

*Action Plan to Enhance
Institutional Compliance*

THE UNIVERSITY OF TEXAS SYSTEM
Updated 2003



I N T R O D U C T I O N

This 2003 Action Plan to Enhance Institutional Compliance (2003 Action Plan) is an updated version of the original 1998 Action Plan to Ensure Institutional Compliance approved by the Chancellor and presented to the Business Affairs and Audit Committee of the Board of Regents on April 24, 1998.

The implementation phase of the 1998 Action Plan is reaching the final stages. Compliance programs, officers, and committees exist at U. T. System Administration and at all fifteen component institutions of the U. T. System. In addition, the System-wide Compliance Officer working with a System-wide Compliance Executive Committee, consisting of U. T. System executive management, oversees the program. Finally, the System-wide Compliance Officer reports to the Audit, Compliance, and Management Review Committee of the Board of Regents at each of their quarterly meetings to keep them abreast of compliance program activities and issues.

The System-wide Compliance program has also been modified to include The University of Texas Investment Management Company (UTIMCO), which has appointed a compliance officer, compliance committee, and implemented an institutional compliance program.

The mission statement of the Institutional Compliance program is “The University of Texas System (U.T. System) endeavors to fulfill all of its responsibilities to the people of Texas in an environment based upon ethical behavior and compliance with applicable laws and rules.” Related to this mission, two primary goals of the program have been developed:

- ❖ providing assurance that all faculty and staff are aware of their duties and responsibilities in establishing and sustaining that environment; and
- ❖ providing a mechanism for continuously assessing the effectiveness of that environment in assuring that all UT System activities are conducted with integrity.

The purpose of the 2003 Action Plan is to address those ongoing elements of an effective compliance program that minimize the risk of significant compliance failures and enhance the program through best practices learned during the implementation process. Compared to the 1998 Action Plan, certain action steps have been deleted in the 2003 Action Plan because they were one-time tasks that have been accomplished. What remains in the 2003 Action Plan are those program activities that must be continuously pursued, monitored, refined, revised, and pursued again. What we have learned over the past five years is that compliance is a journey, not a destination.

The following pages present the 2003 Action Plan items by “Responsible Party.” The Action Plan includes the following key elements from the 1998 Action Plan:

- The designation of the System-wide Compliance Officer.
- The designation of a Compliance Officer at U. T. System Administration, each component institution, and UTIMCO. The Compliance Officer should report to the Chief Administrative Officer.
- The continuation of a System-wide Executive Compliance Committee and parallel Compliance Committees at U. T. System Administration, each component institution, and UTIMCO that meet at least quarterly.

- The mandate for a *continuous and proactive* compliance function that reports to the Compliance Officer at System Administration, each component institution, and UTIMCO.
- The allocation of sufficient resources at U. T. System Administration, each component institution, and UTIMCO to fund compliance activities (including information resources, training, and monitoring activities) that reduce compliance risk to a reasonably low level.
- The requirement that Compliance Officers and Committees at U. T. System Administration, the component institutions, and UTIMCO report their activities to the System-wide Compliance Officer *at least* annually.

The 2003 Action Plan assigns responsibility and accountability for compliance with laws, regulations, policies, and procedures as follows:

- The System-wide Compliance Officer is responsible and will be held accountable for apprising the Chancellor and the Board of Regents of the compliance programs and activities at System Administration, each of the component institutions, and UTIMCO.
- The Compliance Officers at U. T. System Administration, each component institution, and UTIMCO are responsible and will be held accountable for a risk-based process that builds compliance consciousness into daily business processes, monitors the effectiveness of those processes and communicates instances of non-compliance to appropriate administrative officers for corrective, restorative and/or disciplinary action.
- Responsibility for actual compliance with laws, regulations, policies, and procedures rests with each individual employee. Accountability resides primarily with the department head of each operating unit.
- The Chancellor and each Chief Administrative Officer are responsible and will be held accountable for the sufficiency of resources allocated to compliance activities and the appropriateness of corrective and disciplinary action taken in the event of non-compliance.

Questions about the 2003 Action Plan should be directed to Charles G. Chaffin, System-wide Compliance Officer (512-499-4390).

2003 ACTION PLAN – COMPLIANCE PROGRAM

Program Element	Responsible Party	Frequency
<p>1. Establish an appropriate Institutional Compliance Committee.</p> <p><i>Implementation Guidance: The type of committee and communication structure established should be appropriate to the culture of the institution. Communication with the Chief Administrative Officer is essential. This communication can be accomplished through a committee structure or scheduled briefing meetings. There are several different types of committee structures that can be utilized. The Executive Compliance Committee, a high level committee, comprised of those line managers reporting directly to the President or CEO. The three major duties of this type of committee are to provide appropriate resources for the compliance program, to ensure appropriate action for noncompliance issues brought to its attention, and to provide overall policy guidance for the program. The Compliance Working Committee is composed of the responsible parties for each high-risk compliance area of the institution. This committee performs data gathering, analysis, and recommendations for the Compliance Officer and executive management. Additionally, a member of the compliance working committee may chair a subcommittee for their area of responsibility. The subcommittees may perform such tasks for their high- risks compliance activities as (1) risk assessments, (2) development of monitoring, specialized training, and reporting plans, and (3) certain assurance activities.</i></p>	<p>Chancellor Chief Administrative Officer</p>	<p>Ongoing</p>
<p>2. Require the Institutional Compliance Committee to meet at least quarterly.</p>	<p>Compliance Officer</p>	<p>Quarterly</p>
<p>3. Establish a System-wide Compliance Committee comprised of institutional representatives of common areas of high risk.</p> <p><i>Implementation Guidance: The System-wide Compliance Committee should facilitate communication and sharing of ideas, best practices, exposures, and other information related to common areas of high risk among the component institutions. The System-wide Compliance Officer is the chairman of this Committee, and membership is composed of knowledgeable staff in the representative high-risk areas from component institutions. The Committee should meet periodically as circumstances require.</i></p>	<p>System-wide Compliance Officer</p>	<p>Ongoing</p>

Program Element	Responsible Party	Frequency
<p>4. Establish appropriate System-wide High-risk Working Groups.</p> <p><i>Implementation Guidance:</i> System-wide High-risk Working Groups should be established in those areas of high risk to facilitate risk assessment, monitoring plans, and sharing of ideas and best practices. Membership should include institutional responsible parties in the identified areas of high risk. The working groups should meet periodically as circumstances require.</p>	System-wide Compliance Officer	Ongoing
<p>5. Budget sufficient resources to fund ongoing and proactive compliance activities (information resources, training, and monitoring activities) that reduce compliance risk to an acceptably low level.</p> <p><i>Implementation Guidance:</i> The amount of funding necessary for compliance activities depends on the size of the component institution and its associated compliance risks. The allocation of the funding depends on the organizational structure of the compliance function. It is understood that risk cannot be reduced to zero; however, it should be reduced to a reasonably low level. Funding should be provided for: 1) assuring good information resources to keep current on regulatory changes and interpretations, 2) extensive in-house or external-based training programs that provide both general compliance training to all employees on a periodic basis, and ongoing specialized training tailored to the needs of each employee who has job responsibilities in areas of significant risk, and 3) ongoing monitoring activities that provide management with vital information on the degree to which the institution complies with laws, regulations, policies, and procedures. (Monitoring should generally be provided at three levels: within daily business processes, through the institutional compliance function, and through internal audits).</p>	Chancellor Chief Administrative Officer	Annually
<p>6. Develop an annual compliance risk assessment and appropriate compliance risk management plans for identified institutional critical risks.</p> <p><i>Implementation Guidance:</i> An annual compliance risk assessment should be performed to identify institution critical compliance risks. Alternatively, if a comprehensive compliance risk assessment has been performed during the preceding year, an update of that risk assessment may be performed to ensure that any new critical compliance risks are identified. For each institution critical compliance risk identified, a risk management plan should be developed which includes (1) a single responsible party, (2) a monitoring plan, (3) a specialized training plan, and (4) a reporting plan. The risk management plans for all institution critical compliance risks should be presented to the Institutional Compliance Committee for review and approval.</p>	Compliance Officer	Annually

Program Element	Responsible Party	Frequency
<p>7. Provide general compliance training for all employees and specialized compliance training for employees whose job responsibilities involve them in high-compliance-risk activities.</p> <p><i>Implementation Guidance: Training can be provided using a variety of methods including: face-to-face, web-based, and poster exhibits. Training records are the key monitoring data and should be retained. Summary reports should be provided to the Compliance Committee periodically.</i></p>	Compliance Officer High-risk Area Responsible Party	Periodically – at a minimum of biennially
<p>8. Submit a comprehensive annual report and other reports as required on compliance activities to the System-wide Compliance Officer in the prescribed format.</p>	Compliance Officer	Annually - Periodically
<p>9. Ensure that appropriate corrective and disciplinary action has been taken in the event of non-compliance.</p> <p><i>Implementation Guidance: The Compliance Officer should communicate identified events of noncompliance that require corrective and/or disciplinary action to appropriate administrative personnel. If the Compliance Officer believes that appropriate corrective or disciplinary action has not been taken, then the Compliance Officer should report his or her concerns to the Chief Administrative Officer. At that point, the Chief Administrative Officer is responsible for the appropriateness of the actions taken to resolve the compliance issue. Summary information on reported instances of suspected non-compliance (phone hotline, post office box, or web-form activities) should be presented at Compliance Committee meetings.</i></p>	Chancellor Chief Administrative Officer	Ongoing
<p>10. Establish a confidential mechanism that allows employees to report instances of suspected non-compliance outside of the normal chain of command and in a manner that preserves confidentiality and assures non-retaliation.</p> <p><i>Implementation Guidance: The most common and acceptable method of providing such a mechanism is the establishment of a compliance telephone hotline. The key elements of a confidential mechanism should include written documentation of all notifications received; a prompt cross-functional consultation and triage function (generally involving high-ranking representatives from the legal, security, internal audit, and human resources areas) to determine the need for and nature of appropriate investigative action; follow-up to assure timely and appropriate resolution of issues; and documentation of the ultimate disposition of all calls received.</i></p>	Compliance Officer	Ongoing

Program Element	Responsible Party	Frequency
<p>11. Maintain an up-to-date compliance manual that documents the compliance structure and the policies and procedures that pertain to the compliance program.</p> <p><i>Implementation Guidance: A manual should generally outline the responsibilities of the Institutional Compliance Committee and the Compliance Officer; include charters, policies, and procedures that pertain to the compliance program (including the telephone hotline policies and procedures); and include examples of monitoring and reporting forms. The manual should be a compilation of relevant materials maintained in either an electronic or hard copy format.</i></p>	Compliance Officer	Ongoing
<p>12. Annually develop a plan of activities to be completed by the Compliance Officer and/or Compliance Office.</p> <p><i>Implementation Guidance: The plan should include the activities to be conducted by the Compliance Officer during the next year and can include the development of training, websites, monitoring plans, and updating of policies and procedures.</i></p>	Compliance Officer	Annually
<p>13. Establish mechanisms for regular assessments of the compliance function.</p> <p><i>Implementation Guidance: This could include self-assessments, inspections, peer reviews (internal and external) and internal audits. In its risk assessment for preparing the annual audit plan, Internal Audit, in consultation with the Compliance Officer, should consider audits of various components of the compliance program. Recommendations for improvements should be made to the Compliance Officer and responsible party of the high-risk area, if applicable, based on the results of the assessments performed. The Compliance Officer or responsible party will be responsible for responding to such recommendations by developing action plans and timetables to be approved by the Institutional Compliance Committee. A follow-up process should be developed to ensure timely resolution, and the results should be reported to Institutional Compliance Committee.</i></p>	Compliance Officer	Periodically