The University of Texas at Dallas

Responsibilities of Institutional Compliance and Internal Audit

UT System *Business Procedures Memorandum 18-02-04, Internal Audit Activities, (*excerpt below) Clarifies the rolls of Institutional Compliance and Internal Audit In managing institutional risks.

Internal Audit's Relationship to the Institutional Compliance Function (Exhibit E)

Internal Audit is an independent function of the governance process of the University of Texas System. It provides periodic assurance to the Board of Regents and executive management on the component institution's ability to achieve its objectives.

Compliance is part of the control structure of the organization, whereas internal auditing evaluates the control structure – a key difference between the two functions.

Internal Audit may provide consulting and assurance services to the Compliance function. Consulting services may include: providing information and best practices in the design of the Compliance function; providing advice and information in the design of monitoring plans; providing training and educational services; and providing facilitation services for self-assessments of the Compliance function. Assurance services may include : audits of the Compliance program design; audits of the Compliance monitoring plans; audits of Compliance issues; and inspections of the monitoring plans.

The roles and responsibilities at UTD of the Institutional Compliance Office and the Internal Audit Office are clarified further below.

Responsibility	Institutional Compliance	Internal Audits
Mission Statement	• *To promote and support a culture at The University of Texas at Dallas which builds compliance consciousness into the daily activities of the University and encourages all employees to conduct University business with the highest standards of honesty and integrity.*	• *To provide an independent, objective assurance and consulting activity designed to add value and improve the University's operations. To help the University accomplish its mission in learning, research and public service by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process.*
Standards of Practice	• The Institutional Compliance Program is a developing program with standards in the process of being established. UTD's Compliance Program adheres to the guidelines established in the following documents: *UT System Action Plan to Enhance Institutional Compliance, and Effective Compliance Systems: A Practical Guide for Educational Institutions.*	• The activities of Internal Audits will meet or exceed the *Standards* for the Professional Practice of Internal Auditing and *Code of Ethics* of the Institute of Internal Auditors. Internal Audits will also abide by the generally accepted government auditing standards, the Texas Internal Auditing Act (Chapter 2102 of the Texas Government Code) and University of Texas System guidelines and applicable Business Procedures Memoranda.

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Organization Structure	• Report administratively to the Director of Audit and Compliance, and functionally to the President, with dotted line to the UT System Compliance Officer, UT System Board of Regents, and the UTD Audit and Compliance Committee.	• Report to the President, with dotted line to the U.T. System Audit Director, the U.T. System Board of Regents, and the UTD Audit and Compliance Committee.
Risk Assessment	• Conduct annual risk assessment of **_Compliance issues_** with input from key operational areas, Internal Audits, and key management positions.	• Develop an annual audit plan based on a university-wide risk assessment. Topics include financial, compliance, information technology, and academic institutional process audits. Present audit plan to Audit Committee and to UT System Board of Regents for their approval. • Assist UTD by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems.
Inspections	• Monitor high-risk areas implementation of their monitoring plans by testing transactions and reviewing procedures,	
Standards of Practice	The University of Texas System best practices: • Compliance programs. • Action Plan to Enhance Institutional Compliance • Effective Compliance Systems: A Practical Guide for Educational Institutions	• Perform audits of all aspects of university operations in accordance with the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing.* • Responsible for evaluating design and effectiveness of the Compliance function. • Audit high-risk compliance areas to provide assurance that an effectively designed compliance program has been implemented and is operating effectively, and that UTD is in compliance with policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports. • Audit internal controls to examine and evaluate the adequacy of internal controls to provide reasonable assurance that the

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		systems are operating as designed by management. • Audit key financial and operating areas to determine if financial information included in the financial statements is fairly presented in all material respects. • Perform information technology audits to provide assurance that information assets are secure, effective, and reliable, are linked to the achievement of UTD's objectives, and are used in accordance with all applicable laws, rules, and policies. • Perform academic institutional process audits to provide assurance that processes are being employed efficiently and economically and in compliance with applicable policies and procedures.

Consulting	• Identify high-risk areas, and:
	   - Designate responsible party
	   - Assist area in developing monitoring plan
	• Meeting monthly with key compliance areas, such as EH&S and Research Compliance
		• Provide consulting and advisory services as requested and as appropriate.
		• Coordinate with Compliance Office in annual review of risk assessments.
		• Participate on Endowment Compliance Team.
		• Participate on systems implementation, security, and other information technology committees.

Faculty and Staff Training	• Maintain a web-based system for delivering general compliance training. • Develop and maintain general compliance training course modules. • Develop and maintain job-specific compliance training course modules. • Conduct Management Responsibilities Training for new deans and department heads. • Assist areas in developing specialized training.	• Change in management reviews. • Control self assessment workshops.

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Policies and Procedures	• Maintain Compliance Manual (Web-based) and Compliance Web Pages. • Maintain Management Responsibilities Handbook. • Provide guidance to the departments & employees on policies and procedures.	• Maintain Internal Audit Office Audit Manual for internal purposes. • Provide guidance to departments and employees on policies and procedures when asked.
Reporting	• Prepare quarterly reports to UT System on compliance program and high-risk area activities. • Prepare report of incidents of non-compliance and follow-up activities for Compliance Committee. • Prepare monthly reports for UT System regarding significant compliance activity for the month. • Request and review quarterly reports from high-risk responsible persons	• Prepare formal, written audit reports to the President, management, and the Audit and Compliance Committee after each audit. • Prepare written memoranda to appropriate management after consulting engagements or reviews. • Provide information to the U.T. System Director of Audits as required or requested to fulfill the System-wide audit oversight and reporting responsibilities. • File internal audit reports and related responses or action plans with the U.T. System Audit Office for their submission to the budget division of the Governor's Office, State Auditor, and the Legislative Budget Board. • Prepare the annual report required by the Texas Internal Auditing Act (Section 2102, Government Code) and submitting the report to the President, U.T. System Audit Office, budget division of the Governor's Office, State Auditor, and the Legislative Budget Board.
Hotline	• As member of Hotline Triage Team, review hotline calls and determine appropriate actions to be taken. • Manage contract with The Network- service provider for hotline services.	• Manage the Hotline call process. Includes maintaining a hotline log and official hotline documentation, and providing official responses to anonymous callers (via The Network). • As member of Hotline Triage Team, review hotline callas and determine appropriate actions to be taken. • Investigate hotline calls when necessary.

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Internal Controls		• Evaluate the effectiveness and efficiency of internal controls encompassing UTD's governance, operations, and information systems regarding the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, regulations, and contracts. • Participate in manual and automated system design as and advisor on internal controls.
Follow-up	• Follow-up quarterly with reports of incidents of non-compliance until resolution is achieved.	• Follow-up quarterly on significant recommendations from audits. • Follow-up annually on all audit recommendations.
Investigations	• Investigate hotline complaints or other allegations of non-compliance as deemed appropriate by the hotline triage team and/ or UTD administration.	• Investigate occurrence of fraud, embezzlement, theft, waste, and recommend controls to prevent or detect such occurrences. •Investigate hotline complaints or other allegations of non-compliance as deemed appropriate by the hotline triage team and/ or UTD administration.
Communication with Management	• Conduct quarterly meetings of Compliance Sub-Committee. • Establish agenda for quarterly Compliance Committee meetings and facilitate discussion of compliance issues and resolution of incidents of non-compliance • Prepare monthly liaison forms for UT System and the Audit Committee.	• Establish agenda for quarterly Audit Committee meetings and facilitate discussion at meeting regarding audit issues. • Prepare monthly liaison forms for UT System and the Audit Committee.
Special Projects	• Special projects or investigations as assigned by management. • Participate in Compliance Peer Reviews.	•Special projects or investigations as assigned by management. • Participate in Compliance Peer Reviews.

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Communication with Faculty and Staff	• Responsible for the Compliance quarterly newsletter.	• Communication as considered appropriate.
Communication with External Agencies		• Coordinate activities of external auditors.
Who Audits us?	• Peer reviews as part of best practices every three years.	• Peer reviews every three years per Texas Internal Auditing Act. • Follow-ups 18 months after peer review.