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**SECTION A-2**

**BOARD OF REGENTS POLICY – AUDIT AND COMPLIANCE**

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**Section V-Audit and Compliance**

**February 16, 2011**

**41 AUDIT AND COMPLIANCE**

**41.01 Internal Auditing**

To develop a framework for the implementation of the internal audit function within the system, and to define the scope of the internal audit function as an effective management tool for use by the chancellor and the board in evaluating the system's fiscal integrity and compliance with the Texas Internal Auditing Act, Texas Government Code, Section 2102, applicable state and federal laws and with approved board policies, the board adopts the following policy:

**41.01.1 Philosophy**

- A. A primary responsibility of the board is to ensure the legal and fiscal integrity of the system. To that end, the board directs the Department of Internal Auditing to perform those audit activities necessary to assure that the system's resources are being properly managed and accounted for and that the institution is complying with approved policies and statutory requirements.
- B. Internal audits are resource tools for management and enable the system to monitor the effectiveness with which policies are followed, objectives met, and control systems function.
- C. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the system's operations. It helps the system accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- D. The Department of Internal Auditing will be free of all operational and management responsibilities that would impair the ability to make independent reviews of all aspects of the system.
- E. In carrying out their duties and responsibilities, members of the Department of Internal Auditing will have full, free, and unrestricted access to all system

activities, records, property, and personnel. The Internal Auditing Department may also request access to the financial records of private support organizations and foundations chartered for the benefit of the University of Houston System or any part thereof.

#### **41.01.2 Organizational Responsibility**

- A. The Chief Audit Executive will report directly to the chair of the Audit and Compliance Committee of the board, and have access to the chancellor.
- B. The board is responsible for the employment and dismissal of the Chief Audit Executive; however, the chancellor has the authority to make recommendations to the board on the employment, evaluation, and dismissal of the Chief Audit Executive.
- C. The Department of Internal Auditing will perform its duties in accordance with the Standards for the Professional Practice of Internal Auditing, the Code of Professional Ethics, as established by the Institute of Internal Auditors, and generally accepted government auditing standards.

#### **41.01.3 The Internal Auditing Process**

- A. In August of each year, the Department of Internal Auditing will present to the Audit and Compliance Committee a long-range audit plan and an annual audit plan for the Board's review and approval. This plan will include a summary of the resources dedicated to the Internal Audit program in order for the board to determine if adequate resources exist to ensure that risks identified in the annual risk assessment are adequately covered within a reasonable time frame.
- B. The Chief Audit Executive will meet with the chancellor on a regular basis to review audits performed, audits in progress, future audits, and special investigations.
- C. The Chief Audit Executive will meet with the chair of the Audit and Compliance Committee on a regular basis to review audits performed, audits in progress, future audits, and special investigations.
- D. Internal Audit reports will be distributed to the Chancellor, members of the Board of Regents, the State Auditor, the Governor's Office of Planning and Budgeting, the Legislative Budget Board and the Sunset Advisory Commission, as required by the Texas Government Code, Section 2102.

#### 41.01.4 Objectives

The internal audit activity evaluates and contributes to the improvement of the system's risk management, control and governance systems by addressing the following objectives:

A. **Risk Management:** Internal audit activity will assist the system by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems.

B. **Control:** Internal audit activity will assist the system in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

C. **Governance:** Internal audit activity will contribute to the system's governance process by evaluating and improving the process through which (1) values and goals are established and communicated, (2) the accomplishment of goals is monitored, (3) accountability is ensured, and (4) values are preserved.

D. The internal audit activity will evaluate risk exposures and adequacy and effectiveness of controls relating to the system's governance, operations and information systems regarding the

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding of assets
- Compliance with laws, regulations, and contracts.

E. The Internal Audit Department will coordinate audit efforts with those of external CPA firms and the state auditor's office. (02/16/11)

#### Related Statutes, Policies, or Requirements

Texas Government Code § 321.0136 – *Investigation*

Texas Government Code, Chapter 2102 – *Texas Internal Auditing Act*

The Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing and Code of Ethics - <http://www.theiia.org/guidance/standards-and-guidance/ippf/>.

U.S. Government Accountability Office, Government Auditing Standards (The Yellow Book) - <http://www.gao.gov/new.items/d07731g.pdf>.

System Administrative Memoranda (SAMs)

- 01.C.04 – *Reporting/Investigating Fraudulent Acts*
- 04.A.01 – *Audits by External Auditors*
- 04.A.02 – *Audits by Internal Auditing*

## 42 COMPLIANCE

### 42.01 Institutional Compliance

The Chancellor, as chief executive officer of the System, is responsible for ensuring the implementation of an institutional compliance program for the System. Accordingly, the System-wide Compliance Officer prepares an executive summary of all institutional compliance activity of the component institutions.

#### 42.01.1 System-Wide Compliance Officer

The System-wide Compliance Officer is responsible, and will be held accountable for, apprising the Chancellor and the Audit and Compliance Committee of the institutional compliance functions and activities at each of the component institutions as set out in Subparagraph B, below. The System-wide Compliance Officer provides institutional compliance assistance to the Chancellor and the Vice Chancellors in the exercise of their responsibilities.

**A. Appointment:** The System-wide Compliance Officer shall be appointed by the Chancellor. The System-wide Compliance Officer is the senior compliance official of The University of Houston System, provides assistance and advice covering all component compliance programs, and shall hold office without fixed term, subject to the pleasure of the Chancellor.

**B. Duties and Responsibilities:** The primary responsibilities of the System-wide Compliance Officer include developing an infrastructure for the effective operation of The University of Houston System Institutional Compliance Program; chairing the System-wide Compliance Officers Council; and prescribing the format for the annual risk-based compliance plan and the quarterly compliance status reports to be submitted by each component institution.  
(02/16/11)

#### **42.02 Identity Theft Prevention Program**

The Chancellor, as Chief Executive Officer of the System, is responsible for ensuring the implementation of an identity theft prevention program which adheres to the Federal Trade Commission's Red Flag Rule under sections 114 and 315 of the Federal Fair and Accurate Credit Transactions Act. At least annually, the System-wide compliance officer prepares an executive summary of all activities of the Identity Theft Prevention Programs of the component institutions. (02/16/11)

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Federal Fair and Accurate Credit Transactions Act, Pub.L. 108-159.  
Federal Trade Commission Red Flag Rule, 16 C.F.R. § 681.2.

System Administrative Memoranda (SAMs)  
01.C.14 – Identity Theft

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