

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

Thursday, December 1, 2016 – The members of the Audit and Compliance Committee of the University of Houston System Board of Regents convened at 10:38 a.m. on Thursday, December 1, 2016 at the Hilton University of Houston, Conrad Hilton Ballroom, Second Floor, 4450 University Drive, Houston, Texas, with the following members participating:

ATTENDANCE –

Present

Roger F. Welder, Chair  
Peter K. Taaffe, Vice Chair  
Durga D, Agrawal, Member  
Paula M. Mendoza, Member

Non-Member(s) Present

Beth Madison, Regent  
Gerald W. McElvy, Regent  
Welcome W. Wilson, Jr., Regent  
Joshua A. Freed, Student Regent, Non-Voting

Members Absent

Tilman J. Fertitta, Ex Officio

In accordance with a notice being timely posted with the Secretary of State and there being a quorum present, Chair of the Committee, Roger F. Welder called the meeting to order. He stated the committee would be presented nine (9) agenda items, all of which were for information only. Regent Welder stated Mr. Don Guyton, Chief Audit Executive, would be introducing these items and asked Mr. Guyton to present these items to the committee.

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AGENDA ITEMS

Mr. Guyton stated that there were no open points from the August 25, 2016 meeting.

The first agenda item presented by Mr. Guyton was Item B, a Report on External Audit Report – Texas Comptroller of Public Accounts Post Payment Audit of the University of Houston System Administration FY2015 – University of Houston System - Audit-B. Mr. Guyton stated this item referred to External Audit Report, Texas Comptroller of Public Accounts Post-Payment Audit of the University of Houston System Administration. The scope of this audit included a sample of payroll, purchase and grant transactions that processed through the Uniform Statewide Accounting System during the period beginning September 1, 2014 through August 31, 2015, to determine compliance with applicable state laws. The audit identified one employee who was underpaid for longevity pay because the employee did not submit an internal form for verification of state service time. Management paid the employee for the underpayment of longevity pay and was implementing a new recruiting and onboarding software to help ensure that it receives information about prior state service. The State

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Comptroller's office performs post-payment audits of each institution approximately every 2 to 3 years.

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

The second item presented by Mr. Guyton was Item C, a Report on Institutional Compliance Status Report for the three months ended September 30, 2016 – University of Houston System – Audit-C. Mr. Guyton stated this item referred to the Institutional Compliance Status Report for the three months ended September 30, 2016. He asked Dona Cornell, Vice Chancellor for Legal Affairs and General Counsel, to introduce Mr. John Finley, the new Institutional Compliance Officer for the University of Houston, who will start in his new position on or about January 1, 2017. Mr. Finley has experience in both the medical and higher education arenas. He worked at Wake Med in North Carolina as the Chief Compliance and Privacy Officer and Chief Audit Executive; previously worked at the University of Kansas as Chief Compliance Officer; obtained his law degree from the Oklahoma Law School; a Master's Degree in Healthcare Administration and Policy; and has served as a Presidential Fellow. The Board welcomed Mr. Finley to the University of Houston.

Following the introduction of Mr. Finley, Mr. Guyton continued with his presentation and stated that the Institutional Compliance Status Report listed activities which included risk assessments, compliance audits, compliance committee meetings, risk mitigation and hot-line reports. With respect to the hot-line reports, he stated the Chancellor had recently sent out an email to the University of Houston System community to report instances of non-compliance and referred to the University's anonymous reporting mechanism. This report summarizes the information provided by each institution for their compliance functions.

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

The next item listed on the agenda was Item D, a Report regarding the Internal Audit Briefing Booklet including Audit Activity Outline – University of Houston System, Audit-D. Mr. Guyton said this item referred to the Internal Audit Briefing Booklet. The Briefing Booklet contained an Activity Outline and from this outline Internal Audit ("IA") prepared 13 Internal Audit Reports since the August 25, 2016, Audit and Compliance Committee meeting. The Executive Summaries of these reports, as well as the Individual Reports, were also listed in the Briefing Booklet. These reports addressed areas included in the Board-approved Audit Plan and included reviews of the Board of Regents and Chancellor/President's Office Travel and Entertainment; IA's Annual Non-Compliance Report; Departmental Reviews of the UH-Victoria's ("UHV") President's Office and University Advancement; and three (3) of the University of Houston's ("UH") Colleges and University Advancement; a review of UH Advancement's Endowments; a Review of Grants made to the University of Houston-Downtown ("UHD") by the Joint Admissions Medical Program; IA's Reports on Construction and Other Contracts requiring Board of Regents' approval; and IA's follow-up activity.

Mr. Guyton introduced the following individuals, who were in attendance and available at the meeting, to answer any questions proposed by the Board, if needed: Dean Robert McPherson,

College of Education; Dean Dennis Reynolds, College of Hotel and Restaurant Management; and Dean Alan Dettlaff, Graduate College of Social Work.

Mr. Guyton stated that these reports would be submitted to the Governor's Office of Budget and Planning, the Legislative Budget Board, the Sunset Advisory Committee and the State Auditor, as required by the Texas Government Code. IA's Reports on Departmental Reviews contained Management Action Plans and were included in the Briefing Booklet; and an overview of all of IA's recommendations were also included in these reports.

Audit Report No. 2017-01 was IA's follow-up report and addressed the status of 35 action items in 12 Individual Audit Reports. Internal Audit verified that 16 of the action items had been implemented and 19 partially implemented. Updated management responses had been obtained on the partially implemented action items. IA had two (2) high risk items in the report and one (1) item had not been implemented but should be by the end of January 2017.

Audit Report No. 2017-02 was IA's report on Construction and Other Contracts requiring Board of Regents' ("BOR") approval. This is a Standing Report in IA's Briefing Booklet, similar to their follow-up Status Report. The objective of IA's review was to determine whether the University of Houston System ("UHS") had been complying with its policies and procedures and state statutes, particularly the Texas Education Code in selecting its contractors for its major construction projects and other contracts requiring BOR approval. This report covered the activity from July 1, 2016 through September 30, 2016. Appendix I of this report indicated the scope of the Internal Audit review. It was noted that Internal Audit had performed audit procedures on eight (8) of the projects listed in the report; and the dates listed were dates added since the last report had been issued in August 2016.

Audit Report No. 2017-03 was a compilation of areas of non-compliance for FY 2016 for all of IA's Departmental Reviews. This report will help management take action to address repetitive instances of non-compliance. These actions may include modifying its current on-line training programs or provide additional training.

Audit Reports Nos. 2017-12 and 2017-13 were IA's Annual Reviews of Travel and Entertainment Expenditures of the Chancellor / President and Members of the Board of Regents. In IA's opinion, all expenditures had been appropriately documented and allowable under University policies.

Audit Reports Nos. 2017-04 and 2017-05, and 2017-07 through 2017-09 and 2017-11 were IA Reports on Departmental Reviews at UHV and UH. There were no significant issues noted in these reviews and management has already implemented or was in the process of implementing the Management Action items associated with these reviews. There were also no significant issues noted in Audit Report No. 2017-06, IA's Review of UH University Advancement Endowments, or in Audit Report No. 2017-10, IA's Review of the UHD Joint Admissions Medical Program.

Mr. Guyton referred back the Activity Outline and as noted on Items 2 and 3 of the outline there were various scheduled audits in the fieldwork in progress phase or in the planning phase.

These audits were included in the Board-approved Internal Audit Plan for 2017. IA also had various Special Projects in Progress. FEMA was still conducting audits of UH's reimbursements for Hurricane Ike. The State Auditor's Office ("SAO") has started its annual state-wide audit; UH's federal financial aid programs were included in the scope of this review; and SAO's report should be issued during the February-March, 2017 timeframe. IA's Annual External Audit Engagements of Endowments, Charter School, Public Media, Athletics and Cancer Prevention Research Institute grants have also started.

The Audit Plan Status was also noted in the Briefing Booklet and the footnotes indicated the status on the other audit areas.

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

Mr. Guyton presented the next item listed on the agenda, Item E, a Report on Ethics and Conflict of Interest Policies of the Board of Regents and each of the University of Houston System Campuses FY2016 – University of Houston System, Audit-E. This item referred to the Ethics and Conflict of Interest Policies of the Board and each of the universities. Item No. 23 of the Audit and Compliance Committee Charter and Checklist requires an annual review of these policies to ensure these policies were in place at all levels. Not only are these policies very important for all institutions, they are also required in order to have effective compliance programs and some federal agencies such as NSF, NIH, Department of Agriculture and the Department of Energy require Conflicts of Interest Policies as part of the terms and conditions of awards. IA had included a summary of the policies and the changes to the policies since they had been last reviewed by the Audit and Compliance Committee in November 2015. The only policy changes of any substance were those of UHS and UH which were made to comply with the requirements of Senate Bill 20 of the 84<sup>th</sup> Legislature. All of the changes referred to in the summary were noted in the policies.

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

Item F, a Report on Annual Fraud Prevention and Awareness Report FY216 – University of Houston System, Audit-F, was the next item presented by Mr. Guyton and referred to the Annual Fraud Prevention and Awareness Report. The Audit and Compliance 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. This report also satisfies one of the requirements of former Governor Rick Perry's Executive Order RP-36 relating to preventing, detecting and eliminating fraud, waste and abuse. This report was a compilation of each UHS institution's comments on the status of their Fraud Prevention and Awareness Programs. Listed on the agenda coversheet were the key points and the related page numbers in the report for reference.

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

Mr. Guyton introduced Item G, a Report on Identity Theft Prevention Program for FY2016 – Executive Summary – University of Houston System, Audit-G, the next item listed on the

agenda and stated that this referred to the Executive Summary of the UH System's Identity Theft Prevention Program. The Board of Regents' Policy 42.02, Identity Theft Prevention Program, requires the System-wide Compliance office annually to prepare an Executive Summary of all activities of the Identity Theft Prevention Programs of the component institutions. This Executive Summary described the progress that each UHS institution had made in establishing and implementing their programs; and the key points of the report and the related page numbers were listed on the coversheet for reference.

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

The next item addressed by Mr. Guyton was Item H, a Report on Annual Procurement Report FY2016 – University of Houston System, Audit-H. This item referred to the Annual Procurement Report of the University of Houston System. Board of Regents' policy 55.01.4 requires that an Annual Report be submitted to the Board listing all payments for professional or consulting services during the previous fiscal year to a single entity from System-wide sources greater than \$250,000; for all payments for construction, equipment, goods and service contracts during the previous fiscal year from System-wide sources to a single entity that exceeded \$1,000,000; and all contracts that require enhanced contract or performance monitoring under several sections of the Texas Government Code. The Internal Auditing Department reviewed the methodology for compiling the report, including the procedures and criteria used to create the report. In IA's opinion, the report preparation methodology appeared to be reasonable and the report satisfied the annual reporting requirement for procurement activity. This was the first report that had been prepared under the new format which lists expenditures rather than contract award amounts. It also contained a listing of all contracts that required enhanced contract or performance monitoring, which was something new.

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

Mr. Guyton moved to the next item on the agenda, Item I, a Report on University of Houston System, Internal Auditing Department – Annual Report, Fiscal Year 2016 – University of Houston System, Audit-I. This item referred to the UHS Internal Auditing Department Annual Report for FY2016, which is required by the Texas Government Code. The State Auditor's Office prescribed the format of this report which was required to be distributed to the Governor's Office, State Auditor's Office, Legislative Budget Board, Sunset Advisory Commission, members of the Board of Regents, and the Chancellor. This was a comprehensive report on the activities of the Internal Auditing Department, including an Executive Summary, a comparison of budget to actual, a Report on the Peer Review of the Internal Auditing Department which is conducted every three (3) years, and various other information items.

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

The final informational item addressed by Mr. Guyton was Item J, a Report on Anonymous Reporting Mechanism Summary Report, FY2016, and Overview of Anonymous Reporting Mechanism – University of Houston System, Audit-J. Mr. Guyton stated this item referred to the Report on Anonymous Reporting Mechanism, Summary Report for UHS. This report summarized the receipt of anonymous reports and their disposition for FY2016. The report

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stated that there were 114 reports received through the MySafeCampus Reporting System; and in addition, there were 17 additional reports received through other mechanisms, including the State Auditor's Office. Of the 115 MySafeCampus Reports resolved during the year, 26 resulted in disciplinary actions.

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

Following Mr. Guyton's presentation of agenda items, Regent Welder thanked Mr. Guyton and his staff for a great job!

There being no further business to come before the committee this meeting was adjourned at 10:58 a.m.

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Others Present:

Renu Khator  
Jim McShan  
Paula Myrick Short  
Dona Cornell  
Lisa Holdeman  
Ramanan Krishnamoorti  
Jason Smith  
Eloise Dunn Brice  
Richard Walker  
Mike Johnson  
Raymond V. Morgan  
Michael A. Olivas  
William Staples  
Alan Dettlaff  
Don Price  
Brenda Robles

Don Guyton  
Sandra Dahlke  
Ruth Corrigeux  
Robert McPherson  
Sabrina Hassumani  
David Bradley  
Mike Glisson  
Mike Rosen  
Deidra Garcia  
Shannon Harris  
John Vazquez  
Brinda Penmetsa  
Tomikia LeGrande  
Dennis Reynolds  
Iggy Harrison

Russ Hoskens  
Raymond Bartlett  
Chris Stanich  
Valerie Coleman-Ferguson  
Wayne Beran  
Pam Muscarello  
David Oliver  
Lindsay Ellis  
Matthew Castillo  
Michael Atteberry  
Jon Aldrich  
John Finley  
Macy Kelley  
Brian Thomas  
Marquette Hobbs