee Orientation. In Fiscal Year 2011 all employees received an online Fraud awareness training; Code of Ethics Training and, Information Security Awareness.
UHCL’s Review of selected operations included Procurement card; Asset Management; Petty Cash; Change Fund and Inventory of Service Departments.

- P-Card is administered by the Contract Administration. P-Card administrator checks P-card charges on a regular basis each month. Invoices and supporting documentation is required for all P-card charges. P-Card charges are reviewed by Departmental Staff, Business Coordinator, and Accounts Payable Staff before it is submitted for final approval. A three tier system established to mitigate any fraud that may occur with an unauthorized P-card transaction, and or a fictitious vendor. P-Card training is mandatory for all P-Card holders, P-Card Administrator, P-Card processors, Accounts Payable Reviewers, and final approvers.

- Asset Management - 65 Departmental Property Custodians were trained and equipped on managing the assets of the institution and were educated on the fraud risks and related mitigating strategies to ensure there is no misuse/misappropriation of controlled and capital assets of the institution. Random physical inventory audits were conducted on identified assets of selected schools and departments for appropriate documentation, location verification, and usage of the asset. 100% of the assets audited were identified and accounted for.

- Audits were conducted on petty cash and change funds throughout selected departments that collect cash payment from customers. The end result being a fraud risk assessment rating of “Low”.

- Audits were also conducted on service departments – Health and Service; Copy Service, Print Shop; Central Stores. The end result being a fraud risk assessment rating of “Low”.

**University of Houston-Downtown**

All UHD departments participated in the annual Department Fraud Prevention Survey during October/November of 2010. The survey is intended to identify internal controls within each department that need to be strengthened in order to prevent and detect fraud and to remind administrators and department heads of their responsibility to remain vigilant in fraud prevention and detection throughout the upcoming year. No significant problems or trends were noted in the results of the UHD Annual Fraud Prevention Survey.

UHD’s purchases via P-cards averaged $162,000/month in FY11. The $38,000/month decline versus the prior year (19%) was heavily influenced by budget cuts and a general decrease in spending due to the economic situation. Examples of P-card fraud occurring in both the public and private sectors remain abundant. Recognizing this exposure, UHD has 1.5 positions in its Purchasing department that are responsible for oversight of the P-Card program. Questionable charges are subject to multiple levels of review. Based upon the severity or repetition of the violation, disciplinary action may include an e-mail or verbal warning, retraining, suspension of
the card, cancellation of the card, reimbursement to the University and/or termination of employment from the University.

In the Spring of 2011, UHD replaced its long-serving Powerfaids Financial Aid system with Banner's Financial Aid module. Banner Financial Aid offers more discrete, role-based access control than that offered by Powerfaids. This has enhanced security and helped to further discourage fraud by providing for more accountability and control over who has access to view and make changes to information in various parts of the system.

New employee orientation includes a 15 minute video on Compliance and MySafeCampus (http://devstaging.uhd.edu/facultyandstaff/compliance/videos/UHDRMC10_P1_MSCampus_May2010_1024_Broadband.ram). The video addresses the employee’s role in compliance, defines key elements and gives examples of fraud, provides options of how to report fraud and explains how to use the MySafeCampus anonymous reporting system.

In December of 2010, UHD hosted guest speaker Gordon Massie, who discussed the subject of his upcoming book “The Whistle Blower’s Dilemma: Confronting Fraud at AIG”. Mr. Massie was one of the highest ranked AIG executives in the Houston office when he discovered fraud in his company. During his presentation, he shared his story of the company, its culture, his decision to blow the whistle, what happened next and the wisdoms gained from his experience. This presentation was open to UHS employees.

In February of 2011, the Administration and Finance division hosted the “Psychology of Fraud: Why Good People Do Bad Things and What We Can Do About It” webinar sponsored by the SCCE (Society for Corporate Compliance and Ethics). This webinar was attended by 50 UHD employees who are primarily involved with business/budget/financial administration.

**University of Houston-Victoria**

UHV continues the use of a variety of strategies within the framework of the campus Institutional Compliance Program in its efforts to prevent fraud and raise fraud awareness.

In FY11, new employee orientation sessions continued to include segments focused in explaining to new employees the importance of their role in fraud prevention and the considerable damaging effects that fraud can have on the university and the individual. The intent is that new employees have a better understanding of fraud in an educational setting and know they should report fraud when they become aware of or suspect it.

The Mandatory and Role Based Training program continues to be an important part of the campus program. The training modules focusing on fraud prevention and awareness included Fraud Awareness, Code of Ethics, Secure Our Systems and Credit Card Data Security (a role based module). The Department of Training and Development managed the training program and achieved a participation/completion rate of 100%.
Employees and students continue to be reminded monthly via the monthly Campus Incident Reports newsletter (http://www.uhv.edu/business/safety/manual/Incident_Log/Incidentlog.aspx) to report suspected fraud or other non-compliance issues through MySafeCampus. In FY10, the campus implemented the widespread use of posters campus wide as another method of making employees and students aware of fraud and ethics violations as well as MySafeCampus and other reporting options.

**UHV Review of Select Operations**

- **Identity Theft Program** - The fiscal year just ended marked the 2nd year of the campus Identity Theft Program which was implemented in April 2009 to help prevent fraud associated with identity theft.

- **Departmental Fraud Risk Survey** - The most recent Departmental Fraud Risk Survey was completed in October 2010. All University departments completed the survey and compliance issues were addressed. The survey increases departmental awareness of university policies and procedures and is intended to help unit heads become aware of weaknesses in their operations and internal controls that can lead to fraud. (The FY12 Fraud/Risk Survey is scheduled for October 2011.)

- **Financial Aid Program** - A significant managed activity at UHV and most universities is the proper administration of federal, state and campus student financial aid grants, loans and scholarships in the Financial Aid Department. In FY11, approximately $27.6 million of financial aid was disbursed involving over 2930 students. Risk is managed through operational and internal controls reinforced with frequent audit oversight. Annually each Financial Aid employee is required to sign a Standards of Conduct and Conflict of Interest Certification acknowledging awareness of prohibited activities and the responsibility to report any conflict of interest, violations of law, fraud, or other irregularities promptly.

- **Expenditures of State and Local Funds (including grant funds)** – The University budget for FY11 included state appropriated and local funds (all ledgers) of $49.5 million (up from 42.7 for FY10). As confirmed by the Comptroller and the Director, Human Resources, there were no confirmed incidents of fraud in the expenditure of state and local funds for vendor voucher payments, employee reimbursements or payroll during this reporting period.

- **Procurement Card Program** – There were no known or reported allegations of employee fraud involving P-Card expenditures. In FY11, $1,175,000 of expenditures representing over 4,750 transactions was processed by 105 active cardholders. Annual Credit Card Data Security and P-Card refresher training continues to be required and each cardholder must acknowledge by signature their responsibilities as a departmental purchaser. New P-Card applicants are required to pass a criminal history investigation prior to issuance of a card.

**UHV summary for FY11:**

- Hotline or other reports of non-compliance: 4
- Incidents found to be fraud related: None
- Confirmed instances of Personal Identity theft: None
- Confirmed instances of Financial Aid related fraud: None
- Confirmed instances of Procurement Card fraud: None
- Confirmed Instances of Payroll related fraud: None
- Confirmed instances of Voucher related fraud: None
UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: Report on Identity Theft Prevention Program – Executive Summary

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The system-wide compliance officer is required annually to prepare an executive summary of all activities of the Identity Theft Prevention Programs of the component institutions (Audit & Compliance Committee Planner, item number 5.06).

The key points from the reports from each component included the following:

- University of Houston and UH System Administration (page 1)
  - Automated email messages to employees for changes in pertinent employee data in HR/Payroll System
  - Acquisition of Identity Finder Software made available to all employees
  - Acquisition of new copiers with the ability to safeguard and erase images stored on the copier’s hard drive
  - Review of all UHS credit card merchants for compliance with payment card industry standards
  - Conduct employee training for Identity Theft Prevention

- University of Houston Clear Lake (page 2)
  - Identity Theft Prevention Guidelines developed by all departments

- University of Houston Downtown (page 2)
  - Automated email messages to employees for changes in pertinent employee data in HR/Payroll System
  - Reconfirmed compliance with payment card industry standards
  - Implemented a new security tool, Identity Finder, to limit potential for identity theft/exposure
  - Conducted employee training for Identity Theft Prevention

- University of Houston Victoria (page 3)
  - Conducted employee training for Identity Theft Prevention
  - Email notifications to students about Identity Theft Prevention program
  - Identity Theft Prevention protocols established by certain departments

SUPPORTING DOCUMENTATION: Identity Theft Prevention Program – Executive Summary

FISCAL NOTE: Information

RECOMMENDATION/ ACTION REQUESTED: University of Houston System

CHIEF AUDIT EXECUTIVE: Don Guyton

CHANCELLOR: Renu Khator

DATE: 10/17/11

11/16/11
AUDIT–L-149
The system-wide compliance officer is required annually to prepare an executive summary of all activities of the Identity Theft Prevention Programs of the component institutions (Audit and Compliance Committee Planner, Item 5.06). Listed below are the reports from each component.

**University of Houston and UH System Administration**

Since May 2009, all UH System employees and students receive automated email messages whenever there is a change in the University database to their bank account information, email address, home address, or W-4 withholding. The email instructs the employee or student to contact University Information Technology (UIT) Security if they did not initiate this change. UIT Security has received several inquiries as a result of this email notification, in many cases because the email notification was unexpected. Each inquiry was investigated to verify the change was authorized and legitimate.

In March 2010, UIT Security made Identity Finder software available to all UHS faculty, staff and students. This software locates sensitive and personally identifying information on computers. Through campus-wide initiatives, UIT Security is partnering with business owners to remove or protect sensitive data where it is located.

In August 2010, the University of Houston entered into a multi-year contract with Xerox for copier service following a competitive evaluation process. One of the evaluation criteria was the ability of the vendor to safeguard and erase images stored on the copier’s hard drive, since these images might contain confidential information. Xerox agreed to configure all of its copiers to immediately erase images on the hard drive after each job. In addition, UIT Security worked with UH departments to ensure that hard drives in copiers from other vendors would be erased or destroyed before leaving the department.

As of August 31, 2011, all 94 UH System credit card merchants (i.e., UHS departments that accept credit cards) were in compliance with payment card industry (PCI) standards. The major thrust of PCI standards is the protection of personal identifying information and prevention of fraud for merchants that accept credit cards. UH System merchant employees are required to complete annual training to refresh their knowledge of PCI standards so that credit card information is protected.

During October and November 2011, all UH departments with “covered accounts,” as defined by the Federal Trade Commission’s Red Flag Rules, will complete their third annual web training to provide appropriate department personnel with an overview of the requirements for securing personal identifying information. Each of these departments developed identity theft prevention procedures tailored to their operation.
University of Houston – Clear Lake

Each department that was identified as having access to sensitive, confidential and financial information (Red Flag) has written procedures to safeguard that information. These procedures help departments to safeguard the information available to them and help detect possible violations. UH System has put in place notifications to all employees when any changes are made to the employees confidential information. At the start of each new fiscal year each department is asked to review and modify their procedures as necessary and inform all employees of the procedures. This notification is documented and sent to the Associate Vice President for Finance.

During FY 2011 there were no reported cases of identity theft or violation of university procedures.

University of Houston-Downtown

Since May 2009, all UHD employees and students receive automated email messages whenever there is a change in the University database to their bank account information, email address, home address, or W-4 withholding. The email instructs the employee or student to contact University of Houston-Downtown Information Technology (UHD IT) Security if they did not initiate this change. UHD IT Security has not received any inquiries as a result of this email notification during the past year.

On March 16, 2011, UHD reconfirmed that it is in compliance with payment card industry (PCI) standards. UHD had migrated to one of the PCI-compliant processes offered by Bank of America, the bank UH System uses for its operations. The major thrust of PCI standards is the protection of personal identifying information and prevention of fraud for merchants that accept credit cards.

Beginning in Summer 2011, UHD implemented a new security tool, Identity Finder, to limit the potential for identity theft and unintended exposure of private information. The tool enables faculty and staff to search for and remove sensitive information from their computers, laptops, and other hard drive locations. To date, the product has been installed on more than 95% of the university's faculty and staff desktop PCs, and instructions for its use have been provided via university e-mail. Based on feedback received by many faculty and staff, it has already been a highly successful deployment.

In October/November 2010, UHD employees in positions in departments that manage “covered accounts” that could be subject to identity theft completed the UH-System Red Flag Rules mandatory training. Employees in those positions at the end of FY 2011 are scheduled to participate in the Red Flag Rules mandatory training again in FY2012. The purpose of this training is to provide appropriate department personnel with an overview of the requirements for securing personal identifying information.

UHD Reported Incidents since Program Inception
Since the Identity Theft Program was formally implemented, there have been no known reports of identity theft or any compromises of financial/privileged information involving students or employees at UHD.

University of Houston-Victoria

In FY11 there were no known reports of confirmed identity theft fraud or the unauthorized compromise of financial or other privileged information involving students or employees.

The original departmental areas participating in the UHV Identity Theft Program included the Bursar’s Office, Admissions and Records, the Financial Aid department, Human Resources, Student Solutions and Information Technology. In FY11, the Academic Schools Online Support Technicians also began participating in the campus identity theft program due to their responsibility for resetting certain passwords. The UHV program includes departments who oversee covered accounts as well as departments involved in operations where there is a reasonable likelihood that identity theft could occur.

General program oversight of the campus program, including implementing and updating the campus identity theft program, as described in UHV Policy A-27, continues to be the responsibility of a Program Administrative Group comprised of the Campus Compliance Officer (Program Administrator), Bursar, Information Security Officer and the HR Director.

UHV FY10 Awareness and Prevention Activities –

- Sixty Six (66) employees from key departments and operational areas completed the role based Red Flag Identity Theft training module. 
  (Admissions, Financial Aid, Student Solutions, Information Security, Human Resources, Bursar’s Office)
- Student Listserv E-mail notices were sent by Admissions and Records at the start of the fall and spring semesters informing students of the campus Identity Theft Program;
- Employees and students received automatic email notifications through the HRMS database when changes were made to their email or mailing addresses confirming the change.
- University employees also received notifications when changes are made to W-4 and insurance information or Direct Deposit information changes were made to their personal accounts.
- The departments of Admissions, Financial Aid, Student Solutions, Human Resources, the Bursar’s Office, and Online Academic Technicians have department protocols in place to help verify identity and prevent the unauthorized release of financial or other confidential personal information. These areas have been instructed to review their written protocols annually.

UHV Confirmed Incidents of Identity Theft during FY10

<table>
<thead>
<tr>
<th>Department</th>
<th>Incident Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admissions and Records</td>
<td>None</td>
</tr>
<tr>
<td>Bursar’s Office</td>
<td>None</td>
</tr>
<tr>
<td>IT Security and Service Desk</td>
<td>None</td>
</tr>
<tr>
<td>Human Resources</td>
<td>None</td>
</tr>
<tr>
<td>Financial Aid Department</td>
<td>None</td>
</tr>
</tbody>
</table>
UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: Report on Annual Procurement Report

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Board of Regents policy 55.01.4, Reporting to the Board, requires that an annual report be submitted to the Board listing all professional service and consulting contracts to a single entity greater than $250,000 and for all other procurement (except investment agreements) where total compensation from system-wide sources to a single entity is expected to exceed $1,000,000.

SUPPORTING DOCUMENTATION: Board of Regents Annual Procurement Report, FY 2011

FISCAL NOTE:

RECOMMENDATION/ ACTION REQUESTED: Information

COMPONENT: University of Houston System

11/16/11
AUDIT–M-153
BACKGROUND: The Board of Regents (BOR) contracting policy established requirements for agreements requiring Board approval, delegation of authority and annual reports to the Board for certain contracts. The BOR reporting policy addressing this requirement is as follows:

55.01.4 Reporting to the Board

Following the end of each fiscal year, a report shall be submitted to the Board for:

A. All professional service or consulting contracts awarded during the fiscal year where the total compensation from System-wide sources to a single entity is expected to exceed $250,000, and

B. All construction, equipment, goods and service contracts awarded during the fiscal year (including any amendments) where total compensation from System-wide sources to a single entity is expected to exceed $1,000,000

The report shall indicate the procurement method utilized and be subject to the Department of Internal Auditing’s review for compliance with the applicable laws and UHS policies. Investment agreements are not included in this reporting requirement (08/17/11).

The attached report was prepared by the UHS/UH controller to satisfy this reporting requirement. The methodology used to compile the information is summarized as follows:

1. Run PeopleSoft financial system query to identify vendors with professional service or consulting contracts or purchase orders exceeding $250,000;

2. Run PeopleSoft financial system query to identify vendors with contracts or purchase orders exceeding $1 million for procurements other than professional service or consulting;

3. Run PeopleSoft financial system voucher query to identify vendors that have been excluded from steps 1 & 2 and determine whether they should be added to the report;

4. Examine wire transfer activity for transactions paid by wire without purchase orders to identify vendors that have been excluded from steps 1 & 2 and determine whether they should be added to the report;

5. Review contract database to identify vendors that have been excluded from steps 1 & 2 and determine whether they should be added to the report.

INTERNAL AUDIT ASSURANCE: Internal audit interviewed staff responsible for preparing the report and obtained an understanding of the methodology for preparing the report, including the procedures and criteria used to create the report. We determined that one series of
agreements with Elsevier Inc. for UH Library purchases of $1.1 million did not receive the required Board approval. We were informed that employee turnover in the UH Library business office helped contribute to this oversight. In our opinion, the report preparation methodology appears to be reasonable and the report satisfies the annual reporting requirement for procurement activity.

Don F. Guyton  
Chief Audit Executive  
October 20, 2011
<table>
<thead>
<tr>
<th>Vendor Name</th>
<th>Goods/Services</th>
<th>Contract Amount</th>
<th>Procurement Method</th>
<th>Contracts/POs</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMERICAN RESTORATION INC</td>
<td>UH MD Anderson Library Exterior Waterproofing and Wall Repair</td>
<td>1,030,200.00</td>
<td>Request for Proposal</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>UH Robertson Stadium Repair</td>
<td>6,000.00</td>
<td>Spot Purchase</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>1,036,200.00</strong></td>
<td></td>
<td><strong>2</strong></td>
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<tr>
<td>AMIGOS LIBRARY SERVICES INC</td>
<td>UH Library Electronic Subscriptions</td>
<td>629,327.09</td>
<td>Library Consortium Contract</td>
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<tr>
<td></td>
<td>UHCL Library Electronic Subscriptions</td>
<td>196,948.77</td>
<td>Library Consortium Contract</td>
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<tr>
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<td>UHD Library Electronic Subscriptions and Periodicals</td>
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<td></td>
<td><strong>Total</strong></td>
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<td></td>
<td><strong>17</strong></td>
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<tr>
<td>ARTHUR J GALLAGHER RISK MANAGEMENT</td>
<td>UH Property Insurance, Directors &amp; Officers Insurance, and Boiler &amp; Machinery Insurance</td>
<td>2,748,756.58</td>
<td>State Office of Risk Management (SORM) Contract</td>
<td>1</td>
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<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>2,748,756.58</strong></td>
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<td><strong>1</strong></td>
</tr>
<tr>
<td>CVD EQUIPMENT CO</td>
<td>UH MOCVD System for Thin Film Research</td>
<td>1,497,750.00</td>
<td>Sole Source</td>
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<tr>
<td></td>
<td><strong>Total</strong></td>
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<td></td>
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<td>ELSEVIER INC</td>
<td>UH Library Electronic Subscriptions</td>
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<td>Direct Purchase from Publisher (See Note)</td>
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<tr>
<td></td>
<td>UH Printed Journals</td>
<td>5,217.88</td>
<td>Spot Purchase (9 Orders)</td>
<td>0</td>
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<tr>
<td></td>
<td>UHCL Math Books</td>
<td>183.66</td>
<td>Spot Purchase</td>
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<tr>
<td></td>
<td><strong>Total</strong></td>
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<td>HIED INC</td>
<td>UH Computer Equipment and Supplies</td>
<td>3,284,282.72</td>
<td>Group Purchasing Contract</td>
<td>695</td>
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<td>UH Software Site License</td>
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<td></td>
<td><strong>Total</strong></td>
<td><strong>4,179,282.56</strong></td>
<td></td>
<td><strong>697</strong></td>
</tr>
</tbody>
</table>

Note: UH Library placed seven (7) orders with Elsevier Inc during FY2011 for electronic subscriptions which cumulatively exceeded $1 million. These orders were not based on a contract. Library purchases are exempt from state procurement procedures per Texas Government Code 2155.139.

1 of 4
<table>
<thead>
<tr>
<th>Vendor Name</th>
<th>Goods/Services</th>
<th>Contract Amount</th>
<th>Procurement Method</th>
<th>Contracts/PPOs</th>
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<tbody>
<tr>
<td>HORIZON INTERNATIONAL GROUP LLC</td>
<td>UH Wellness and Recreation Center Minor Renovation</td>
<td>352,08</td>
<td>Informal Bids</td>
<td>1</td>
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<tr>
<td></td>
<td>UH Cullen Engineering Building Minor Renovation</td>
<td>5,010.00</td>
<td>Spot Purchase</td>
<td>1</td>
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<tr>
<td></td>
<td>UH Job Order Contract - Renovation &amp; Repair of Various Buildings</td>
<td>604,345.79</td>
<td>Request for Proposal</td>
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<td>UH Moody Towers Building Renovation</td>
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<td>UH Quadrangle Building Renovation</td>
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<td>J T VAUGHN CONSTRUCTION CO INC</td>
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<td>846,055.00</td>
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<td>UH Science &amp; Engineering Research Center Buildout</td>
<td>9,786,342.50</td>
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<td>UH Stadium Parking Garage and Plaza Construction</td>
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<td></td>
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<td>LELAND M THOMPSON INC</td>
<td>UH Moody Towers Building Renovation</td>
<td>1,147,547.00</td>
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<td></td>
<td>UH Quadrangle Building Renovation</td>
<td>4,612.00</td>
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<td>LINBECK GROUP LLC</td>
<td>UH Classroom &amp; Business Building Construction</td>
<td>30,804,854.00</td>
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<td></td>
<td>Total</td>
<td>30,804,854.00</td>
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<tr>
<td>Vendor Name</td>
<td>Goods/Services</td>
<td>Contract Amount</td>
<td>Procurement Method</td>
<td>Contracts/POs</td>
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<tr>
<td>---------------------</td>
<td>---------------------------------------</td>
<td>-----------------</td>
<td>----------------------------</td>
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<tr>
<td>M D L ENTERPRISES INC</td>
<td>UH Computer Equipment and Supplies</td>
<td>51,790.00</td>
<td>Texas Department of Information Resources Contract</td>
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<td>UHCL Computer Equipment and Supplies</td>
<td>17,701.00</td>
<td>Informal Bids</td>
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<td>UHCL Computer Equipment and Supplies</td>
<td>658,299.00</td>
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<td>UHCL Computer Equipment and Supplies</td>
<td>185,301.74</td>
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<td>UHCL Computer Equipment and Supplies</td>
<td>37,405.70</td>
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<td>UHD Computer Equipment and Supplies</td>
<td>2,577.78</td>
<td>Spot Purchase</td>
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<td>UHV Computer Equipment and Supplies</td>
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<td>MORRIS ARCHITECTS INC</td>
<td>UH Energy Research Park Building Renovations</td>
<td>983,968.90</td>
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<td>UH Energy Research Park Renovations Pre-Design and Programming</td>
<td>324,013.51</td>
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<td><strong>Total</strong></td>
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<td>1,307,982.41</td>
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<td>ORACLE AMERICA, INC</td>
<td>UH Hardware Maintenance</td>
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<td>1,398,701.78</td>
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<td>364,162.12</td>
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<td>UHCL Software License and Support</td>
<td>52,530.00</td>
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<td></td>
<td>UHCL Software License and Support</td>
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<td>UHCL Software Training CDs</td>
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<td>UHD Software License and Support</td>
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<td><strong>Total</strong></td>
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<td>2,155,165.07</td>
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<td>PALMER CONSTRUCTION LLC</td>
<td>UHCL Arbor Building Renovation</td>
<td>8,218,423.85</td>
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<td><strong>Total</strong></td>
<td></td>
<td>8,218,423.85</td>
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<td>7</td>
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</table>

11/16/11
AUDIT–M-158
UH System Consolidated Construction, Goods, and Services Contracts Awarded During FY2011
Where Total Compensation is Expected to Exceed $1,000,000 to a Single Vendor
All UH System Components Combined

<table>
<thead>
<tr>
<th>Vendor Name</th>
<th>Goods/Services</th>
<th>Contract Amount</th>
<th>Procurement Method</th>
<th>Contracts/POs</th>
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</thead>
<tbody>
<tr>
<td>PUBLIC BROADCASTING SERVICE</td>
<td>UHCL Instructional DVDs from PBS</td>
<td>616.00</td>
<td>Spot Purchase</td>
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<td></td>
<td>UH PBS Programs and Fees</td>
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<td>Sole Source</td>
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<td></td>
<td><strong>Total</strong></td>
<td><strong>1,968,493.00</strong></td>
<td></td>
<td><strong>4</strong></td>
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<td>TELLEPSEN BUILDERS LP</td>
<td>UH Health &amp; Biomedical Services Center</td>
<td>53,613,452.00</td>
<td>Request for Proposal</td>
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<tr>
<td></td>
<td>Construction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>UH University Center Renovation Pre-</td>
<td>55,000.00</td>
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<td>1</td>
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<tr>
<td></td>
<td>Construction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>53,668,452.00</strong></td>
<td></td>
<td><strong>2</strong></td>
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<td>WHITING-TURNER CONTRACTING CO</td>
<td>UHCL Bayou Building Labs Renovation</td>
<td>687,000.00</td>
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<td></td>
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<td></td>
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<tr>
<td></td>
<td>UHCL FMC Training Building Minor</td>
<td>8,134.00</td>
<td>Spot Purchase</td>
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<td></td>
<td>Renovation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>UHCL Vivaarium Building Renovation</td>
<td>887,049.00</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>1,592,183.00</strong></td>
<td></td>
<td><strong>3</strong></td>
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<td>WHR ARCHITECTS INC</td>
<td>UH University Center Renovation</td>
<td>2,082,300.00</td>
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<td></td>
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<td></td>
<td><strong>Total</strong></td>
<td><strong>2,082,300.00</strong></td>
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<td>WILLIAM MARSH RICE UNIVERSITY</td>
<td>Radio Tower for KUHA</td>
<td>10,114,445.00</td>
<td>Sole Source</td>
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<td></td>
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<td></td>
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</tr>
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<td></td>
<td><strong>Total</strong></td>
<td><strong>10,114,445.00</strong></td>
<td></td>
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<td></td>
<td><strong>Grand Total</strong></td>
<td><strong>164,539,203.54</strong></td>
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<td><strong>1,100</strong></td>
</tr>
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</table>

Note: There were no professional services or consulting contracts to a single entity where payments from System-wide sources were expected to or actually exceeded $250,000 in FY2011.

11/16/11
AUDIT–M-159
UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance


DATE PREVIOUSLY SUBMITTED:

SUMMARY: The following is the timeline for the issuance, approval and filing of the Financial Statements of the University of Houston Charter School for FY2011.

- September 22, 2011 – Department accounting activity completed
- September 30, 2011 – Trial balance and draft financial statements completed
- October 24, 2011 – On-site field work by KPMG
- November 13, 2011 – Fieldwork completed by KPMG
- November 14, 2011 – Late-stage draft financial statements completed
- November 27, 2011 – Review process completed by KPMG
- November 28, 2011 – Financial statements issued by KPMG
- December 2, 2011 – Filing financial statements with Texas Education Agency
- January 28, 2012 – Financial statements due date to Texas Education Agency
- February 16, 2012 – Board of Regents approval of financial statements
- February 17, 2012 – Filing Board of Regents approved financial statements with Texas Education Agency

SUPPORTING DOCUMENTATION: Late-stage draft of University of Houston Charter School Financial Statements, FY 2011 (under separate cover)

FISCAL NOTE:

RECOMMENDATION/ ACTION REQUESTED: Information

COMPONENT: University of Houston System

CHIEF AUDIT EXECUTIVE

Don Guyton

DATE 10/27/11

CHANCELLOR

Renu Khator

DATE 11/11/11

11/16/11

AUDIT–N-160
UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: Review of University of Houston System, Internal Auditing Department – Annual Report, Fiscal Year 2011

DATE PREVIOUSLY SUBMITTED:

SUMMARY: The Texas Government Code, Sec. 2102, requires the Internal Auditors to submit an annual report on the activities of the Internal Auditing Department in the format prescribed by the State Auditor’s Office to the members of the Board of Regents; the Chancellor; the Governor’s Office; the Legislative Budget Board; the Sunset Advisory Commission and the State Auditor’s Office. The executive summary of this report is on pages 1 and 2.

SUPPORTING DOCUMENTATION: University of Houston System, Internal Auditing Department – Annual Report, Fiscal Year 2011 (under separate cover)

FISCAL NOTE: Information

RECOMMENDATION/ ACTION REQUESTED: University of Houston System

CHIEF AUDIT EXECUTIVE: Don Guyton

CHANCELLOR: Renu Khator

10/27/11

DATE

11/16/11

AUDIT –O-161
October 28, 2011

Governor’s Office of Budget, Planning, and Policy
Legislative Budget Board
Sunset Advisory Commission
State Auditor’s Office
Members of the Board of Regents,
    University of Houston System
Dr. Renu Khator, Chancellor
    University of Houston System

During fiscal year 2011, The University of Houston System Internal Auditing Department executed the annual audit plan approved by the University of Houston System Board of Regents on August 17, 2010. The work performed under this plan met the requirements of the Texas Internal Auditing Act (Act), Texas Government Code, Sec. 2102, as amended. The Long-Range Internal Audit Plan is flexible and is periodically adjusted to adapt to the changes in the existing operations or activity levels. Such changes to the plan are approved by the Audit and Compliance Committee of the Board of Regents. There were no amendments to the Long-Range Internal Audit Plan during FY 2011. The Act requires the Internal Auditor to submit to you the attached report of the activities of the Internal Auditing Department for fiscal year 2011. This report contains the information presented in the format prescribed by the State Auditor’s Office, as required by the Act. Please do not hesitate to contact me should you have any questions about the contents of this report.

Sincerely,

Don F. Guyton
Chief Audit Executive

Attachment
EXECUTIVE SUMMARY

Purpose of Report

This report satisfies the requirements of the Texas Internal Auditing Act (Act), which states that internal audit departments are to prepare an annual report. It contains information on our audit plan, audits completed, and recommendations made during the 2011 fiscal year. This report contains the information presented in the format provided by the State Auditor’s Office, as required by the Act.

Significant Engagement Observations

The Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing, Practice Advisory 2060-1, defines significant engagement observations as “…those conditions that, in the judgment of the CAE, could adversely affect the organization. Significant engagement observations may include conditions dealing with fraud, irregularities, illegal acts, errors, inefficiency, waste, ineffectiveness, conflicts of interest, and control weaknesses.”

During the 2011 fiscal year, we issued thirty-four audit reports. One report included a significant engagement observation. The significant engagement observation is summarized below:

- UH Division of Student Affairs: The Division did not have adequate oversight to help ensure that all business functions were adequately performed throughout the Division.

Other reports included recommendations to strengthen internal controls in the following areas: modifying current University of Houston System, campus or departmental administrative policies (7 reports); reconciliation of departmental records to the financial accounting reports to ensure that transactions recorded to the cost centers are authorized, accurate and complete (5 reports); cash handling (7 reports); contract administration (6 reports); and training (6 reports).

Management’s Response

Management’s responses to our findings and recommendations have been very positive. Management has responded that the audit recommendations have been implemented or will be implemented in the future.

Audit Plan

The Board of Regents approved the Long-Range Internal Audit Plan – Fiscal Years 2011-2013 on August 17, 2010. A copy of the Audit Plan for fiscal years 2011-2013 is included in Section 1. A list of audits completed is included in Section 3. The Board of Regents approved the Long-Range Internal Audit Plan – Fiscal Years 2012-2014 on August 17, 2011. A copy of the Audit Plan for fiscal years 2012-2014 is included in Section 7.

The internal audit plan provides full-time internal audit coverage to the following entities:

University of Houston System Administration
During FY 2011, approximately 2,200 additional hours were allocated to departmental reviews. As a result of the additional time allocated to departmental reviews, several audits for FY 2011 were in progress at year-end or were rescheduled. These deviations and other deviations from the Audit Plan are explained in Section 1.

The work of the Internal Auditing Department extends beyond planned audits. During the 2011 fiscal year, we also engaged in several special projects. A list of these special projects is included in Section 1.

The Standards for the Professional Practice of Internal Auditing require internal auditors to perform follow-up procedures to ascertain that appropriate action is taken on reported audit findings. At the beginning of FY 2011, there were 113 open management action items. During FY 2011, 45 additional management action items were identified and 106 were completely addressed. At the end of FY 2011, there were 52 open management action items.

The Internal Auditing Department received a peer review in January 2009 and its next peer review should be completed during Spring 2012.

The Internal Auditing Department monitored four key performance factors during fiscal year 2011.

<table>
<thead>
<tr>
<th>PERFORMANCE FACTORS</th>
<th>TARGET</th>
<th>ACTUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Percent of audit recommendations implemented/in-progress</td>
<td>90%</td>
<td>99%</td>
</tr>
<tr>
<td>2. Direct audit hours as a percent of total audit hours</td>
<td>69%</td>
<td>69%</td>
</tr>
<tr>
<td>3. Average training hours per auditor</td>
<td>40</td>
<td>45</td>
</tr>
<tr>
<td>4. Percent of auditees responding to feedback survey indicating that they were satisfied with audit</td>
<td>100%</td>
<td>97%</td>
</tr>
</tbody>
</table>

An analysis of direct audit hours as a percent of total audit hours is included in the Deviation Section, Section 1.

For more information on this report, contact Don F. Guyton at (713) 743-8000.
UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

ANNUAL ACTIVITY REPORT
FISCAL YEAR 2011

TABLE OF CONTENTS

1. Audit Plan for Fiscal Years 2011-2013 (including Deviations from the Audit Plan)

2. UHS Internal Audit Peer Review Report

3. List of Audits Completed

4. List of Consulting Engagements and Non-audit Services Completed

5. Organizational Charts

6. Report on Other Internal Audit Activities

7. Audit Plan for Fiscal Years 2012-2014

8. Procured External Audit Services, Fiscal Year 2011

9. Reporting Suspected Fraud and Abuse
Section 1

Audit Plan for Fiscal Years 2011 – 2013
(Including Deviations from the Audit Plan)
UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

LONG - RANGE INTERNAL AUDIT PLAN
and
RISK ANALYSIS

Fiscal Years 2011 - 2013
MEMORANDUM

TO: Mr. Jacob Monty
   Chair, Audit and Compliance Committee

   Dr. Renu Khator
   Chancellor/President, UHS/UH

FROM: Don F. Guyton
   Chief Audit Executive

DATE: July 23, 2010

SUBJ: Long-Range Internal Audit Plan - Fiscal Years 2011-2013

Attached for your review and approval is the UHS Internal Auditing Department Long-Range Internal Audit Plan for Fiscal Years 2011-2013 (Audit Plan). The Audit Plan has been prepared to meet the requirements of the Board of Regents directives 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 resources are described in Section 2 of the Audit Plan, and the risk assessment is included in Section 8 of the Audit Plan. Risk assessment techniques were employed to identify auditable areas and to ensure that the accounting systems and controls, the administrative systems and controls, and other major systems and controls are reviewed on a periodic basis. Coverage of key departments and functions at planned intervals has been designed into the plan to assure that no significant auditable area has been overlooked.

Each auditable area has been evaluated as to its risks and other functions which might determine the urgency and frequency for performing an audit. In addition to an analytical review of all significant financial data for each campus, the risk evaluation and scheduling process included requests for input from all campus presidents, fiscal officers, and other key personnel. Once the risk assessment was completed, each auditable area was included in the audit schedule for the next three fiscal years or later.
Included in the attached Section 5 of the Audit Plan is a listing of brief audit objectives for each auditable area. These objectives relate to overall internal controls, efficiency of operations and compliance with laws and regulations, and Board of Regents and/or management policies and procedures.

**Recommendation:**

The Audit Plan should be flexible and periodically adjusted to adapt to changes in the audit environment. These changes include new or revised laws or regulations and changes in existing operations or activity levels. The Audit and Compliance Committee should approve these periodic changes to the Audit Plan. I recommend that the Board of Regents approve the attached Audit Plan, including the Internal Audit Resources, and delegate approval for periodic changes to the Audit and Compliance Committee.

DFG:rh
Attachment
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<th>Description</th>
<th>Section</th>
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<td>Executive Summary</td>
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<tr>
<td>Summary of Man-Hours / Man-Hour Assumptions</td>
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<td>Audit Team</td>
<td>3</td>
</tr>
<tr>
<td>Auditable Areas</td>
<td>4</td>
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<tr>
<td>Audit Objectives</td>
<td>5</td>
</tr>
<tr>
<td>Three-Year Audit Schedule</td>
<td>6</td>
</tr>
<tr>
<td>Frequency of Audit Activity</td>
<td>7</td>
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<tr>
<td>Risk Analysis</td>
<td>8</td>
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<tr>
<td>Activity</td>
<td>2011</td>
</tr>
<tr>
<td>-------------------------</td>
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<td>Scheduled Audits</td>
<td>7,446</td>
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<td>IT Reviews/Monitoring</td>
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<td>Special Projects</td>
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<td>Departmental Reviews</td>
<td>2,100</td>
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<tr>
<td>Follow-up Reviews</td>
<td>500</td>
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<td>Total Direct Audit Hours</td>
<td>13,546</td>
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**University of Houston System**  
**Internal Auditing Department**

**Long-Range Internal Audit Plan**  
**Man-Hour Assumptions**

<table>
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<tr>
<th>Available Man-Hours</th>
<th>Chief Audit Executive</th>
<th>Assistant Director</th>
<th>Senior Auditor</th>
<th>Information Technology Auditor</th>
<th>Staff</th>
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<td>Vacations</td>
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<td>120</td>
<td>96</td>
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<td>96</td>
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<td>Holidays (12 days)</td>
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<td>96</td>
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<td>Sick Leave</td>
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<td>60</td>
<td>60</td>
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<tr>
<td>Professional Training</td>
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<td>40</td>
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<tr>
<td>In-house Training</td>
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<td>40</td>
<td>40</td>
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<tr>
<td>Professional Organizations</td>
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<td>16</td>
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<tr>
<td>Indirect Audit Hours: Administrative</td>
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<td>816</td>
<td>316</td>
<td>96</td>
<td>56</td>
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<td>Direct Audit Hours</td>
<td>668</td>
<td>868</td>
<td>1,416</td>
<td>1,636</td>
<td>1,676</td>
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</table>

**Total Hours Available**  

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<th></th>
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<th>2,080</th>
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</table>

**Allocable Direct Audit Hours**

<table>
<thead>
<tr>
<th>Direct Audit Hours By Position</th>
<th>668</th>
<th>868</th>
<th>1,416</th>
<th>1,636</th>
<th>1,676</th>
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<tr>
<td>Staff Size By Position</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>5</td>
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<tr>
<td>Employee Turnover/Attrition</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<td>Available Staff Size</td>
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<td>1.0</td>
<td>2.0</td>
<td>1.0</td>
<td>4.5</td>
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**Subtotal**

| 668 | 868 | 2,832 | 1,636 | 7,542 |

**Total Direct Audit Hours**

| 13,546 |
Three-Year Audit Schedule, FY 2011 - 2013

Section 6
## Internal Audit Plan, FY 2011-2013

### SCHEDULED AUDITS - FY 2011

<table>
<thead>
<tr>
<th>AUDIT ACTIVITY</th>
<th>BUDGET HOURS</th>
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<tr>
<td><strong>ANNUAL ASSISTANCE / MANDATES (3,250 hours)</strong></td>
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<tr>
<td>Annual External Audits - Liaison</td>
<td>100</td>
</tr>
<tr>
<td>Athletics - Football Attendance Audit</td>
<td>100</td>
</tr>
<tr>
<td>Athletics - NCAA Rules-Compliance</td>
<td>400</td>
</tr>
<tr>
<td>Board of Regents Travel, FY 2011</td>
<td>250</td>
</tr>
<tr>
<td>Chancellor/President's Travel, FY 2011</td>
<td>100</td>
</tr>
<tr>
<td>Follow-up Reviews</td>
<td>500</td>
</tr>
<tr>
<td>Special Projects/Police Investigations</td>
<td>1,600</td>
</tr>
<tr>
<td>State Auditor's Office Liaison</td>
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<td>Audit Assistance - General</td>
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<td>Follow-up Reports</td>
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<tr>
<td><strong>SYSTEM-WIDE AUDITS (4,500)</strong></td>
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</tr>
<tr>
<td>Contracts &amp; Grants Administration (UHCL, UHD, and UHV)</td>
<td>900</td>
</tr>
<tr>
<td>Endowments (UHS and UH)</td>
<td>1,000</td>
</tr>
<tr>
<td>Financial Aid (UHCL, UHD, and UHV)</td>
<td>900</td>
</tr>
<tr>
<td>Formula Funding</td>
<td>1,200</td>
</tr>
<tr>
<td>JAMP Grants (UH and UHD)</td>
<td>500</td>
</tr>
<tr>
<td><strong>RESEARCH CENTERS (900)</strong></td>
<td></td>
</tr>
<tr>
<td>Environmental Institute of Houston (UHCL/UH)</td>
<td>300</td>
</tr>
<tr>
<td>Texas Institute for Measurement, Evaluation, and Statistics (UH)</td>
<td>300</td>
</tr>
<tr>
<td>Texas Learning &amp; Computation Ctr. (UH)</td>
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<tr>
<td><strong>DEPARTMENTAL REVIEWS (1,900)</strong></td>
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</tr>
<tr>
<td>UH Academic Affairs/Provost Division</td>
<td>300</td>
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<tr>
<td>UH Education</td>
<td>200</td>
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<tr>
<td>UH Graduate College of Social Work</td>
<td>100</td>
</tr>
<tr>
<td>UH Hotel &amp; Restaurant Management</td>
<td>500</td>
</tr>
<tr>
<td>UHCL Provost Office</td>
<td>300</td>
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<tr>
<td>UHD Academic Affairs &amp; Provost</td>
<td>200</td>
</tr>
<tr>
<td>UHD University College</td>
<td>200</td>
</tr>
<tr>
<td>UHV Nursing</td>
<td>100</td>
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<tr>
<td><strong>INFORMATION TECHNOLOGY (1,900 hours)</strong></td>
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</tr>
<tr>
<td>IT - Review and Monitor of IT Systems</td>
<td>500</td>
</tr>
<tr>
<td>Desktop Computing Support, User Support Services, Training, Computer Store (UH)</td>
<td>400</td>
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<tr>
<td>Web Support Services (UH)</td>
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<tr>
<td>TAC 202 (UHCL, UHD, and UHV)</td>
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</tr>
<tr>
<td><strong>INITIATED DURING FY 2010 - TO BE COMPLETED/REPORTED IN FY 2011</strong></td>
<td>1,096</td>
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**Total Hours Scheduled for Fiscal Year 2011**: 13,546
UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
INTERNAL AUDIT PLAN, FY 2011-2013
FY 2010 AUDITS IN PROGRESS AT YEAR-END

<table>
<thead>
<tr>
<th>Budget Activity</th>
<th>Hours</th>
</tr>
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<tbody>
<tr>
<td><strong>AUDIT ACTIVITY</strong></td>
<td>1,096</td>
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**Projects Initiated During FY 2010, But Not Completed**

- Board of Regents Travel, FY 2010
- Chancellor/President's Travel, FY 2010
- Endowments
- Financial Reporting (all components)
- Privacy Issues (all components)
- Student Accounting & Receivables (all components)
- UH Center for Advanced Materials
- UH Information Security
- UH Scholarships
- UH Optometry, Departmental Review
- UH Student Affairs, Departmental Reviews
- UHV Administration & Finance, Departmental Reviews
- UHV Provost Office, Departmental Reviews
## UNIVERSITY OF HOUSTON SYSTEM
### INTERNAL AUDITING DEPARTMENT
#### INTERNAL AUDIT PLAN, FY 2011-2013
##### SCHEDULED AUDITS - FY 2012

<table>
<thead>
<tr>
<th>AUDIT ACTIVITY</th>
<th>BUDGET HOURS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ANNUAL ASSISTANCE / MANDATES (2,950 hours)</strong></td>
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</tr>
<tr>
<td>Annual External Audits - Liaison</td>
<td>100</td>
</tr>
<tr>
<td>Athletics - Football Attendance Audit</td>
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<tr>
<td>Board of Regents Travel, FY 2012</td>
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<tr>
<td>Chancellor/President's Travel, FY 2012</td>
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<tr>
<td>Follow-up Reviews</td>
<td>500</td>
</tr>
<tr>
<td>Special Projects/Police Investigations</td>
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<tr>
<td>State Auditor's Office Liaison</td>
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<td></td>
<td></td>
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<tr>
<td>Regional Accrediation Review - SACS (UHCL)</td>
<td>100</td>
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<td>Audit Assistance - General</td>
<td>100</td>
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<td>Follow-up Reports</td>
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</tr>
<tr>
<td><strong>SYSTEM-WIDE AUDITS (5,900)</strong></td>
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<tr>
<td>Accounts Payable</td>
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<tr>
<td>Auxiliary Contract Administration</td>
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<tr>
<td>Endowments (UH)</td>
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<tr>
<td>Facilities Management</td>
<td>1,200</td>
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<tr>
<td>Financial Aid (UHCL, UHD, and UHV)</td>
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</tr>
<tr>
<td>General Accounting</td>
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<tr>
<td><strong>DEPARTMENTAL REVIEWS (1,250 hours)</strong></td>
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</tr>
<tr>
<td>UH Graduate &amp; Professional Studies</td>
<td>100</td>
</tr>
<tr>
<td>UH Research</td>
<td>250</td>
</tr>
<tr>
<td>UH University Advancement</td>
<td>150</td>
</tr>
<tr>
<td>UHCL Education</td>
<td>50</td>
</tr>
<tr>
<td>UHCL President's Office</td>
<td>100</td>
</tr>
<tr>
<td>UHD Administration &amp; Finance</td>
<td>100</td>
</tr>
<tr>
<td>UHD Employment Services &amp; Operations</td>
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<tr>
<td>UHD President's Office</td>
<td>50</td>
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<tr>
<td>UHD Public Service</td>
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<tr>
<td>UHD Student Services &amp; Enrollment Management</td>
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<tr>
<td>UHV Arts &amp; Sciences</td>
<td>50</td>
</tr>
<tr>
<td>UHV Business Administration</td>
<td>50</td>
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<tr>
<td>UHV Education</td>
<td>50</td>
</tr>
<tr>
<td>UHV President's Office</td>
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</tr>
<tr>
<td><strong>INFORMATION TECHNOLOGY (2,100 hours)</strong></td>
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<tr>
<td>IT - Review and Monitor of IT Systems</td>
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</tr>
<tr>
<td>(PeopleSoft Student &amp; Academic Administration - Post Implementation Review)</td>
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<tr>
<td>Enterprise Information Systems (UH)</td>
<td>600</td>
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<tr>
<td>Instructional Technology, Multimedia Services, Student Computing (UH)</td>
<td>400</td>
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<tr>
<td>TAC 202 (UH)</td>
<td>400</td>
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<tr>
<td><strong>RESEARCH CENTERS (600)</strong></td>
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</tr>
<tr>
<td>Center for Materials Chemistry (UH)</td>
<td>150</td>
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<tr>
<td>Institute for Space System Operations (UH/UHCL)</td>
<td>150</td>
</tr>
<tr>
<td>Texas Center for Superconductivity (UH)</td>
<td>300</td>
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<tr>
<td><strong>QUALITY ASSURANCE REVIEWS (200)</strong></td>
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<tr>
<td>Internal Auditing Internal Quality Assurance Review</td>
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<tr>
<td>Internal Auditing External Quality Assurance Review</td>
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<tr>
<td><strong>INITIATED DURING FY 2011 - TO BE COMPLETED/REPORTED IN FY 2012</strong></td>
<td>546</td>
</tr>
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</table>

**Total Hours Scheduled for Fiscal Year 2012** 13,546
### AUDIT ACTIVITY

<table>
<thead>
<tr>
<th>AUDIT ACTIVITY</th>
<th>HOURS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ANNUAL ASSISTANCE / MANDATES (3,250 hours)</strong></td>
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<tr>
<td>Annual External Audits - Liaison</td>
<td>100</td>
</tr>
<tr>
<td>Athletics - Football Attendance Audit</td>
<td>100</td>
</tr>
<tr>
<td>Athletics - NCAA Rules-Compliance</td>
<td>400</td>
</tr>
<tr>
<td>Board of Regents Travel, FY 2013</td>
<td>250</td>
</tr>
<tr>
<td>Chancellor/President's Travel, FY 2013</td>
<td>100</td>
</tr>
<tr>
<td>Follow-up Reviews</td>
<td>500</td>
</tr>
<tr>
<td>Special Projects/Police Investigations</td>
<td>1,600</td>
</tr>
<tr>
<td>State Auditor's Office Liaison</td>
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<tr>
<td>Audit Assistance - General</td>
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<tr>
<td>Follow-up Reports</td>
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<tr>
<td><strong>SYSTEM-WIDE AUDITS (5,300)</strong></td>
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<tr>
<td>Academic Fees</td>
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<tr>
<td>Endowments (UHCL and UHD)</td>
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<tr>
<td>Financial Aid</td>
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<td>Payroll</td>
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<td>Property Management (Fixed Assets)</td>
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<td><strong>DEPARTMENTAL REVIEWS (1,500 hours)</strong></td>
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<td>UH Administration &amp; Finance</td>
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<tr>
<td>UH Business</td>
<td>200</td>
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<tr>
<td>UH Engineering</td>
<td>250</td>
</tr>
<tr>
<td>UH Library</td>
<td>200</td>
</tr>
<tr>
<td>UH Natural Sciences &amp; Mathematics</td>
<td>300</td>
</tr>
<tr>
<td>UH Technology</td>
<td>150</td>
</tr>
<tr>
<td>UHD Business</td>
<td>50</td>
</tr>
<tr>
<td>UHD Humanities &amp; Social Sciences</td>
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</tr>
<tr>
<td><strong>INFORMATION TECHNOLOGY (2,300 hours)</strong></td>
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<tr>
<td>IT - Review and Monitor of IT Systems</td>
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</tr>
<tr>
<td>Enterprise Infrastructure and Services (UH)</td>
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<tr>
<td>Network Infrastructure and Services</td>
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<tr>
<td>Operations, Data Center, Print Services</td>
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<td>Telephony</td>
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<td>TAC 202 (UHCL, UHD, and UHV)</td>
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<td><strong>RESEARCH CENTERS (600)</strong></td>
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</tr>
<tr>
<td>Center for Computational Sciences &amp; Advanced Distributed Simulation (UHD)</td>
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</tr>
<tr>
<td>Wind Center (UH)</td>
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<tr>
<td><strong>INITIATED DURING FY 2012 - TO BE COMPLETED/REPORTED IN FY 2013</strong></td>
<td></td>
</tr>
<tr>
<td>Total Hours Scheduled for Fiscal Year 2013</td>
<td>13,546</td>
</tr>
</tbody>
</table>

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**6-1-4**
Deviation from the Audit Plan

During FY 2011, approximately 2,200 additional hours were allocated to departmental Reviews. As a result of the additional time allocated to departmental reviews, several audits that were scheduled for FY 2011 were in progress at year-end or were rescheduled. These deviations and other deviations from the Audit Plan are explained in Section 1.
UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
FY 2011 ACTIVITY REPORT
AUDIT REPORTS ISSUED

REPORT #  REGULAR REPORTS
2011-01  Follow-up Status Report (7/1/10 to 9/30/10)
2011-02  UH Athletics Departmental Review
2011-03  Board of Regents' Travel, FY 2010
2011-04  Chancellor/President's Travel, FY 2010
2011-05  UH, Division of Student Affairs, Departmental Reviews
2011-06  Annual Non-Compliance Report, FY 2010
2011-07  UHD JAMP, FY 2009-2010
2011-08  UH JAMP, FY 2009-2010
2011-09  Follow-up Status Report (10/1/10 to 12/31/10)
2011-10  Football Attendance, 2010 Season
2011-11  UH College of Optometry, Departmental Review
2011-12  UHV Division of Administration & Finance, Departmental Reviews
2011-13  UHV Office of the Provost, Departmental Reviews
2011-14  UHV School of Nursing, Departmental Review
2011-15  UHD University College, Departmental Reviews
2011-16  UHD Office of Academic Affairs & Provost, Departmental Reviews
2011-17  UHV Financial Aid, Pell Grants
2011-18  UHCL Financial Aid, Pell Grants
2011-19  UHD Financial Aid, Scholarships
2011-20  UH Financial Aid, Scholarships
2011-21  Follow-up Status Report (1/1/11 to 3/31/11)
2011-22  UHCL Office of Academic Affairs & Provost, Departmental Reviews
2011-23  Executive and Foreign Travel, All Components
2011-24  UH Research Administration
2011-25  UH Athletics Department, Endowments
2011-26  UH College of Education, Endowments
2011-27  Follow-up Status Report (4/1/11 to 6/30/11)
2011-28  Construction Awards
2011-29  UH Library, Endowments
2011-30  UHS Privacy
2011-31  UH College of Education, Departmental Reviews
2011-32  UH College of Optometry, Endowments
2011-33  IT Audit Activity Report, FY 2011
2011-34  UH College of Natural Sciences & Mathematics, Endowments
<table>
<thead>
<tr>
<th>REPORT #</th>
<th>SPECIAL PROJECT REPORTS</th>
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<tbody>
<tr>
<td>SP2011-01</td>
<td>SAO Hotline Complaint - UHV School of Business</td>
</tr>
<tr>
<td>SP2011-02</td>
<td>MySafeCampus Report - UHD College of Sciences and Technology</td>
</tr>
<tr>
<td>SP2011-03</td>
<td>SAO Hotline Complaint - UH Student Enrollment Issue</td>
</tr>
<tr>
<td>SP2011-04</td>
<td>SAO Hotline Complaint - Cougar Village / Capital One Bank</td>
</tr>
<tr>
<td>SP2011-05</td>
<td>UTEP Peer Review</td>
</tr>
<tr>
<td>SP2011-06</td>
<td>MySafeCampus Report - FP&amp;C</td>
</tr>
<tr>
<td>SP2011-07</td>
<td>SAO Hotline Complaint - UHV School of Business - Travel</td>
</tr>
<tr>
<td>SP2011-08</td>
<td>SAO Hotline Complaint - UH College of Optometry</td>
</tr>
<tr>
<td>SP2011-09</td>
<td>SAO Hotline Complaint - UH Law Professor</td>
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</table>
### UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
FY 2011 ACTIVITY REPORT
SUMMARY OF HOURS WORKED

<table>
<thead>
<tr>
<th></th>
<th>BUDGET HOURS</th>
<th>TOTAL ACTUAL HOURS</th>
<th>(OVER) /UNDER BUDGET</th>
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</thead>
<tbody>
<tr>
<td>Scheduled Audits</td>
<td>7,446</td>
<td>6,071</td>
<td>1,375</td>
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<td>IT Reviews/Monitoring</td>
<td>1,900</td>
<td>677</td>
<td>1,223</td>
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<td>Special Projects</td>
<td>1,600</td>
<td>1,876</td>
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<tr>
<td>Follow-up Reviews</td>
<td>500</td>
<td>501</td>
<td>(1)</td>
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<tr>
<td>Departmental Reviews</td>
<td>2,100</td>
<td>4,266</td>
<td>(2,166)</td>
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<td>Direct Audit Hours</td>
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<td>13,391</td>
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<td>Departmental Administration</td>
<td>2,812</td>
<td>2,688</td>
<td>124</td>
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<td>Professional Development &amp; Departmental Leave</td>
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<td>3,351</td>
<td>51</td>
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<td>Indirect Audit Hours</td>
<td>6,214</td>
<td>6,039</td>
<td>175</td>
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<tr>
<td>Total Audit Hours</td>
<td>19,760</td>
<td>19,430</td>
<td>330</td>
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<td>Net Lost Man Hours:</td>
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<tr>
<td>Employee Turnover</td>
<td>1,040</td>
<td>1,568</td>
<td>(528)</td>
</tr>
<tr>
<td>Unpaid Leave</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>20,800</td>
<td>20,998</td>
<td>(198)</td>
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Direct Audit Hours as a Percent of Total Audit Hours: 69%
## SCHEDULED AUDITS

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<th>Scheduled Audits</th>
<th>BUDGET HOURS</th>
<th>TOTAL ACTUAL HOURS</th>
<th>OVER/UNDER BUDGET</th>
<th>COMMENTS OR EXPLANATIONS</th>
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<tr>
<td>FY 2010 Scheduled Audits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual External Audits - Liaison</td>
<td>100</td>
<td>0</td>
<td>100</td>
<td>Assistance provided.</td>
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<tr>
<td>Athletics - Football Attendance Audit, 2011 Season</td>
<td>100</td>
<td>7</td>
<td>93</td>
<td>In progress.</td>
</tr>
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<td>Athletics - NCAA Rules-Compliance</td>
<td>400</td>
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<td>371</td>
<td>In progress.</td>
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<td>250</td>
<td>89</td>
<td>161</td>
<td>Report issued during FY 2012.</td>
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<td>4</td>
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<td>In progress.</td>
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<tr>
<td>Contracts and Grants Administration (UHD)</td>
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<td>4</td>
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<tr>
<td>Contracts and Grants Administration (UHV)</td>
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<td>297</td>
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</tr>
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<td>Endowments, UH Provost</td>
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<td>143</td>
<td>58</td>
<td>In progress.</td>
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<td>Endowments, UH System Administration</td>
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<td>254</td>
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</tr>
<tr>
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<td>5</td>
<td>295</td>
<td>In progress.</td>
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<tr>
<td>Financial Aid, Direct Loans (UHD)</td>
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<td>6</td>
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<td>In progress.</td>
</tr>
<tr>
<td>Financial Aid, Direct Loans (UHV)</td>
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<td>In progress.</td>
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<td>Formula Funding (UH)</td>
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<td>Jamp Grants (UH)</td>
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<td>41</td>
<td>209</td>
<td>Report issued.</td>
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<tr>
<td>Jamp Grants (UHD)</td>
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<td>56</td>
<td>194</td>
<td>Report issued.</td>
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<td>Environmental Institute of Houston (UHCL/UH)</td>
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<td>Carryforward to FY 2012.</td>
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<tr>
<td>Texas Institute for Measurement, Evaluation, and Statistics (UH)</td>
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Total Hours Scheduled for Fiscal Year 2009                                      | 7,446        | 6,071              | 1,375             |
## FY 2011 Activity Report

### IT Audit Activity

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<td><strong>HOURS</strong></td>
<td><strong>BUDGET</strong></td>
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## SPECIAL PROJECTS

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**Total**

1,600 1,876 (276)
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Total Administration 2,812 2,688 124
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Section 2

UHS Internal Audit Peer Review Report
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<td>2230 – Engagement Resource Allocation</td>
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<td>2240 – Engagement Work Program</td>
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<td>2300 – Performing the Engagement</td>
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<td>2310 – Identifying Information</td>
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<td>2320 – Analysis and Evaluation</td>
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<td>2410 – Criteria for Communicating</td>
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<tr>
<td>2420 – Quality of Communications</td>
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<td>2421 – Errors and Omissions</td>
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<td>2430 – Engagement Disclosure of Noncompliance</td>
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<td>2440 – Disseminating Results</td>
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<td>2500 – Monitoring Progress</td>
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<td>2600 – Res. of Management’s Acceptance of Risks</td>
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</table>
EXECUTIVE SUMMARY

INTRODUCTION

This Quality Assessment Review (QAR) was conducted in accordance with the Institute of Internal Auditors Quality Assessment Manual 5th Edition. The review was conducted December 8-10, 2008 and covered audit activities through August 2008. The QAR consisted of the following team members:

**Team Leader:** Michael (Mike) W. Hill, CPA, CFE, CCEP  
Vice President, Internal Audit, Compliance and Risk Management  
Medical College of Georgia

Dick Dawson, CPA, CIA,  
Executive Director, Audit, Compliance and Risk Services  
University of Texas-San Antonio

Douglas Horr, CBA, CIA  
Director, Internal Audit  
Stevens Institute

OBJECTIVE/SCOPE OF REVIEW

The Institute of Internal Auditors (IIA) defines Internal Auditing as:

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

The objective of the review was to assess conformance with the IIA Standards and Generally Accepted Government Auditing Standards and to render an opinion of the conformance with those standards based upon the focus of the aforementioned definition, with recommendations for improvement. To do this the team reviewed the effectiveness and efficiency of the Internal Auditing activity against:

1. Charter as provided by the University of Houston System Internal Auditing Director  
2. Mission as provided by the University of Houston System Internal Auditing Director  
3. University of Houston System audit procedures as provided by the Internal Auditing Director

In addition, we noted commendable leading practices and opportunities for improvement. To ensure appropriate assessment of standards this assessment was based upon the IIA Quality Assessment Manual, 5th Edition. This review generally conforms to that manual's guidance. The base line assessment process was as follows:

1. The QAR team reviewed the Internal Auditing activity for compliance with IIA standards.  
   a. All standards referred to may be referenced in The Professional Practices Framework, March 2007, also referred to as the “Red Book.”
2. The QAR team reviewed the Internal Auditing Activity for appropriateness of risk assessment and engagement planning.

3. The QAR team evaluated staff professional proficiency.

4. Determine if the level of Audit productivity and value-added by the Internal Auditing activity is appropriate.

5. We conducted interviews of key stakeholders such as:
   - Audit and Compliance Committee: Chair, Vice Chair
   - Senior Leaders: Chancellor, Vice Chancellors
   - Internal Audit staff members

6. The team conducted a sampling of work-papers and reports.

**SUMMARY OF OBSERVATIONS**

The IIA uses three rating levels to articulate conformance to standards. They are as follows:

- **Generally Conforms (GC)** – Top Rating - Indicates that activity’s relevant structure, policies, procedures and processes comply with the majority of the elements in the requirements of the Standards and Code of Ethics; however, opportunities for improvement may exist.

- **Partially Conforms (PC)** – Indicates that the activity is making a good faith effort to comply with the Standards and Code of Ethics but has fallen short of achieving some major objectives.

- **Does Not Conform (DNC)** – Indicates that the activity is failing to achieve the objectives in the Standards or Code of Ethics in major categories and is not making good faith efforts to comply.

Throughout the course of this report we comment on the relevant observations the team had as we evaluated the standards. The report text is color coded to the rating level.

**Overall Rating:**

**Generally Conforms** – University of Houston Internal Auditing Department is making a good faith effort to comply with the Standards and Code of Ethics.

There were no areas where the review team felt the internal audit function did not meet the stated standards. The full standards can be read at the Institute of Internal Auditors website (www.iia.org). Even though the review team determined that the UHS Internal Auditing Department “Generally Conforms” with the Standards, we do want to take this opportunity to present several areas/issues for consideration by the Board of Regents Audit and Compliance Committee, UHS management and UHS Internal Auditing Department.
It should be noted that as a part of the quality assessment review, the UHS Internal Auditing Department completed a quality self-assessment review. In the self-assessment report, seven recommendations were made that would improve department operational efficiency and effectiveness. The QAR team agrees with the self-assessment findings, recommendations, and management’s responses. Of the seven recommendations, the QAR team believes that the recommendation concerning the need of the UHS Internal Auditing Department to recruit and maintain an experienced IT Auditor is the most material and urgent to accomplish.

Commendations:

The reputation of the UHS Internal Auditing Department and that of the department director (Mr. Don Guyton), with UH senior leadership is the principal strength determined by the QAR team. The department director’s 20+ years of experience in the UHS, as well as the ability of the Internal Auditing Department to be a responsive and valuable resource for management should be commended.

Another area that the Internal Auditing Department should be commended for was its ability to provide UHS with broad audit coverage, providing quality reviews and services, while the department experienced significant turnover in several positions over the past couple of years. The UHS Internal Auditing Department should be commended for their efforts. Based on interviews with the current audit staff, they enjoy the working environment at UHS, particularly in the Internal Auditing Department, as well as the potential advancement opportunities with the department.

Areas for Opportunity for Improvement

System Recommendations:

Director Title Revision

The UHS and its Board of Regents (BOR) should consider changing the current title of the Director of the UHS Internal Auditing Department. The Director position is the chief audit executive (CAE) for the UHS and the title should be reflective of that as well. The audit profession within higher education systems has been moving, for several years now, to having its top auditing professional in their respective organizations be referred to as the: Chief Audit Executive or Chief Audit Officer. The QAR team realizes that this is a minor matter, but this change aids in promoting the CAE as a member of senior leadership as well as defining the importance of the Internal Auditing function within the UHS.
Management Response: We will recommend to the Audit and Compliance Committee and management that the Director title be changed to Chief Audit Executive and that references to the position be changed in the relevant policies and procedures by February 28, 2009.

Enterprise Risk Management (ERM)

The QAR team recommends that UHS management, the BOR Audit and Compliance Committee, as well as the UHS Internal Auditing Department management, consider integrating more ERM activities with the internal auditing activities. Even though the Director of Internal Auditing is also the UHS Compliance Officer, additional activities involving ERM need to be integrated with the current internal auditing and compliance activities.

According to the Committee of Sponsoring Organizations of the Treadway Commission’s (COSO) Enterprise Risk Management-Integrated Framework, the starting point for an effective ERM program starts with the institution’s internal control environment. This starting point means establishing a shared risk management philosophy for the entire UHS community. As a part of an ERM program, the UHS Internal Auditing Department can assist management in establishing effective governance processes, ensuring the coordination of risk assessment, response, and monitoring, and related control activities. In addition, the audit department when performing audits of business units/processes should include audit steps that inquire of management the quality of the respective business unit’s risk assessment processes, what risk monitoring is occurring, and the degree of coordinated risk efforts with other business units and/or management.

Management Response: We will include the topic of ERM on our engagement entrance conference meeting agenda in order to familiarize management with the concept of ERM. During these meetings, we will inquire about management’s greatest perceived risks and the manner in which it is managing them. Estimated completion date is February 28, 2009.

Department Recommendations:

Electronic Workpaper Efficiency and Effectiveness

Even though the electronic working papers and the procedures being used by the office substantially satisfy the IIA Standards, improvement opportunities are available to allow the electronic working papers to be more efficient and effective. One area for consideration involves the breaking down of audit steps into smaller multiple steps that are more identifiable with individual performance tasks. The reasoning for using the smaller multiple audit step approach allows multiple staff members to work on the audit program and various audit steps while allowing the audit supervisor to review the smaller steps as they are completed. This will also produce a more accurate status of the audit program and breakdown of the audit’s progress towards completion.

Another area of potential improvement involves the UHS Internal Auditing Department’s practice of completing an annual independence statement. Although this is an acceptable practice, a best practice would be to have each team member confirm their independence on each project at the beginning of planning the audit work. This task could be easily accomplished by including a step within the electronic working papers.

Management Response: We will revise our standard audit work programs to determine which audit steps can be broken down into smaller steps and will include any additional audit steps for ascertaining staff independence on each layer. Estimated completion date is February 28, 2009.

****
We appreciate the cooperation and assistance provided to us throughout the course of this review by the members of the UHS community: the administration, the Board of Regents, and the Internal Auditing Department staff. We are confident that with UHS Internal Auditing management’s continued commitment to complying with the Standards, the internal auditing department will continue to be a valuable resource to UHS management.

Sincerely,

Michael W. Hill, CPA, CFE, CCEP
Vice President, Internal Audit, Compliance and Risk Management
Medical College of Georgia

Dick Dawson, CPA, CIA
Executive Director, Audit, Compliance and Risk Services
University of Texas-San Antonio

Doug Horr, CBA, CIA
Director, Internal Audit
Stevens Institute
<table>
<thead>
<tr>
<th>Standard</th>
<th>Description</th>
<th>Conformance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1000</strong></td>
<td>Purpose, Authority, and Responsibility (Internal Audit Charter)</td>
<td>The purpose, authority and responsibility of the internal audit activity should be formally defined in a charter, consistent with the <em>Standards</em>, and approved by the board.</td>
</tr>
<tr>
<td><strong>1100</strong></td>
<td>Independence and Objectivity</td>
<td>The internal audit activity should be independent, and internal auditors should be objective in performing their work.</td>
</tr>
<tr>
<td><strong>1110</strong></td>
<td>Organizational Independence</td>
<td>The chief audit executive should report to a level within the organization that allows the internal audit activity to fulfill its responsibilities.</td>
</tr>
<tr>
<td><strong>1120</strong></td>
<td>Individual Objectivity</td>
<td>Internal auditors should have an impartial, unbiased attitude and avoid conflicts of interest.</td>
</tr>
<tr>
<td><strong>1130</strong></td>
<td>Impairments to Independence or Objectivity</td>
<td>If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.</td>
</tr>
<tr>
<td><strong>1200</strong></td>
<td>Proficiency and Due Professional Care</td>
<td>Engagements should be performed with proficiency and due professional care.</td>
</tr>
<tr>
<td><strong>1210</strong></td>
<td>Proficiency</td>
<td>Internal auditors should possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively should possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities.</td>
</tr>
<tr>
<td><strong>1220</strong></td>
<td>Due Professional Care</td>
<td>Internal auditors should apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.</td>
</tr>
<tr>
<td><strong>1230</strong></td>
<td>Continuing Professional Development</td>
<td>Internal auditors should enhance their knowledge, skills, and other competencies through continuing professional development.</td>
</tr>
<tr>
<td>Code</td>
<td>Section Title</td>
<td>Description</td>
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<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>1300</td>
<td>Quality Assurance and Improvement</td>
<td>The chief audit executive should develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and continually monitors its effectiveness. Each part of the program should be designed to help the internal auditing activity add value and improve the organization’s operations and to provide assurance that the internal audit activity is in conformity with the <em>Standards</em> and the <em>Code of Ethics</em>.</td>
</tr>
<tr>
<td>1310</td>
<td>Quality Program Assessments</td>
<td>The internal audit activity should adopt a process to monitor and assess the overall effectiveness of the quality program. The process should include both internal and external assessments.</td>
</tr>
</tbody>
</table>
| 1311  | Internal Assessments                | Internal assessment should include:  
- Ongoing reviews of the performance of the internal audit activity; and  
- Periodic reviews performed through self-assessment or by other persons within the organization, with knowledge of internal audit practices and the *Standards*.   | GC     |
| 1312  | External Assessments                | External assessment, such as quality assurance reviews, should be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization.                                                                 | GC     |
| 1320  | Reporting on the Quality Program    | The chief audit executive should communicate the results of external assessments to the board.                                                                                                              | GC     |
| 1330  | Use of “Conducted in Accordance with the Standards” | Internal auditors are encouraged to report that their activities are “conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing.*” However, internal auditors may use the statement only if assessments of the quality improvement program demonstrate that the internal audit activity is in compliance with the *Standards*. | GC     |
Although the internal audit activity should achieve full compliance with the Standards and internal auditors with the Code of Ethics, there may be instances in which full compliance is not achieved. Hence, non-compliance impacts the overall scope or operation of the internal audit activity, disclosure should be made to the senior management and the board.

<table>
<thead>
<tr>
<th>PERFORMANCE STANDARDS</th>
<th>2000</th>
<th>Managing the Internal Audit Activity</th>
<th>The chief audit executive (CAE) should effectively manage the internal audit activity to ensure it adds value to the organization.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td></td>
<td>Planning</td>
<td>The CAE should establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization’s goals.</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td>Communication and Approval</td>
<td>The CAE should communicate the internal audit activity’s plans and resource requirements, including significant interim changes. The chief audit executive should also communicate the impact of resource limitations.</td>
</tr>
<tr>
<td>2030</td>
<td></td>
<td>Resource Management</td>
<td>The CAE should ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.</td>
</tr>
<tr>
<td>2040</td>
<td></td>
<td>Policies and Procedures</td>
<td>The CAE should establish policies and procedures to guide the internal audit activity.</td>
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<tr>
<td>2050</td>
<td></td>
<td>Co-Ordination</td>
<td>The CAE should share information and coordinate activities with other internal/external providers of relevant assurance and consulting services to ensure proper coverage and minimize duplication of efforts.</td>
</tr>
<tr>
<td>2060</td>
<td></td>
<td>Reporting to the Board and Senior Management</td>
<td>The CAE should report periodically to the board and senior management on the internal audit activity’s purpose, authority, responsibility, and performance relative to its plan. Reporting should also include significant risk exposures and control issues, corporate governance issues, and other matters needed/requested by the board and senior management.</td>
</tr>
<tr>
<td>2100</td>
<td><strong>Nature of Work</strong></td>
<td>The internal audit activity should evaluate and contribute to the improvement of risk management, control, and governance processes using a systematic and disciplined approach.</td>
<td>GC</td>
</tr>
<tr>
<td>2110</td>
<td><strong>Risk Management</strong></td>
<td>The internal audit activity should assist the organization by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems.</td>
<td>GC</td>
</tr>
<tr>
<td>2120</td>
<td><strong>Control</strong></td>
<td>The internal audit activity should assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement</td>
<td>GC</td>
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</table>
| 2130 | **Governance** | The internal audit activity should assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:  
- Promoting appropriate ethics and values within the organization.  
- Ensuring effective organizational performance management and accountability.  
- Effectively communicating risk and control information to appropriate areas of the organization.  
- Effectively coordinating the activities and communicating information among the board, external and internal auditors and management. | GC |

| 2200 | **Engagement Planning** | Internal auditors should develop and record a plan for each engagement, including the scope, objectives, timing and resource allocations. | GC |
| 2201 | **Planning Considerations** | In planning the engagement, internal auditors should consider:  
- The objectives of the activity being reviewed and the means by which the activity controls its performance. | GC |
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</table>
|   | The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level.  
The adequacy and effectiveness of the activity's risk management and control systems compared to a relevant control framework or model.  
The opportunities for making significant improvements to the activity's risk management and control systems. |
<p>| 2210 | Engagement Objectives | Objectives should be established for each engagement. |
| 2220 | Engagement Scope | The established scope should be sufficient to satisfy the objectives of the engagement. |
| 2230 | Engagement Resource Allocation | Internal auditors should determine appropriate resources to achieve engagement objectives. Staffing should be based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources. |
| 2240 | Engagement Work Program | Internal auditors should develop work programs that achieve the engagement objectives. These work programs should be recorded. |
| <strong>2300</strong> | <strong>Performing the Engagement</strong> | Internal auditors should identify, analyze, evaluate, and record sufficient information to achieve the engagement's objectives. |
| 2310 | Identifying Information | Internal auditors should identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives. |
| 2320 | Analysis and Evaluation | Internal auditors should base conclusions and engagement results on appropriate analyses and evaluations. |
| 2330 | Recording Information | Internal auditors should record relevant information to support the conclusions and engagement results. |
| 2340 | Engagement Supervision | Engagements should be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed. |</p>
<table>
<thead>
<tr>
<th>2400</th>
<th>Communicating Results</th>
<th>Internal auditors should communicate the engagement result.</th>
<th>GC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2410</td>
<td>Criteria for Communicating</td>
<td>Communications should include the engagement’s objectives and scope as well as applicable conclusions, recommendations, and action plans.</td>
<td>GC</td>
</tr>
<tr>
<td>2420</td>
<td>Quality of Communications</td>
<td>Communications should be accurate, objective, clear, concise, constructive, complete, and timely.</td>
<td>GC</td>
</tr>
<tr>
<td>2421</td>
<td>Errors and Omissions</td>
<td>If a final communication contains a significant error or omission, the chief audit executive should communicate corrected information to all parties who received the original communication.</td>
<td>GC</td>
</tr>
<tr>
<td>2430</td>
<td>Engagement Disclosure of Non-compliance with Standards</td>
<td>When non-compliance with the Standards impacts a specific engagement, communication of the results should disclose the: • Standard with which compliance as not achieved, • Reason(s) for non-compliance, and • Impact of non-compliance on the engagement.</td>
<td>GC</td>
</tr>
<tr>
<td>2440</td>
<td>Disseminating Results</td>
<td>The chief audit executive should communicate results to the appropriate parties.</td>
<td>GC</td>
</tr>
<tr>
<td>2500</td>
<td>Monitoring Progress</td>
<td>The chief audit executive should establish and maintain a system to monitor the disposition of results communicated to management.</td>
<td>GC</td>
</tr>
<tr>
<td>2600</td>
<td>Management’s Acceptance of Risks</td>
<td>When the chief audit executive believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the chief audit executive should discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive and senior management should report the matter to the board for resolution.</td>
<td>GC</td>
</tr>
</tbody>
</table>

**IIA Code of Ethics:**
- Integrity
- Objectivity
- Confidentiality
- Competency

The purpose of the IIA’s Code of Ethics is to promote an ethical culture in the profession of internal auditing.
Section 3

List of Audits Completed
<table>
<thead>
<tr>
<th>Report No.</th>
<th>Report Date</th>
<th>Name of Report</th>
<th>High-Level Audit Objectives</th>
<th>Observations/Findings and Recommendations</th>
<th>Current Status</th>
<th>Fiscal Impact/Other Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>AR11-01</td>
<td>11/17/10</td>
<td>Follow-Up Status Report - Actions Scheduled from July 1, 2010 to September 30, 2010</td>
<td>To ascertain that appropriate action is taken on reported audit findings.</td>
<td>This status report addressed 83 management actions in 18 individual reports. The report contained 50 completed actions and 8 action items not implemented.</td>
<td>N/A</td>
<td>Help ensure timely implementation of managements’ planned actions.</td>
</tr>
<tr>
<td>AR11-02</td>
<td>11/17/10</td>
<td>UH Athletics, Departmental Review</td>
<td>To determine whether departments are conducting financial and administrative activities in compliance with university policies.</td>
<td>We conducted 1 departmental compliance review and noted 8 instances of non-compliance with university policies and procedures.</td>
<td>N/A</td>
<td>Reduce the risk of non-compliance with university policies. Improve Internal controls.</td>
</tr>
<tr>
<td>AR11-03</td>
<td>11/17/10</td>
<td>Board of Regents’ Travel, FY 2010</td>
<td>To determine whether expenditures for travel and entertainment were appropriately documented and allowable under university policies.</td>
<td>No Observations/Findings.</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>AR11-04</td>
<td>11/17/10</td>
<td>Chancellor/President’s Travel, FY 2010</td>
<td>To determine whether expenditures for travel and entertainment were appropriately documented and allowable under university policies.</td>
<td>No Observations/Findings.</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>AR11-05</td>
<td>2/16/11</td>
<td>UH Division of Student Affairs, Departmental Reviews</td>
<td>To determine whether departments are conducting financial and administrative activities in compliance with university policies.</td>
<td>We conducted 14 departmental compliance reviews and noted 82 instances of non-compliance with university policies and procedures. Management action items are included in the follow-up status reports which are reported to the</td>
<td>Incomplete/Ongoing</td>
<td>N/A</td>
</tr>
</tbody>
</table>

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

LIST OF AUDITS COMPLETED
(INCLUDING HIGH-LEVEL OBJECTIVES, OBSERVATIONS/FINDINGS, RECOMMENDATIONS, AND STATUS)
FY 2011
<table>
<thead>
<tr>
<th>Report No.</th>
<th>Report Date</th>
<th>Name of Report</th>
<th>High-Level Audit Objectives</th>
<th>Observations/Findings and Recommendations</th>
<th>Current Status</th>
<th>Fiscal Impact/Other Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>AR11-06</td>
<td>11/17/10</td>
<td>Annual Non-Compliance Report, FY 2010</td>
<td>To compile a listing of all instances of non-compliance noted during the previous year in order that management can assess its risks associated with repetitive instances and take action, if necessary.</td>
<td>We noted that the most frequent instances of non-compliance occurred in the areas payroll/human resources, cash handling, contract administration, cost center management, and procurement cards. Management conducted role-=</td>
<td>Fully Implemented</td>
<td>Reduce the risk of non-compliance with university policies.</td>
</tr>
</tbody>
</table>
# UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

## LIST OF AUDITS COMPLETED
(INCLUDING HIGH-LEVEL OBJECTIVES, OBSERVATIONS/ FINDINGS, RECOMMENDATIONS, AND STATUS)
FY 2011

<table>
<thead>
<tr>
<th>Report No.</th>
<th>Report Date</th>
<th>Name of Report</th>
<th>High-Level Audit Objectives</th>
<th>Observations/Findings and Recommendations</th>
<th>Current Status</th>
<th>Fiscal Impact/Other Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>AR11-07</td>
<td>11/17/10</td>
<td>UHD JAMP, FY 2009-2010</td>
<td>To determine whether grant activities complied with JAMP Program guidelines and university policies</td>
<td>We noted no findings of non-compliance with the JAMP agreement or JAMP expenditure guidelines. The</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>AR11-08</td>
<td>11/17/10</td>
<td>UH JAMP, FY 2009-2010</td>
<td>To determine whether grant activities complied with JAMP Program guidelines and university policies</td>
<td>We noted no findings of non-compliance with the JAMP agreement or JAMP expenditure guidelines.</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>AR11-09</td>
<td>2/16/11</td>
<td>Follow-Up Status Report - Actions Scheduled from</td>
<td>To ascertain that appropriate action is taken on reported audit findings.</td>
<td>This status report addressed 38 management actions in 20 individual reports. The</td>
<td>N/A</td>
<td>Help ensure timely implementation of</td>
</tr>
<tr>
<td>Report No.</td>
<td>Report Date</td>
<td>Name of Report</td>
<td>High-Level Audit Objectives</td>
<td>Observations/Findings and Recommendations</td>
<td>Current Status</td>
<td>Fiscal Impact/Other Impact</td>
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<tr>
<td>AR11-10</td>
<td>2/16/11</td>
<td>UH Athletics Football Attendance Audit, 2010 Season</td>
<td>To certify attendance for each home game, as required by 2010-2011 NCAA Bylaws.</td>
<td>In our opinion, the average paid attendance for the 2010 Houston Cougar football home game season calculated using the terms and conditions stipulated by the NCAA exceeds the minimum attendance requirements (15,000 per game average).</td>
<td>Incomplete/Ongoing</td>
<td>Reduce the risk of non-compliance with university policies.</td>
</tr>
<tr>
<td>AR11-11</td>
<td>2/16/11</td>
<td>UH College of Optometry, Departmental Review</td>
<td>To determine whether departments are conducting financial and administrative activities in compliance with university policies.</td>
<td>We conducted 1 departmental compliance review and noted 7 instances of non-compliance with university policies and procedures. Management agreed to implement 3 action items.</td>
<td>Incomplete/Ongoing</td>
<td>Reduce the risk of non-compliance with university policies. Improve Internal controls.</td>
</tr>
<tr>
<td>AR11-12</td>
<td>2/16/11</td>
<td>UHV Division of Administration and Finance, Departmental Reviews</td>
<td>To determine whether departments are conducting financial and administrative activities in compliance with university policies.</td>
<td>We conducted 6 departmental compliance reviews and noted 8 instances of non-compliance with university policies and procedures.</td>
<td>N/A</td>
<td>Reduce the risk of non-compliance with university policies. Improve Internal controls.</td>
</tr>
<tr>
<td>AR11-13</td>
<td>2/16/11</td>
<td>UHV Office of Provost, Departmental Reviews</td>
<td>To determine whether departments are conducting financial and administrative activities in compliance with university policies.</td>
<td>We conducted 8 departmental compliance review and noted 18 instances of non-compliance with university policies and procedures.</td>
<td>Fully Implemented</td>
<td>Reduce the risk of non-compliance with university policies.</td>
</tr>
<tr>
<td>Report No.</td>
<td>Report Date</td>
<td>Name of Report</td>
<td>High-Level Audit Objectives</td>
<td>Observations/Findings and Recommendations</td>
<td>Current Status</td>
<td>Fiscal Impact/Other Impact</td>
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<tr>
<td>AR11-14</td>
<td>2/16/11</td>
<td>UHV School of Nursing, Departmental Review</td>
<td>To determine whether departments are conducting financial and administrative activities in compliance with university policies.</td>
<td>We conducted 1 departmental compliance review and noted no instances of non-compliance with university policies and procedures.</td>
<td>N/A</td>
<td>Improve Internal controls.</td>
</tr>
<tr>
<td>AR11-15</td>
<td>2/16/11</td>
<td>UHD University College, Departmental Reviews</td>
<td>To determine whether departments are conducting financial and administrative activities in compliance with university policies.</td>
<td>We conducted 5 departmental compliance reviews and noted no instances of non-compliance with university policies and procedures.</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>AR11-16</td>
<td>2/16/11</td>
<td>UHD Office of Academic Affairs and Provost, Departmental Reviews</td>
<td>To determine whether departments are conducting financial and administrative activities in compliance with university policies.</td>
<td>We conducted 4 departmental compliance reviews and noted 9 instances of non-compliance with university policies and procedures. Management agreed to implement 1 action item.</td>
<td>Incomplete/Ongoing</td>
<td>The status of all management action items are included in the follow-up status reports which are reported to the Board of Regents quarterly.</td>
</tr>
<tr>
<td>AR11-17</td>
<td>2/16/11</td>
<td>UHV Financial Aid, Pell Grants</td>
<td>To determine whether the institution is in compliance with federal Title IV provisions applicable to the Pell Grant program.</td>
<td>We noted an opportunity for improvement regarding the review of changes to critical data in the Student Financial Aid system.</td>
<td>Fully Implemented</td>
<td>To help ensure compliance with federal regulations.</td>
</tr>
<tr>
<td>AR11-18</td>
<td>2/16/11</td>
<td>UHCL Financial Aid, Pell Grants</td>
<td>To determine whether the institution is in compliance with federal Title IV</td>
<td>We noted an opportunity for improvement regarding the review of changes to critical data in the Student Financial Aid system.</td>
<td>Fully Implemented</td>
<td>Improve Internal controls.</td>
</tr>
<tr>
<td>Report No.</td>
<td>Report Date</td>
<td>Name of Report</td>
<td>High-Level Audit Objectives</td>
<td>Observations/Findings and Recommendations</td>
<td>Current Status</td>
<td>Fiscal Impact/Other Impact</td>
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</tr>
<tr>
<td>AR11-19</td>
<td>2/16/11</td>
<td>UHD Financial Aid, Pell Grants</td>
<td>To determine whether the institution is in compliance with federal Title IV provisions applicable to the Pell Grant program.</td>
<td>We noted certain opportunities for improvement regarding access, review of software changes, and review of changes to critical data in the Financial Aid System.</td>
<td>Fully Implemented</td>
<td>To help ensure compliance with federal regulations. Improve Internal controls.</td>
</tr>
<tr>
<td>AR11-20</td>
<td>2/16/11</td>
<td>UH Financial Aid, Scholarships</td>
<td>To determine whether there was adequate management oversight over the administration of scholarships to help ensure scholarships are being communicated to students and are awarded properly and in a timely manner.</td>
<td>Certain available scholarship funds are not being awarded to students. We recommended management to spend down excessive fund equity balances.</td>
<td>Fully Implemented</td>
<td>Reduce the risk of inefficient use of resources. Improve internal controls.</td>
</tr>
<tr>
<td>AR11-21</td>
<td>5/18/11</td>
<td>Follow-Up Status Report - Actions Scheduled from January 1, 2011 to March 31, 2011</td>
<td>To ascertain that appropriate action is taken on reported audit findings.</td>
<td>This status report addressed 50 management actions in 19 individual reports. The report contained 26 completed actions and 1 action item not implemented.</td>
<td>N/A</td>
<td>Help ensure timely implementation of managements’ planned actions.</td>
</tr>
<tr>
<td>AR11-22</td>
<td>5/18/11</td>
<td>UHCL Office of Academic Affairs and Provost, Departmental Reviews</td>
<td>To determine whether departments are conducting financial and administrative activities in compliance with university policies.</td>
<td>We conducted 17 departmental compliance reviews and noted 25 instances of non-compliance with university policies and procedures. Management</td>
<td>Fully Implemented</td>
<td>Reduce the risk of non-compliance with university policies. Improve Internal controls.</td>
</tr>
<tr>
<td>Report No.</td>
<td>Report Date</td>
<td>Name of Report</td>
<td>High-Level Audit Objectives</td>
<td>Observations/Findings and Recommendations</td>
<td>Current Status</td>
<td>Fiscal Impact/Other Impact</td>
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<tr>
<td>AR11-23</td>
<td>5/18/11</td>
<td>Executive and Foreign Travel, All Components</td>
<td>To determine if executive and foreign travel expenditures were appropriately documented and allowable under university policy.</td>
<td>We noted certain instances of non-compliance with university policies at UH, UHCL, UHD and UHV. UHCL should modify its travel guidelines to address all aspects of the System Business Travel policy, including provisions for the timely preparation of reimbursement requests and the approval by the employee’s supervisor or higher authority and for approval of the President’s travel expenditures by the Chancellor or designee.</td>
<td>Fully Implemented</td>
<td>Reduce the risk of non-compliance with university policies.</td>
</tr>
<tr>
<td>AR11-24</td>
<td>5/18/11</td>
<td>UH Research Administration</td>
<td>To determine whether the University has established management practices for externally funded programs as promulgated by the Guide to Effective Management Practices from the Council on Governmental Relations.</td>
<td>Several grant cost centers had deficit budget balances. Management should develop procedures to monitor grant cost centers to help ensure that deficit budgets are addressed in a timely manner.</td>
<td>Incomplete/Ongoing</td>
<td>To help ensure compliance with federal regulations and university policies. Improve internal controls.</td>
</tr>
<tr>
<td>AR11-25</td>
<td>5/18/11</td>
<td>UH Athletics Department, Endowments</td>
<td>To determine whether the Athletics Department is managing endowment funds</td>
<td>There were no formal agreements for 4 endowments and 1</td>
<td>Fully Implemented</td>
<td>Reduce the risk of non-compliance with university policies.</td>
</tr>
<tr>
<td>Report No.</td>
<td>Report Date</td>
<td>Name of Report</td>
<td>High-Level Audit Objectives</td>
<td>Observations/Findings and Recommendations</td>
<td>Current Status</td>
<td>Fiscal Impact/Other Impact</td>
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</tr>
<tr>
<td>AR11-26</td>
<td>5/18/11</td>
<td>UH College of Education, Endowments</td>
<td>To determine whether the College of Education is managing endowment funds effectively and efficiently and is complying with the terms of the endowment agreements.</td>
<td>Certain scholarship endowment funds could not be awarded due to the lack of qualified applicants. The College should work with Academic Affairs to help identify other methods to attract qualified applicants.</td>
<td>Incomplete/Ongoing</td>
<td>Help ensure timely implementation of management’s planned actions.</td>
</tr>
<tr>
<td>AR11-27</td>
<td>8/17/11</td>
<td>Follow-Up Status Report - Actions Scheduled from April 1, 2011 to June 30, 2011</td>
<td>To ascertain that appropriate action is taken on reported audit findings.</td>
<td>This status report addressed 20 management actions in 11 individual reports. The report contained 15 completed actions.</td>
<td>N/A</td>
<td>Reduce the risk of non-compliance with endowment restrictions and university policies.</td>
</tr>
<tr>
<td>AR11-28</td>
<td>8/17/11</td>
<td>Construction Awards from May 10, 2011 to June 30, 2011</td>
<td>To determine whether UHS is complying with its policies and procedures and the Texas Education Code in selecting its contractors for its major construction projects.</td>
<td>We noted no unusual items or other matters that we considered non-compliant with university policies and procedures or state statutes.</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>AR11-29</td>
<td>8/17/11</td>
<td>UH Library, Endowments</td>
<td>To determine whether the Library is managing Endowment restrictions were not being communicated</td>
<td></td>
<td>Fully Implemented</td>
<td>Reduce the risk of non-compliance</td>
</tr>
<tr>
<td>Report No.</td>
<td>Report Date</td>
<td>Name of Report</td>
<td>High-Level Audit Objectives</td>
<td>Observations/Findings and Recommendations</td>
<td>Current Status</td>
<td>Fiscal Impact/Other Impact</td>
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</tr>
<tr>
<td>AR11-30</td>
<td>8/17/11</td>
<td>UHS Privacy</td>
<td>To determine whether UHS’s privacy framework is adequate to effectively manage, control, and protect confidential information in accordance with applicable laws, regulations, and best practices.</td>
<td>The UHS privacy framework will be significantly enhanced by the implementation of the draft UHS privacy policy and the resulting adherence to its requirements by each UHS component institution.</td>
<td>N/A</td>
<td>To reduce the risk that confidential information is not protected in accordance with applicable laws, regulations, and best practices. Improve Internal controls.</td>
</tr>
<tr>
<td>AR11-31</td>
<td>8/17/11</td>
<td>UH College of Education, Departmental Reviews</td>
<td>To determine whether departments are conducting financial and administrative activities in compliance with university policies.</td>
<td>We conducted 6 departmental compliance reviews and noted 21 instances of non-compliance with university policies and procedures.</td>
<td>N/A</td>
<td>Reduce the risk of non-compliance with university policies. Improve Internal controls.</td>
</tr>
<tr>
<td>AR11-32</td>
<td>8/17/11</td>
<td>UH College of Optometry, Endowments</td>
<td>To determine whether the College of Optometry is managing endowment funds effectively and efficiently and is complying with the terms of the endowment agreements.</td>
<td>The College Business Administrator implemented an annual process of communicating endowment restrictions to all personnel responsible for endowments during the review.</td>
<td>N/A</td>
<td>Reduce the risk of non-compliance with endowment restrictions and university policies. Improve Internal controls.</td>
</tr>
<tr>
<td>AR11-33</td>
<td>8/17/11</td>
<td>IT Audit Activity</td>
<td>To determine that adequate</td>
<td>No Observations/Findings.</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Report No.</td>
<td>Report Date</td>
<td>Name of Report</td>
<td>High-Level Audit Objectives</td>
<td>Observations/Findings and Recommendations</td>
<td>Current Status</td>
<td>Fiscal Impact/Other Impact</td>
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<tr>
<td>AR11-34</td>
<td>8/17/11</td>
<td>UH College of Natural Sciences and Mathematics, Endowments</td>
<td>controls are incorporated into major computer based systems, thorough system testing is performed at the appropriate stages, and system documentation is complete and accurate.</td>
<td>Endowment restrictions were not being communicated annually. Notify, on an annual basis, endowment restrictions to all personnel responsible for the endowments.</td>
<td>Fully Implemented</td>
<td>Reduce the risk of non-compliance with endowment restrictions and university policies. Improve Internal controls.</td>
</tr>
</tbody>
</table>
Section 4

List of Consulting Engagements and Non-audit Services
Completed
<table>
<thead>
<tr>
<th>Report No.</th>
<th>Report Date</th>
<th>Name of Report</th>
<th>High-Level Consulting Engagement/Non-audit Service Objectives</th>
<th>Observations/Results and Recommendations</th>
<th>Current Status</th>
<th>Fiscal Impact/Other Impact</th>
</tr>
</thead>
</table>

No consulting and non-audit services were performed during FY 2011.
Section 5
Organization Chart
University of Houston System/University of Houston

Note: The Board of Regents has an Audit and Compliance Committee

FY2007 Total Appropriated Funds; UH= 2795 FTE, UHSA= 63 FTE, TOTAL= 2858 FTE
UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING
ORGANIZATION CHART

Don Guyton
CHIEF AUDIT EXECUTIVE

Russ Hoskens
ASSISTANT DIRECTOR

Andrea Bach
EXEC. ADMIN. ASSISTANT

Bobby Kegresse
SENIOR AUDITOR

Tony Moreno
SENIOR AUDITOR

Brandy Walker
SENIOR AUDITOR

Brandee O’Neal
SENIOR AUDITOR

Ray Hale
INFORMATION TECHNOLOGY AUDITOR

Lauren Francis
STAFF AUDITOR II

Kauisha Smith
STAFF AUDITOR II

Lisa Berry
STAFF AUDITOR II

VACANT
STAFF AUDITOR

Andrea Bach
EXEC. ADMIN. ASSISTANT

Bobby Kegresse
SENIOR AUDITOR

Tony Moreno
SENIOR AUDITOR

Brandy Walker
SENIOR AUDITOR

Brandee O’Neal
SENIOR AUDITOR

Ray Hale
INFORMATION TECHNOLOGY AUDITOR

Lauren Francis
STAFF AUDITOR II

Kauisha Smith
STAFF AUDITOR II

Lisa Berry
STAFF AUDITOR II

VACANT
STAFF AUDITOR
Section 6

Report on Other Internal Audit Activities
<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Internal Audit Activity Report, FY 2010</td>
<td>Prepare the annual activity report for distribution.</td>
</tr>
<tr>
<td>Assist the State Auditor’s Office</td>
<td>Provide assistance to the State Auditor’s Office on various projects.</td>
</tr>
<tr>
<td>Assist the UH Police Department With Investigations</td>
<td>Provide assistance to UH Police Department and make recommendations to improve internal controls.</td>
</tr>
<tr>
<td>Follow-up Reviews/Procedures</td>
<td>Perform follow-up review of management’s action plan items as they mature to determine whether management’s responses were implemented and issue quarterly follow-up status reports.</td>
</tr>
<tr>
<td>Miscellaneous Management Requests</td>
<td>Assist management in analyzing various policy compliance/fiscal accountability situations.</td>
</tr>
<tr>
<td>Miscellaneous Special Projects</td>
<td>Provide assistance to management by providing independent appraisal of various management and accounting matters.</td>
</tr>
<tr>
<td>Internal Audit Peer Reviews:</td>
<td>Provide input to the Internal Audit Department on ways to improve the services that they offer.</td>
</tr>
<tr>
<td>• UT El Paso</td>
<td></td>
</tr>
<tr>
<td>• Stephen F. Austin</td>
<td></td>
</tr>
<tr>
<td>System-wide Institutional Compliance Program</td>
<td>Facilitate the implementation process of the Institutional Compliance Program at all components.</td>
</tr>
</tbody>
</table>
Section 7

Audit Plan for Fiscal Years 2012 – 2014
Attached for your review and approval is the UHS Internal Auditing Department Long-Range Internal Audit Plan for Fiscal Years 2012-2014 (Audit Plan). The Audit Plan has been prepared to meet the requirements of the Board of Regents directives and the Texas Internal Auditing Act (Texas Government Code, Chapter 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 resources are described in Section 2 of the Audit Plan, and the risk assessment is included in Section 8 of the Audit Plan. Risk assessment techniques were employed to identify auditable areas and to ensure that the accounting systems and controls, the administrative systems and controls, and other major systems and controls are reviewed on a periodic basis. Coverage of key departments and functions at planned intervals has been designed into the plan to assure that no significant auditable area has been overlooked.

Each auditable area has been evaluated as to its risks and other functions which might determine the urgency and frequency for performing an audit. In addition to an analytical review of all significant financial data for each campus, the risk evaluation and scheduling process included requests for input from all campus presidents, fiscal officers, and other key personnel. Once the risk assessment was completed, each auditable area was included in the audit schedule for the next three fiscal years or later.
Included in the attached Section 5 of the Audit Plan is a listing of brief audit objectives for each auditable area. These objectives relate to overall internal controls, efficiency of operations and compliance with laws and regulations, and Board of Regents and/or management policies and procedures.

Recommendation:

The Audit Plan should be flexible and periodically adjusted to adapt to changes in the audit environment. These changes include new or revised laws or regulations and changes in existing operations or activity levels. The Audit and Compliance Committee should approve these periodic changes to the Audit Plan. I recommend that the Board of Regents approve the attached Audit Plan, including the Internal Audit Resources, and delegate approval for periodic changes to the Audit and Compliance Committee.

DFG:rh
Attachment
# Table of Contents

<table>
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<th>Description</th>
<th>Section</th>
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<tbody>
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<td>Executive Summary</td>
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<td>Summary of Man-Hours / Man-Hour Assumptions</td>
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<td>Audit Team</td>
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<td>Auditable Areas</td>
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<td>Audit Objectives</td>
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<td>Three-Year Audit Schedule</td>
<td>6</td>
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<tr>
<td>Frequency of Audit Activity</td>
<td>7</td>
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<td>Risk Analysis</td>
<td>8</td>
</tr>
<tr>
<td>Activity</td>
<td>Fiscal Year</td>
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<tr>
<td>--------------------------</td>
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</tr>
<tr>
<td></td>
<td>2012</td>
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<td>Scheduled Audits</td>
<td>7,452</td>
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<td>IT Reviews/Monitoring</td>
<td>2,400</td>
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<td>Special Projects</td>
<td>1,600</td>
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<td>Departmental Reviews</td>
<td>1,450</td>
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<td>Follow-up Reviews</td>
<td>500</td>
</tr>
<tr>
<td><strong>Total Direct Audit Hours</strong></td>
<td><strong>13,402</strong></td>
</tr>
</tbody>
</table>
### Long-Range Internal Audit Plan

#### Man-Hour Assumptions

<table>
<thead>
<tr>
<th>Available Man-Hours</th>
<th>Chief Audit Executive</th>
<th>Assistant Director</th>
<th>Senior Auditor</th>
<th>Information Technology Auditor</th>
<th>Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacations</td>
<td>120</td>
<td>120</td>
<td>96</td>
<td>96</td>
<td>96</td>
</tr>
<tr>
<td>Holidays (13 days)</td>
<td>104</td>
<td>104</td>
<td>104</td>
<td>104</td>
<td>104</td>
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<tr>
<td>Sick Leave</td>
<td>40</td>
<td>40</td>
<td>60</td>
<td>60</td>
<td>60</td>
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<tr>
<td>Professional Training</td>
<td>60</td>
<td>60</td>
<td>40</td>
<td>40</td>
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<tr>
<td>In-house Training</td>
<td>40</td>
<td>40</td>
<td>40</td>
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<tr>
<td>Professional Organizations</td>
<td>40</td>
<td>40</td>
<td>16</td>
<td>16</td>
<td>16</td>
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<tr>
<td>Indirect Audit Hours: Administrative</td>
<td>1,100</td>
<td>800</td>
<td>200</td>
<td>80</td>
<td>40</td>
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<tr>
<td>Direct Audit Hours</td>
<td>576</td>
<td>876</td>
<td>1,524</td>
<td>1,644</td>
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#### Total Hours Available

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<thead>
<tr>
<th></th>
<th>2,080</th>
<th>2,080</th>
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#### Allocable Direct Audit Hours

<table>
<thead>
<tr>
<th>Direct Audit Hours By Position</th>
<th>576</th>
<th>876</th>
<th>1,524</th>
<th>1,644</th>
<th>1,684</th>
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<tbody>
<tr>
<td>Staff Size By Position</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Employee Turnover/Attrition</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.5</td>
</tr>
<tr>
<td>Available Staff Size</td>
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<td>1.0</td>
<td>4.0</td>
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<table>
<thead>
<tr>
<th>Subtotal</th>
<th>576</th>
<th>876</th>
<th>6,096</th>
<th>1,644</th>
<th>4,210</th>
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</table>

#### Total Direct Audit Hours

13,402
<table>
<thead>
<tr>
<th>AUDIT ACTIVITY</th>
<th>BUDGET HOURS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ANNUAL ASSISTANCE / MANDATES (2,950 hours)</strong></td>
<td></td>
</tr>
<tr>
<td>Annual External Audits - Liaison</td>
<td>100</td>
</tr>
<tr>
<td>Athletics - Football Attendance Audit</td>
<td>100</td>
</tr>
<tr>
<td>Board of Regents Travel, FY 2012</td>
<td>250</td>
</tr>
<tr>
<td>Chancellor/President's Travel, FY 2012</td>
<td>100</td>
</tr>
<tr>
<td>Follow-up Reviews</td>
<td>500</td>
</tr>
<tr>
<td>Special Projects/Police Investigations</td>
<td>1,600</td>
</tr>
<tr>
<td>State Auditor's Office Liaison</td>
<td></td>
</tr>
<tr>
<td>\quad Regional Accreditation Review - SACS (UHCL)</td>
<td>100</td>
</tr>
<tr>
<td>\quad Audit Assistance - General</td>
<td>100</td>
</tr>
<tr>
<td>\quad Follow-up Reports</td>
<td>100</td>
</tr>
<tr>
<td><strong>SYSTEM-WIDE AUDITS (4,900)</strong></td>
<td></td>
</tr>
<tr>
<td>Auxiliary Contract Administration</td>
<td>600</td>
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<tr>
<td>Formula Funding</td>
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</tr>
<tr>
<td>Endowments (UH)</td>
<td>1,000</td>
</tr>
<tr>
<td>Financial Aid (UHCL, UHD, and UHV)</td>
<td>900</td>
</tr>
<tr>
<td>General Accounting</td>
<td>1,200</td>
</tr>
<tr>
<td><strong>DEPARTMENTAL REVIEWS (1,250 hours)</strong></td>
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<tr>
<td>Effectiveness of New Departmental Review Process</td>
<td>100</td>
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<tr>
<td>UH Research</td>
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<td>UH University Advancement</td>
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<td>UHCL Education</td>
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<tr>
<td>UHCL President's Office</td>
<td>100</td>
</tr>
<tr>
<td>UHD Administration &amp; Finance</td>
<td>100</td>
</tr>
<tr>
<td>UHD Employment Services &amp; Operations</td>
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</tr>
<tr>
<td>UHD President's Office</td>
<td>50</td>
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<tr>
<td>UHD Public Service</td>
<td>50</td>
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<tr>
<td>UHD Student Services &amp; Enrollment Management</td>
<td>50</td>
</tr>
<tr>
<td>UHV Arts &amp; Sciences</td>
<td>50</td>
</tr>
<tr>
<td>UHV Business Administration</td>
<td>50</td>
</tr>
<tr>
<td>UHV Education</td>
<td>50</td>
</tr>
<tr>
<td>UHV President's Office</td>
<td>100</td>
</tr>
<tr>
<td><strong>INFORMATION TECHNOLOGY (2,300 hours)</strong></td>
<td></td>
</tr>
<tr>
<td>IT - Review and Monitor of IT Systems</td>
<td>700</td>
</tr>
<tr>
<td>\quad (PeopleSoft Student &amp; Academic Administration - Post Implementation Review)</td>
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<tr>
<td>Desktop Computing Support, User Support Services, Training, Computer Store (UH)</td>
<td>400</td>
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<tr>
<td>UH Information Security</td>
<td>500</td>
</tr>
<tr>
<td>Web Support Services (UH)</td>
<td>300</td>
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<tr>
<td>TAC 202 (UH)</td>
<td>400</td>
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<tr>
<td><strong>RESEARCH CENTERS (600)</strong></td>
<td></td>
</tr>
<tr>
<td>Center for Materials Chemistry (UH)</td>
<td>150</td>
</tr>
<tr>
<td>Institute for Space System Operations (UH/UHCL)</td>
<td>150</td>
</tr>
<tr>
<td>Texas Center for Superconductivity (UH)</td>
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<tr>
<td><strong>QUALITY ASSURANCE REVIEWS (200)</strong></td>
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<tr>
<td>Internal Auditing Internal Quality Assurance Review</td>
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<tr>
<td>Internal Auditing External Quality Assurance Review</td>
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<tr>
<td><strong>INITIATED DURING FY 2011 - TO BE COMPLETED/REPORTED IN FY 2012</strong></td>
<td>1,202</td>
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</table>

**Total Hours Scheduled for Fiscal Year 2012** | **13,402** |
UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
INTERNAL AUDIT PLAN, FY 2012-2014
FY 2011 AUDITS IN PROGRESS AT YEAR-END

AUDIT ACTIVITY

Projects Initiated During FY 2011, But Not Completed
1,202

- Board of Regents Travel, FY 2011
- Chancellor/President's Travel, FY 2011
- Contracts & Grants Administration (UHCL, UHD, and UHV)
- Departmental Reviews
  - UH Academic Affairs/Provost Division
  - UH College of Hotel & Restaurant Management
  - UH Graduate College of Social Work
- Endowments (UH Engineering, UHS, UH Non-College Specific, UH Provost)
- Financial Aid, Direct Loans (UHCL, UHD, and UHV)
- Financial Reporting (all components)
- Research Centers
  - UH Center for Advanced Materials
  - UHCL/UH Environmental Institute of Houston
  - UH Texas Institute for Measurement, Evaluation, and Statistics
  - UH Texas Learning & Computation Center
- Student Accounting & Receivables (all components)
- TAC 202 (UHCL, UHD, and UHV)
- UH College of Hotel & Restaurant Management, Operational Review
<table>
<thead>
<tr>
<th>AUDIT ACTIVITY</th>
<th>BUDGET HOURS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ANNUAL ASSISTANCE / MANDATES (3,250 hours)</strong></td>
<td></td>
</tr>
<tr>
<td>Annual External Audits - Liaison</td>
<td>100</td>
</tr>
<tr>
<td>Athletics - Football Attendance Audit</td>
<td>100</td>
</tr>
<tr>
<td>Athletics - NCAA Rules-Compliance</td>
<td>400</td>
</tr>
<tr>
<td>Board of Regents Travel, FY 2013</td>
<td>250</td>
</tr>
<tr>
<td>Chancellor/President's Travel, FY 2013</td>
<td>100</td>
</tr>
<tr>
<td>Follow-up Reviews</td>
<td>500</td>
</tr>
<tr>
<td>Special Projects/Police Investigations</td>
<td>1,600</td>
</tr>
<tr>
<td>State Auditor's Office Liaison</td>
<td></td>
</tr>
<tr>
<td>Audit Assistance - General</td>
<td>100</td>
</tr>
<tr>
<td>Follow-up Reports</td>
<td>100</td>
</tr>
<tr>
<td><strong>SYSTEM-WIDE AUDITS (4,900)</strong></td>
<td></td>
</tr>
<tr>
<td>Endowments (UHCL and UHD)</td>
<td>1,000</td>
</tr>
<tr>
<td>Facilities Management</td>
<td>1,200</td>
</tr>
<tr>
<td>Facilities Planning &amp; Construction</td>
<td>600</td>
</tr>
<tr>
<td>Financial Aid</td>
<td>900</td>
</tr>
<tr>
<td>Payroll</td>
<td>1,200</td>
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<tr>
<td><strong>DEPARTMENTAL REVIEWS (1,800 hours)</strong></td>
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<tr>
<td>UH Administration &amp; Finance</td>
<td>300</td>
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<tr>
<td>UH Business</td>
<td>200</td>
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<tr>
<td>UH Engineering</td>
<td>250</td>
</tr>
<tr>
<td>UH Library</td>
<td>200</td>
</tr>
<tr>
<td>UH Natural Sciences &amp; Mathematics</td>
<td>300</td>
</tr>
<tr>
<td>UH Student Affairs</td>
<td>300</td>
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<tr>
<td>UH Technology</td>
<td>150</td>
</tr>
<tr>
<td>UHD Business</td>
<td>50</td>
</tr>
<tr>
<td>UHD Humanities &amp; Social Sciences</td>
<td>50</td>
</tr>
<tr>
<td><strong>INFORMATION TECHNOLOGY (2,100 hours)</strong></td>
<td></td>
</tr>
<tr>
<td>IT - Review and Monitor of IT Systems</td>
<td>700</td>
</tr>
<tr>
<td>Enterprise Information Systems (UH)</td>
<td>600</td>
</tr>
<tr>
<td>Instructional Technology, Multimedia Services, Student Computing (UH)</td>
<td>400</td>
</tr>
<tr>
<td>TAC 202 (UHCL, UHD, and UHV)</td>
<td>400</td>
</tr>
<tr>
<td><strong>RESEARCH CENTERS (300)</strong></td>
<td></td>
</tr>
<tr>
<td>Center for Computational Sciences &amp; Advanced Distributed Simulation (UHD)</td>
<td>300</td>
</tr>
<tr>
<td><strong>INITIATED DURING FY 2012 - TO BE COMPLETED/REPORTED IN FY 2013</strong></td>
<td>1,052</td>
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</table>

**Total Hours Scheduled for Fiscal Year 2013** 13,402
<table>
<thead>
<tr>
<th>AUDIT ACTIVITY</th>
<th>BUDGET HOURS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ANNUAL ASSISTANCE / MANDATES (3,350 hours)</strong></td>
<td></td>
</tr>
<tr>
<td>Annual External Audits - Liaison</td>
<td>100</td>
</tr>
<tr>
<td>Athletics - Football Attendance Audit</td>
<td>100</td>
</tr>
<tr>
<td>Athletics - NCAA Rules-Compliance</td>
<td>400</td>
</tr>
<tr>
<td>Board of Regents Travel, FY 2014</td>
<td>250</td>
</tr>
<tr>
<td>Chancellor/President's Travel, FY 2014</td>
<td>100</td>
</tr>
<tr>
<td>Follow-up Reviews</td>
<td>500</td>
</tr>
<tr>
<td>Special Projects/Police Investigations</td>
<td>1,600</td>
</tr>
<tr>
<td>State Auditor's Office Liaison</td>
<td></td>
</tr>
<tr>
<td>Regional Accdiation Review - SACS (UHV)</td>
<td>100</td>
</tr>
<tr>
<td>Audit Assistance - General</td>
<td>100</td>
</tr>
<tr>
<td>Follow-up Reports</td>
<td>100</td>
</tr>
<tr>
<td><strong>SYSTEM-WIDE AUDITS (4,900)</strong></td>
<td></td>
</tr>
<tr>
<td>Endowments (UH and UHV)</td>
<td>800</td>
</tr>
<tr>
<td>Financial Aid (UHCL, UHD, and UHV)</td>
<td>900</td>
</tr>
<tr>
<td>Human Resources</td>
<td>1,000</td>
</tr>
<tr>
<td>Parking</td>
<td>1,000</td>
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<tr>
<td>Property Management (Fixed Assets)</td>
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</tr>
<tr>
<td><strong>DEPARTMENTAL REVIEWS (1,650 hours)</strong></td>
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</tr>
<tr>
<td>UH Honors College</td>
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<tr>
<td>UH Law Center</td>
<td>100</td>
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<tr>
<td>UH Liberal Arts &amp; Social Sciences</td>
<td>1,000</td>
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<tr>
<td>UH College of Pharmacy</td>
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<tr>
<td>UHCL School of Business</td>
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<tr>
<td>UHCL School of Science and Computer Engineering</td>
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</tr>
<tr>
<td>UHD Sciences &amp; Technology</td>
<td>300</td>
</tr>
<tr>
<td><strong>INFORMATION TECHNOLOGY (2,300 hours)</strong></td>
<td></td>
</tr>
<tr>
<td>IT - Review and Monitor of IT Systems</td>
<td>700</td>
</tr>
<tr>
<td>Enterprise Infrastructure and Services (UH)</td>
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<tr>
<td>Network Infrastructure and Services (UH)</td>
<td>300</td>
</tr>
<tr>
<td>Operations, Data Center, Print Services (UH)</td>
<td>300</td>
</tr>
<tr>
<td>Telephony (UH)</td>
<td>300</td>
</tr>
<tr>
<td>TAC 202 (UH)</td>
<td>400</td>
</tr>
<tr>
<td><strong>RESEARCH CENTERS (300)</strong></td>
<td></td>
</tr>
<tr>
<td>Center for Neuromotor and Biomechanics Research (UH)</td>
<td>300</td>
</tr>
<tr>
<td><strong>INITIATED DURING FY 2013 - TO BE COMPLETED/REPORTED IN FY 2014</strong></td>
<td>902</td>
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</table>

Total Hours Scheduled for Fiscal Year 2014  13,402
Section 8

Procured External Audit Services
## Audit Activity

<table>
<thead>
<tr>
<th>Audit Area</th>
<th>Service Provided</th>
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<tbody>
<tr>
<td>KUHT (TV) and Association for Community Television</td>
<td>Annual financial Audit of KUHT (TV) and Affiliate.</td>
</tr>
<tr>
<td>KUHF (FM)</td>
<td>Annual financial audit of KUHF (FM).</td>
</tr>
<tr>
<td>Endowment Fund</td>
<td>Annual financial audit of the University of Houston System Endowment Fund.</td>
</tr>
<tr>
<td>Athletics</td>
<td>Annual agreed-upon procedures engagement of Intercollegiate Athletic Department.</td>
</tr>
<tr>
<td>Charter School</td>
<td>Annual financial audit of the Charter School.</td>
</tr>
<tr>
<td>New Construction</td>
<td>Construction audit of UH Sugarland Academic Building.</td>
</tr>
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</table>
Section 9

Reporting Suspected Fraud and Abuse
Actions taken to implement the requirements of:

- **Fraud Reporting.** Article IX, Section 17.05, the General Appropriations Act (81st Legislature).
- **Reporting Requirements.** Article XII, Section 5(c), the General Appropriations Act (81st Legislature).
- **Texas Government Code, Section 321.022.**

The University of Houston System has implemented the following in order to be in compliance with reporting of suspected fraud and abuse:

- System-wide policy on reporting and investigation fraudulent acts (SAM 01.C.04, Reporting/Investigating Fraudulent Acts).

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

- An Annual Fraud Prevention and Awareness Report containing actions taken by each University component is submitted to the Audit and Compliance Committee of the Board of Regents. A copy of the Annual Fraud Prevention and Awareness Report for FY 2010 is attached.
The Audit Committee Planner, Item 5.05, requires the Committee to evaluate management’s identification of fraud risks, the implementation of antifraud prevention and detection measures, and the creation of the appropriate “tone at the top” by reviewing an annual report which summarizes the fraud risk analyses and related risk mitigation strategies. Listed below are the reports from each component.

**University of Houston and UH System Administration**

In October 2010, UH and UHSA departments completed their sixth annual online Department Fraud Risk Survey to identify internal controls within their department that need to be strengthened in order to prevent and detect fraud. In addition, processing units and other offices that have a far reaching effect on campus operations (Purchasing, Payroll, Information Technology, etc.) completed an Institutional Fraud Risk Survey to identify procedures within their unit that may need improvement. The fraud risk surveys are completed annually to remind administrators and unit heads of their responsibilities, so that they remain vigilant in fraud prevention and detection.

For the previous three years, all UH System employees have been required to complete online Fraud Prevention and Awareness training, as well as Code of Ethics training. In FY2011, all existing employees will be required to acknowledge their review of a document that summarizes key elements of these training programs, while new employees will be required to complete the actual training programs and associated quiz. The purpose of the summary document and training programs is to raise awareness of appropriate and inappropriate behavior for UH System employees, encourage fraud prevention and detection, and encourage reporting of suspected fraudulent activity.

Procurement cards (P-Cards) reduce the time and effort required to make small-dollar purchases and decrease the number of employee reimbursements. However, P-Card transactions must be carefully reviewed to ensure all transactions are appropriate and documented. In addition to reviews within each department, Accounts Payable reviews selected P-Card transactions for appropriateness and documentation. All P-Card cardholders are required to complete online training prior to receiving a P-Card and annually thereafter, and administrators who review P-Card transactions are also required to complete annual training as well. P-Card applicants are also required to pass a criminal history investigation prior to receiving a P-Card.

Finally, UH Finance maintains a link to fraud and institutional compliance frequently asked questions on the Finance home page (www.uh.edu/finance), which includes instructions for reporting suspected fraud and non-compliance through the MySafeCampus telephone hotline or web link.
University of Houston – Clear Lake
The University of Houston - Clear Lake continues to expand its fraud prevention and awareness activities with the formal establishment of the campus Institutional Compliance program on October 29, 2002. The Vice President of Administration and Finance is designated as the campus contact person for fraud and prevention.

Fraud prevention continues to be a top priority for the campus and is taken very seriously. Raising staff and student awareness of the risks of internal/external fraud and the importance of compliance with internal control procedures is vital in preventing fraud. The main purpose of the fraud risk assessment report is:

- To ensure that UHCL has adequate procedures and internal controls in place designed to prevent, detect and deter fraud
- Identify potential risk areas and develop administrative and departmental action items for minimizing these risks; and
- Highlight UHCL’s oversight function designed to prevent, detect and deter fraud.

A strong ethical foundation is essential in an organization’s efforts to prevent and detect fraud. UHCL operates in a complex and operationally diverse environment. UHCL’s effort to promote and communicate expectations of ethical behavior is widespread in the academic, administrative and finance areas. The University continues to encourage and educate staff and students on the Institutional compliance program, My Safe Campus hotline and My Safe Campus on-line reporting. All new employees receive this information during New Employee Orientation. In Fiscal Year 2010 all employees received online Fraud awareness training, Code of Ethics Training, and Information Security Awareness. In the month of October, 2009 the Compliance committee attended a presentation on “A Behind-the-Scenes Look at Fraud and Misconduct” that assist in fraud mitigation strategies.

During Fiscal Year 2010 the University of Houston Compliance Committee led by Harry Stenvall, Director, Risk Management met on a quarterly basis to discuss the identification and documentation of the major risks associated with the operations of each individual department. The committee reviewed and updated the online “Employee Compliance Guide” http://prtl.uhcl.edu/portal/page/portal/RSK/Risk%20Management in FY 2010. The committee received Optimization Utilization Forms completed and presented by General Accounting on American Recovery and Reinvestment Act of 2009, recognizing their objective, risk and exposure, operating controls and risk assessment rating. The end result being an overall fraud risk assessment rating of “Very low” to “Low.”

University of Houston Clear Lake maintains petty cash and change funds throughout selected departments that collect cash payment from customers. An administrative review and audit was conducted with an overall fraud risk assessment rating of “Very Low” to “Low”. In order to ensure there is no misuse/misappropriation of controlled and capital assets of the institution. Random physical inventory audit was conducted on identified assets of selected school and department for appropriate documentation, location verification, and, usage of the asset with a Fraud risk assessment rating of “Low”.

Internal Audit 10/29/10
In FY 2010 Fraud Risk Assessment was conducted in the area of General Accounting; Accounts Payable, Travel, Asset Management, Petty Cash and Cash Receipts, General Purchasing, Human Resources, Payroll, and Computing and were confirmed with the University Business Coordinators as existing or not existing along with a fraud risk assessment rating system. Using the Fraud risk assessment rating system:

- 1 - Very low (Provides no apparent opportunity for fraudulent activity excluding the existence of collusion and requiring no action)
- 3 – Low (Provides a low level of opportunity for fraudulent activity and requires no action except for weakness awareness)
- 5 – Moderate (Provides a moderate opportunity for fraudulent activity and requires a design strategy for improvement)
- 7 – High (Provides a high opportunity for fraudulent activity and requires design and implementation of strategy for improvement in the near future)
- 9 – Very High (Provides a very high opportunity for fraudulent activity and requires design and implementation of strategy for improvement immediately)

### UHCL Fraud Risk Assessment Results

<table>
<thead>
<tr>
<th>Fraud Risk Category</th>
<th>Number Control Measures Rated</th>
<th>Sum of Fraud Risk Assessment Ratings</th>
<th>Average Fraud Risk Assessment Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
<td>4</td>
<td>4.00</td>
<td>1.00</td>
</tr>
<tr>
<td>General Accounting</td>
<td>6</td>
<td>6.00</td>
<td>1.00</td>
</tr>
<tr>
<td>General Resources</td>
<td>6</td>
<td>6.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Assets</td>
<td>5</td>
<td>7.50</td>
<td>1.50</td>
</tr>
<tr>
<td>Petty Cash and Cash Receipts</td>
<td>9</td>
<td>9.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Inventory</td>
<td>7</td>
<td>7.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Owned Vehicles</td>
<td>5</td>
<td>5.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Accounts Payable and Travel</td>
<td>6</td>
<td>10.00</td>
<td>1.67</td>
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<tr>
<td>General Purchasing</td>
<td>5</td>
<td>7.50</td>
<td>1.50</td>
</tr>
<tr>
<td>Purchase of Services</td>
<td>9</td>
<td>9.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Human Resources</td>
<td>8</td>
<td>8.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Payroll</td>
<td>8</td>
<td>8.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Computing</td>
<td>10</td>
<td>13.50</td>
<td>1.35</td>
</tr>
<tr>
<td><strong>Totals for the University</strong></td>
<td><strong>88</strong></td>
<td><strong>100.50</strong></td>
<td><strong>1.14</strong></td>
</tr>
</tbody>
</table>

Based on the fraud risk assessment results, the University as of August 12, 2010, continues to maintain an overall fraud risk assessment rating of 1.14 which is “Very Low”.

**University of Houston-Downtown**

All UHD departments participated in the annual Department Fraud Prevention Survey during October/November of 2009. The primary purpose of the survey is to remind administrators and department heads of their responsibility to remain vigilant in fraud prevention and detection throughout the upcoming year. The results of the survey are used to support the Fraud Prevention statements related to the UH Downtown Financial Reports Certification Letter from the President to the UH System Board of Regents. No significant problems or trends were noted in the results of the UHD Annual Fraud Prevention Survey.
UH System Fraud Awareness Training is required of all new employees hired during the year as part of the mandatory training for all new hires. Additionally, all current employees are required to complete Fraud Awareness Training on an annual basis. During FY2010, 178 new hires and 937 current employees completed the training.

In October 2009 UHD hosted a presentation of “A Behind-the-Scenes Look at Fraud and Misconduct” by Kenneth Zeko, Esq., the Director of KPMG’s Dallas Forensic Practice. Zeko’s forensic experience includes internal and external investigations, compliance risk assessments, independent organization reviews and compliance program reviews. He presented the 2008-2009 results of KPMG’s national Integrity Survey which addressed the prevalence of misconduct in the workplace, nature of misconduct by job function, prevention of misconduct, detection and response to misconduct, perceived organizational tone and culture toward misconduct, and the impact of ethics and compliance programs.

UHD’s purchases via P-cards averaged $200,000/mo in FY2010. Examples of P-card fraud occurring in both the public and private sectors are abundant. Recognizing this exposure, UHD has 1.5 positions in its Purchasing department that are responsible for oversight of the P-Card program. Questionable charges are subject to multiple levels of review. Disciplinary action may include but is not limited to e-mail or verbal warning, retraining, suspension of the card, cancellation of the card, reimbursement to the University and/or termination of employment from the University based upon the severity or repetition of the violation.

In March 2010, UHD completed all of the PCI compliance requirements to ensure that no credit card information is stored on any UHD computer system. This was done by setting up a Pay Pal account to accept payment for online applications submitted through ApplyTexas.org. UHD continues to monitor credit card payment procedures to ensure that PCI compliance requirements are met and that student financial information remains safeguarded.

UHDs Compliance and Ethics website was launched in June 2010 with a more pronounced awareness campaign scheduled for early fall. Key elements of the website include a letter from the President, an Employee Compliance and Ethics Guide and an Acknowledgement Form. The guide and acknowledgement form will be included with the annual mandatory training and will be a requirement for merit pay consideration. The website also includes departmental self-assessment tools designed to assist with improving and/or implementing good business practices.

On August 30, 2010, UHD implemented stronger password standards for its information technology systems. UHD System policies require all new or changed passwords to be of a certain length and include special characters. Among other security-related benefits, these changes protect against breach of user accounts and financially motivated system attacks.

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UHV continues the use of a variety of strategies within the framework of the campus Institutional Compliance Program in its efforts to prevent fraud and raise fraud awareness.
In FY10, new employee orientation sessions continued to include segments focused in explaining to new employees the importance of their role in fraud prevention and the considerable damaging effects that fraud can have on the university and the individual. The intent is that new employees have a better understanding of fraud in an educational setting and know they should report fraud when they become aware of or suspect it.

The Mandatory and Role Based Training program continues to be an important part of the campus program. The training modules focusing on fraud prevention and awareness included Fraud Awareness, Code of Ethics, Secure Our Systems and Credit Card Data Security (a role based module). The Department of Training and Development managed the training program and achieved a participation/completion rate of 99%.

Employees and students continue to be reminded monthly via the monthly Campus Incident Reports newsletter (http://www.uhv.edu/business/safety/manual/Incident_Log/Incidlog.aspx) to report suspected fraud or other non-compliance issues through MySafeCampus. In FY10, the campus implemented the widespread use of posters campus wide as another method of making employees and students aware of fraud and ethics violations as well as MySafeCampus and other reporting options.

UHV Review of Select Operations

- **Identity Theft Program** - The fiscal year just ended marked the 2\textsuperscript{nd} year of the campus Identity Theft Program which was implemented in April 2009 to help prevent fraud associated with identity theft.
- **Departmental Fraud Risk Survey** - The most recent Departmental Fraud Risk Survey was completed in January 2010. All University departments completed the survey and compliance issues were addressed. The survey increases departmental awareness of university policies and procedures and is intended to help unit heads become aware of weaknesses in their operations and internal controls that can lead to fraud. (The FY11 Fraud/Risk Survey is scheduled for this fall.)
- **Financial Aid Program** - A significant managed activity at UHV and most universities is the proper administration of federal, state and campus student financial aid grants, loans and scholarships in the Financial Aid Department. In FY10, approximately $20.4 million of financial aid was disbursed involving over 2357 students. Risk is managed through operational and internal controls reinforced with frequent audit oversight. Annually each Financial Aid employee is required to sign a Standards of Conduct and Conflict of Interest Certification acknowledging awareness of prohibited activities and the responsibility to report any conflict of interest, violations of law, fraud, or other irregularities promptly.
- **Expenditures of State and Local Funds (including grant funds)** – The University budget for FY10 included state appropriated and local funds (all ledgers) of $42.7 million (up from 42.2 for FY09). As confirmed by the Controller and the Director, Human Resources, there were no confirmed incidents of fraud in the expenditure of state and local funds for vendor voucher payments, employee reimbursements or payroll during this reporting period.
- **Procurement Card Program** – There were no known or reported allegations of employee fraud involving P-Card expenditures. The issuing bank did report possible
“compromised” card activity outside the control of the University and as a precautionary measure, cancelled and reissued 18 cards; however, no losses to the University resulted. In FY10, $891,000 of expenditures representing over 5,400 transactions was processed by 102 active cardholders. Annual refresher training continues to be required and each cardholder must acknowledge by signature their responsibilities as a departmental purchaser. New P-Card applicants are required to pass a criminal history investigation prior to issuance of a card. Beginning in FY11, P-Card holders will also have to take Credit Card Data Security Training in addition to P-Card Training annually.

UHV summary for FY10:

- Hotline or other reports of non-compliance: 5
  - Incidents found to be fraud related: None
- Confirmed instances of Personal Identity theft: None
- Confirmed instances of Financial Aid related fraud: None
- Confirmed instances of Procurement Card fraud: None
- Confirmed instances of Payroll related fraud: None
- Confirmed instances of Voucher related fraud: None