



University of North Texas System

Board of Regents

Audit Committee Meeting Agenda

January 22, 2018

University of North Texas System, Room 712
1901 Main St.
Dallas, TX 75201

The Audit Committee of the UNT System Board of Regents will convene a Special Called meeting on January 22, 2018, according to the following agenda. Agenda matters are of sufficient urgency to be considered prior to the next regularly scheduled meeting of the Audit Committee on February 22, 2018.

The Audit Committee is posted as an individual meeting of a Board committee; however, any members of the Board may attend committee meetings. Because some Board members who are not committee members may attend committee meetings and thereby create a quorum of the full Board, the meeting of the Audit Committee is also being posted as a meeting of the full Board.

Monday, January 22, 2018

1:00 p.m. Call to Order

Briefings:

Review of Compliance Function

- Steve Hill, UNT Director of Institutional Compliance, UNT System Compliance Officer
- Desiree Ramirez, UNTHSC, Chief Compliance and Integrity Officer
- Anissa Breaux-Schropp, UNT, Compliance Officer

Review of Audit Committee Charter

- Tracy Grunig, UNTS, Chief Audit Executive

Review of Internal Audit Function

- Tracy Grunig, UNTS, Chief Audit Executive

2:30 p.m. Adjourn

**UNT System-Wide
Compliance and Integrity Program Regulation**

**UNT System Board of Regents Audit Committee
Off-Cycle Meeting**

January 22, 2018



Introduction of Compliance and Integrity Program Regulation

Steven A. Hill, MBA., CCEP
UNT System Compliance Officer

January 22, 2018



Overview - Compliance & Integrity Program Regulation



- Adopted in October 2017
- Collaboration between the Institution compliance officers, Internal Audit and the Office of General Counsel
- Based on:
 - U.S. Sentencing Commission Guidelines Manual
 - Best practices from private and public sector compliance programs
 - Existing compliance program structures across the System
 - Federal and state laws and Regents Rules
- Requires each organization to establish compliance programs and program policy that include specific policies and practices
- Provides a very important floor (or minimum standard) where each Institution cannot implement less regulatory standards. However, the regulation provides each Institution the discretion and latitude to establish practices in its C&IP that meet campus needs and culture of each Institution.



Overview of Compliance and Integrity Program Regulation

Anissa Breaux-Schropp, Ph.D., CCEP
UNT Compliance Officer

January 22, 2018



Compliance and Integrity Program Regulation *Essentials*

The objective of this regulation is to establish the structure for an institutional or organizational compliance program that is based on the eight elements of an effective compliance program set out in the U.S. Sentencing Commission Guidelines:

1. Compliance standards and procedures reasonably capable of reducing the prospect of criminal activity;
2. Oversight by high-level personnel;
3. Due care in delegating substantial discretionary authority;
4. Effective communication to all levels of employees;
5. Reasonable steps to achieve compliance, which include systems for monitoring, auditing and reporting suspected wrongdoing without fear of reprisal;
6. Consistent enforcement of compliance standards including disciplinary mechanisms;
7. Reasonable steps to respond to and prevent further similar offenses upon detection of a violation; and
8. Organizations promote an organizational culture that encourages a commitment to compliance and the law.



These are compliance “must haves.”

Compliance and Integrity Program Regulation

Guiding Principles and Development

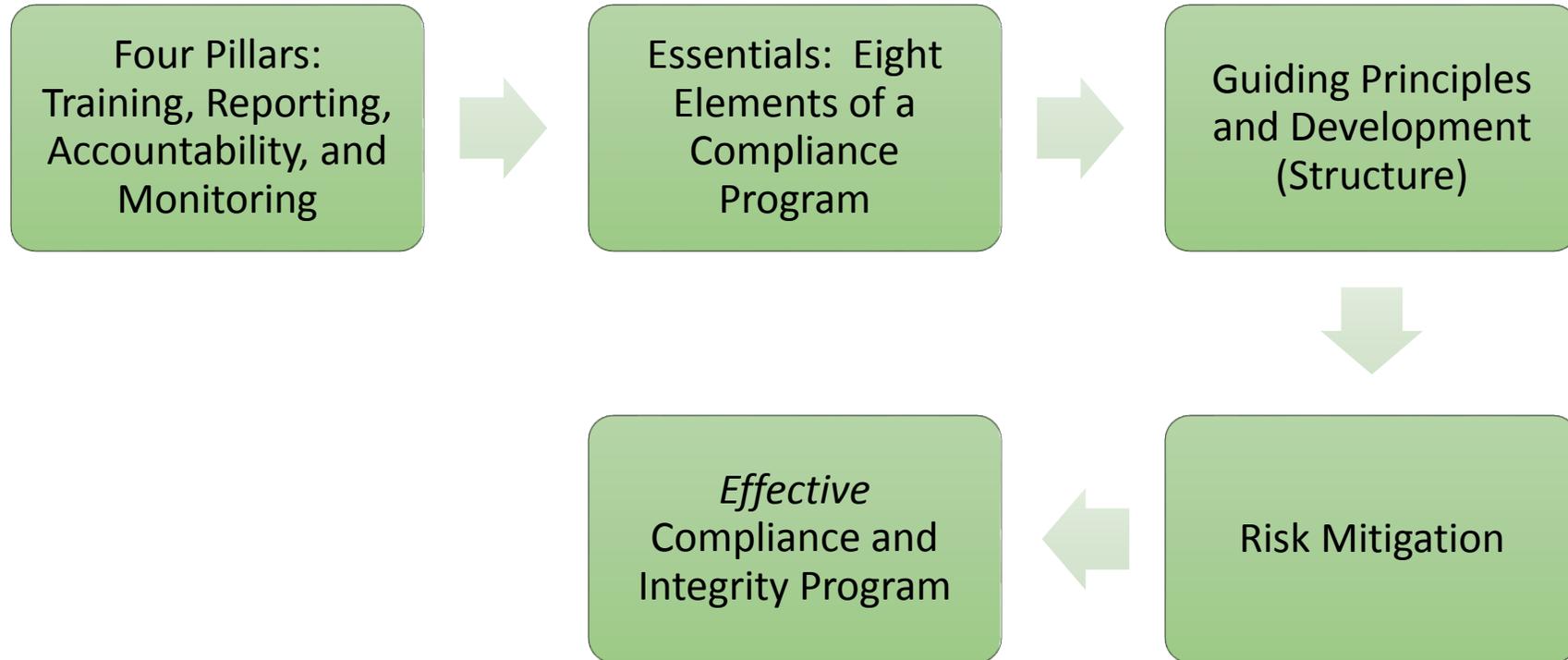


- Policies Related to Ethics and Standards of Conduct
- Chief Compliance Officer (CCO)
- Background Checks
- Mandatory Education and Training
- Reporting System
- Informing the CCO and Appropriate Official of Compliance Concerns
- Reviewing and Investigating Reports of Misconduct
- Protection against Unlawful Retaliation
- Confidentiality and Protection of Information
- Compliance Assessment and Monitoring
- Review of the Compliance Program



These lead to an *Effective* Compliance and Integrity Program

Compliance and Integrity Program Regulation



Compliance and Integrity Program Regulation Key Considerations

Although the objective of this regulation is to establish the structure for an institutional compliance program that is based on the eight elements of an effective compliance program as set out in the U.S. Sentencing Commission Guidelines, consider that:

1. Compliance and Integrity Program (C&IP) reflects the structure and culture of the organization, and allows each campus discretion for implementation.
2. The main focus of the C&IP is to collect data/information and to facilitate the flow of that data/information (vertically and horizontally) to the appropriate Senior Responsible Official, Management Official, or any other leader in the Institution, responsible for taking action to ensure compliance and taking accountability for noncompliance.
3. This is inclusive of assessments and allows the comprehensive compliance team to evaluate where our compliance efforts need to be focused.



Compliance “Effectiveness”

Components of Compliance and Integrity Program Regulation

Desiree Ramirez, CHC., CCEP
UNTHSC Chief Compliance & Integrity Officer

January 22, 2018



02.1005, 2. - Chief Compliance Officer

Chief Compliance Officer (CCO) shall:

- have full-time, day-to-day operational responsibility for the C&IP and administer the C&IP reporting system.
- have direct and unrestricted access to the applicable Institution's Responsible Senior Official. .
- have unrestricted access to individuals and information throughout the Institution as necessary and consistent with applicable legal privileges.
- be given adequate resources to develop and maintain an effective C&IP, including resources necessary to conduct an annual compliance risk assessment and compliance work plan.
- regularly assess and monitor campus policies and practices related to detecting and preventing potential or actual misconduct.
- in consultation with the Chief Audit Executive determine when risks are sufficiently mitigated and when to inform the Responsible Senior Official when risks are mitigated.



3. - Background Checks

Excluded-parties/persons and debarment checks shall be conducted as applicable and criminal history background checks shall be conducted for:

- all positions with financial or substantial discretionary authority.
- all camps, programs, and activities that include minors (proximity to minors).
- all security sensitive positions.
- upon hiring or upon assumption of materially different responsibilities.
- for all third parties conducting substantial business with or acting on behalf of the campus.



4. - Mandatory Education and Training

- a. **Mandatory Training:** All employees are required to complete annual training related to C&IP policies and emerging compliance topics. Employees, students and other individuals shall be informed of the ways to report suspected misconduct.
- b. **Format of Annual Education and Training:** Education and training required under campus guidance may be delivered in-person or using available technology.
- c. **Record and Notification of Education and Training:** Employees shall be notified of their obligation to complete mandatory training no less than 30 days before the date by which it must be completed.
- d. **Enforcement of Education and Training Responsibilities:** Employees failing to complete required training are not eligible for any salary increases during the year in which the training was not completed and is subject to disciplinary action, including termination. An employee may also be denied access to information technology resources until training is completed.



02.1005, 5a&b. - Reporting System and 02.1008 False Reporting



Reporting System:

- An individual who in good faith suspects a person of criminal conduct should contact law enforcement immediately.
- All other good faith suspicions of misconduct may be reported through the compliance and integrity hotline, which shall allow for anonymous reporting and be prominently placed on the Institution's home page.
- Complaints of suspected misconduct made through the Compact with Texans/Presweb or any other reporting system maintained by a campus unit must be coordinated with the C&IP which is responsible for ensuring the appropriate campus official(s) is (are) informed and for ensuring the each report is resolved.



False Reporting:

- An individual who knowingly makes a false report of suspected misconduct or who provides false information during a compliance investigation is subject to disciplinary action, including termination of employment, termination of authority to act on behalf of the applicable Institution, or termination of business relationship or affiliation.

6. - Informing the Chief Compliance Officer (CCO) of Compliance Concerns

- a. **Notice of Investigations, Findings, Sanctions/Corrective Action:** A campus official who investigates a report of suspected misconduct, except a law enforcement official, shall notify the CCO after an investigation is initiated and completed, of the findings of the investigation, and of any disciplinary sanction imposed or corrective action taken to address a finding of misconduct.

Notification Timeframe and Confidentiality: Individuals who are required to inform the CCO pursuant to this section shall do so in a reasonable time, as determined by the CCO and Institution, and in a manner that maintains confidentiality and any recognized privileges.



6. - Informing the Responsible Senior Official of Reports of Misconduct

- b. **Notifying the President or Chancellor:** CCO may notify the President (for campus related issues) and Chancellor (for System Administration related issues) of any report of alleged misconduct, received by the C&IP but **shall**, in consultation with the Chief Audit Executive, inform the President or Chancellor of all reports:
- i. of suspected misconduct or potential criminal conduct by Management Officials and individuals with substantial discretionary authority,
 - ii. alleging potential criminal conduct,
 - iii. when the estimated financial impact is in excess of \$25,000,
 - iv. or involves the potential loss of federal or state funds.



6. - Informing the Board of Regents of Reports of Misconduct and Periodic Reporting

- c. Informing the Board of Regents - The Chancellor shall inform the Board of Regents or the appropriate committee of the Board of all reports:
- i. of suspected misconduct or potential criminal conduct by Management Officials and individuals with substantial discretionary authority,
 - ii. alleging potential criminal conduct,
 - iii. when the estimated financial impact is in excess of \$25,000 or involves a potential loss of federal or state funds,
 - iv. or when there is a material violation of a Regents Rule.
- d. **Periodic Reporting to the Board of Regents:** Each CCO shall report to the Board of Regents or the appropriate committee of the Board a minimum of one time per quarter. The report shall include information the CCO, in consultation with the Chief Audit Executive or Vice Chancellor and General Counsel as appropriate, determines is necessary to promote an effective compliance program.



7. - Reviewing and Investigating Reports of Misconduct

Reviewing and Investigating Reports: Reports of suspected misconduct shall be promptly reviewed by the C&IP to determine whether an investigation should be conducted, except for reports for which other campus units are responsible for investigating, such as discrimination, sexual assault and/or harassment (Title IX-related), student and academic-related policies, NCAA regulations, research misconduct, environmental health and safety, etc.

- a. **Reviewing Reports (cont'd):** The CCO may consult Internal Audit, the Office of General Counsel, and campus law enforcement to ensure reports are referred to the appropriate official for investigation.
- c. **Reporting Findings to External Entities:** Upon completion of an investigation and when applicable, the Vice Chancellor and General Counsel, in consultation with the CCO, shall advise the appropriate Responsible Senior Official whether a finding of misconduct should be disclosed to the applicable agency and is responsible for timely informing the Chair of the Board of Regents or appropriate Chair of the applicable committee of the Board of the required disclosure.



8. - Protection Against Unlawful Retaliation

Retaliation Prohibited: No action shall be taken against any individual who in good faith reports or causes to be reported suspected misconduct, participates in an investigation conducted under the C&IP, or seeks guidance regarding any matter within the scope of the program.

- a. **Self-Reporting:** An individual who reports suspected misconduct in which he or she was involved is subject to disciplinary or administrative action for engaging in the behavior, including termination of employment or business relationship. The fact that an individual voluntarily self-reported misconduct may be considered in mitigating any disciplinary or administrative action.
- b. **Sanctions:** An individual who engages in retaliation is subject to disciplinary or administrative action, including termination of employment or business relationship, as applicable.



02.1006 - Compliance Governance - Committees

Each Institution is establishing an Executive Compliance Committee to provide leadership, oversight, and direction for the C&IP and to ensure the program has the necessary resources and support to fulfill its objectives.

1. The **System Executive Compliance Committee** shall consist of the Chancellor, the Institution Presidents, the Chief Compliance Officers, the Chief Audit Executive, the Vice Chancellor and General Counsel, and may include the Chief Information Officer and any employee in the System that the Chancellor determines is necessary to fulfill the committee's oversight responsibilities. The System Executive Compliance Committee shall:
 - a. monitor the effectiveness of the compliance reporting system;
 - b. review with the Chief Compliance Officers the status of compliance education and training and the results of other activities related to the C&IP; and
 - c. review each Institution's annual compliance work plan.



Institution Executive Compliance Committee

2. The Institution Executive Compliance Committee shall consist of the President, Vice Presidents (at the campus level), the Chancellor, Vice Chancellors, (at System Administration), the Chief Compliance Officer for each Institution, and any other employee(s) the President or Chancellor determines is necessary to fulfill the responsibilities of the committee. In addition to these general responsibilities, the committee may:

- a. review the annual compliance risk assessment and the Institution's compliance risks;
- b. review the annual compliance work plan prior to approval by the Board of Regents;
- c. review the effectiveness of the C&IP, including the reporting system and education and training program;
- d. review the resolution of compliance investigations and any enforcement and corrective measures imposed for violations; and
- e. recommend incentives to comply with the Institution's C&IP.



Compliance Workgroup

3. The Compliance Workgroup referenced in the regulation may consist of any compliance committee currently in place at System Administration or any of its Institutions. Workgroup committee members should be employees who report directly to a Vice Chancellor (for System Administration) and a Vice President (at the campus level) and who have expertise in operational or compliance-related areas. This committee is responsible for assisting and supporting the CCO and for:
- a. advising the CCO concerning specific compliance education and training;
 - b. assisting in identifying compliance risks and controls to mitigate those risks;
 - c. reviewing the annual compliance risk assessment before it is submitted to the Institution Executive Compliance Committee; and
 - d. assisting in reviewing the annual compliance work plan before adoption.



Thank you.
Questions?



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BOARD OF REGENTS AUDIT COMMITTEE CHARTER

Purpose and Authority

The Audit Committee of the Board of Regents ("Board") of the University of North Texas System (System) assists the Board in fulfilling its responsibilities for:

1. Oversight of the quality and integrity of the accounting financial, and non-financial reporting practices;
2. Oversight of the internal audit function, any external auditors who the Committee may employ, and engagements with the State Auditor;
3. Oversight of the internal control environment;
4. Oversight of legal and regulatory compliance;
5. Oversight of information security and controls;
6. Oversight of the integrity of the System's financial statements and the System's accounting and financial reporting processes and financial statement audits;
7. Oversight of the System's disclosure control processes and procedures, internal controls over financial reporting, and compliance with ethical standards adopted by the System; and
8. Oversight of the System's risk management process.

The Audit Committee should encourage continuous improvement, and should foster adherence to the System's policies, procedures, and practices at all levels. The Audit Committee should also provide for open communication among the external auditor, financial and senior management, the internal audit function, and the Board of Regents.

The Audit Committee has the authority to conduct investigations into any matters within its scope of responsibility and obtain advice and assistance from outside legal, accounting, or other advisers, as necessary, to perform its duties and responsibilities. In carrying out its duties and responsibilities, the Audit Committee shall also have the authority to meet with and seek any information it requires from employees, Regents, or external parties.

The System will provide appropriate funding, as determined by the Audit Committee, to fund the internal audit activity, to compensate the external auditor, to compensate any advisers that the Audit Committee chooses to engage, and for payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

The Audit Committee's principal responsibility is one of oversight. The fundamental responsibility for the integrity of the System's financial statements and disclosures rests with management and the external auditor.

Membership and Meetings

The Audit Committee is a standing committee of the Board and is composed of not fewer than four members of the Board. The Chairman of the Finance Committee shall serve as an ex officio voting member of the Audit Committee.

Committee members will be appointed by the Chairman of the Board of Regents.

The Audit Committee members will be financially literate and the Committee will provide its members with continuing education opportunities in financial reporting and other relevant areas. The Audit Committee should include at least one financial expert.

The Audit Committee will meet four times annually or more frequently as circumstances require. The Audit Committee may meet in executive session as needed and as allowed by law. The Audit Committee should meet with the external auditors, internal auditors and management in separate executive sessions.

The agenda for Committee meetings will be developed by the Audit Committee Chairman in

consultation with the Chancellor and the Chief Internal Auditor.

The committee will meet periodically with the external auditor and management to discuss the annual audited financial statements and quarterly financial statements.

Independence

The Board of Regents and management must be independent from vendors. If overlapping financial interests or personal relationships exist, they must be fully disclosed, and the appropriate personnel must recuse themselves from discussions and voting on related matters.

Accounting / Financial Information Review Duties

1. Review the annual financial statements and related footnotes and discuss with management, the Chief Internal Auditor and the external auditor.
2. Review the financial statements and all of its disclosures, especially fees paid to vendors, activities unrelated to the System's purpose and transactions with related entities.

External Auditor Review Duties

1. Appoint, compensate, retain, and oversee the work performed by the external auditor retained for the purpose of preparing or issuing an audit report or related work. Review the performance and independence of the external auditor and remove the external auditor if circumstances warrant. The external auditor will report directly to the Audit Committee and the Audit Committee will oversee the resolution of disagreements between management and the external auditor if they arise.
2. Review both the audit and non-audit services to be provided by the external auditor.
3. Consider whether the external auditor's provision of permissible non-audit services is compatible with the auditor's independence. Actively engage in dialogue with the external auditor with respect to any disclosed relationships or services that may affect the independence and objectivity of the auditor and take appropriate actions to oversee the independence of the external auditor.
4. Review with the external auditor any problems or difficulties with respect to the audit and obtain reports on significant findings and recommendations, together with management responses.
5. Hold timely discussions with the external auditor regarding the following:
 - a. All critical accounting policies and practices.
 - b. All alternative treatments of financial information within generally accepted accounting principles (GAAP) related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor.
6. At least annually, obtain and review a report by the external auditor describing:
 - a. The external auditor's internal quality-control procedures.
 - b. Any material issues raised by the most recent internal quality-control review or peer review, or by any inquiry or investigation by governmental or professional authorities within the preceding five years with respect to independent audits carried out by the external auditor, and any steps taken to deal with such issues.
 - c. All relationships between the external auditor and the System.
7. Annually, evaluate the external auditor's qualifications, performance, and independence. Further, the Audit Committee will review the experience and qualifications of the lead partner. The Audit Committee will also consider whether there should be rotation of the external auditor itself. The Audit Committee should present its conclusions to the board.
8. Set policies for hiring personnel of the external auditor.

Financial Reporting Processes, Accounting Policies, and Internal Control Structure Duties

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1. Discuss with the external auditor, the internal audit function, and management, the extent to which changes or improvements in financial or accounting practices have been implemented.
2. In consultation with the external auditor and the internal audit function, review the integrity of the System's financial reporting processes (both internal and external).
3. Understand the scope of the external auditor's review of internal control over financial reporting.
4. Monitor the effectiveness of the internal control systems. Receive and review any disclosures from the System's CFOs and Controllers made in connection with the certification of the System's financial reports: a) significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the university's ability to record, process, summarize, and report financial data; and b) any fraud, whether or not material, that involves management or other employees who have a significant role in the university's internal controls.
5. Review major issues regarding accounting principles and financial statement presentations, including any significant changes in the System's selection or application of accounting principles; major issues as to the adequacy of the university's internal controls.
6. Review analyses prepared by management and the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements for state and local governments.
7. Review and approve all related-party transactions.
8. Establish and oversee procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters, including procedures for confidential, anonymous submissions by System employees regarding questionable accounting or auditing matters.
9. Confirm that significant findings and recommendations made by the internal and external auditors are received, discussed and acted upon appropriately and promptly.
10. Assure that management is setting the appropriate tone in communicating the importance of internal controls and in establishing policies and procedures to mitigate risk.

Internal Audit Duties

1. Review all internal audit reports and responses and monitor the implementation of recommendations.
2. Recommend for approval by the Board the hiring, removal, and evaluation of the Chief Internal Auditor who shall report to the Board through the Audit Committee.
3. Annually review the performance of the Chief Internal Auditor.
4. Review the effectiveness of the internal audit function, including staffing, training, independence, and adequacy of resources.
5. Approve the internal audit purpose statement, charter, and other governance documents related to internal audit activities, and annually review and recommended changes, as needed, of the internal audit governance documents (including the purpose statement and charter).
6. Periodically review, with the Chief Internal Auditor, any significant difficulties, disagreements with management, or scope restrictions encountered in the course of conducting their work.
7. Periodically review the internal audit function's responsibility, budget, and staffing.
8. Meet with the Chief Internal Auditor in private without representation from administration present.

Ethical Compliance, Legal Compliance, and Risk Management Duties

1. Oversee, review, and periodically update the System's code of conduct and how the System assures compliance with and enforces this code.
2. Oversee the System's risk management process.
3. Review any legal and regulatory matters that may have a material impact on the financial statements, internal auditing, and/or compliance activities.
4. Recommend the annual System-wide risk assessment and annual internal audit plan for review and approval by the Board of Regents.
5. Initiate audits and compliance activities as deemed necessary to ensure appropriate risk management and control processes within the System.
6. Review all compliance reports and monitor the implementation of recommendations.
7. Consider the risk of management's ability to override the internal controls.

Reporting and Duties

1. Recommend to the Board of Regents that the audited financial statements be included in the System's annual report.
2. Report regularly to the Board of Regents regarding the execution of the Audit Committee's duties, responsibilities, activities, and any issues encountered.

Other Responsibilities and Duties

1. Recommend an Audit Committee Charter for review and approval by the Board of Regents; and review this charter at least annually and recommend to the Board of Regents any necessary amendments.
2. Conduct an annual performance assessment relative to the Audit Committee's purpose, duties, and responsibilities outlined herein.
3. Perform any other activities consistent with this charter, the System's bylaws, and governing laws that the Board of Regents or Audit Committee determine are necessary or appropriate.

Audit Committee Chair

Chief Internal Auditor

Date:

Adopted: 02.20.15

Effective: 02.20.15

Revised:



Board Briefing

Committee: Audit

Date Filed: January 8, 2015

Title: Approval of Revisions to the Audit Committee Charter

Background:

On January 22, 2008, the Audit Committee adopted a formal Charter. This Audit Committee Charter is being revised pursuant to recommendations from the Financial Transformation project and is in accordance with recognized best practices in higher education governance.

This charter seeks to: define the Committee’s purpose, primary goals, and objectives and clarify how members will work together to fulfill the goals and objectives of the Committee as a whole.

The charter language will be evaluated on an annual basis to ensure it remains relevant and effective to the System and its institutions.

Financial Analysis/History:

There is no financial impact.

Janet Waldron

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ou=Vice Chancellor for Finance,
email=janet.waldron@untsystem.edu, c=US
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Vice Chancellor for Finance

Legal Review:

This item has been reviewed by General Counsel.

Nancy S. Footer

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ou=Office of General Counsel,
email=nancy.footer@untsystem.edu, c=US
Date: 2015.02.16 16:59:34 -0600

Vice Chancellor/General Counsel

Schedule:

The UNT System Audit Committee Charter will be adopted immediately upon approval by the Board of Regents.

Recommendation:

It is recommended that the Board of Regents approve the attached revised UNT System Audit Committee Charter.

Recommended By:

Steve Goodson

Interim Chief Internal Auditor

Lee Jackson

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North Texas System, ou=Chancellor,
email=lee.jackson@untsystem.edu,
c=US
Date: 2015.02.16 09:54:57 -0600

Chancellor

Attachments Filed Electronically:

- 2008 Redlined Board of Regents Audit Committee Charter
- 2015 Board of Regents Audit Committee Charter with Applied Revisions



Board Order

Title: Approval of Revisions to the Audit Committee Charter

Board Order 2015-31

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 19-20, 2015, pursuant to a motion made by Regent Mitchell and seconded by Regent Reid, the Board approved the motion presented below:

Whereas, a remedial activity resulting from the work performed on Governance under the leadership of the Financial Oversight Task Force recommended the Audit Committee Charter be revised, and

Whereas, the Interim Chief Internal Auditor has prepared the Audit Committee Charter, and

Whereas, the Board of Regents has reviewed the Audit Committee Charter,

Now, Therefore, The Board of Regents authorizes and approves the following:

1. Revisions to the Audit Committee Charter as reflected in the attachment to this order.

VOTE: 7 ayes 0 nays 0 abstentions

BOARD ACTION:

Attested By:

Rosemary R. Haggett

Rosemary R. Haggett, Secretary
Board of Regents

Approved By:

Don Potts

Don Potts, Vice Chairman
Board of Regents

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Board of Regents
of the
University of North Texas System
Audit Committee Charter

BOARD OF REGENTS AUDIT COMMITTEE CHARTER

Purpose and Authority

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- 1. Oversight of the quality and integrity of the accounting financial and non-financial reporting practices;
- 2. Oversight of the internal auditing audit function, any external auditors whom who the Committee may employ, and engagements with the State Auditor;
- 3. Oversight of the internal control environment; and
- 4. Oversight of legal and regulatory compliance;
- 5. Oversight of information security and controls;
- 6. Oversight of the integrity of the System's financial statements and the System's accounting and financial reporting processes and financial statement audits;
- 7. Oversight of the System's disclosure control processes and procedures, internal controls over financial reporting, and compliance with ethical standards adopted by the System; and
- 8. Oversight of the System's risk management process.

The Audit Committee should encourage continuous improvement, and should foster adherence to the System's policies, procedures, and practices at all levels. The Audit Committee should also provide for open communication among the external auditor, financial and senior management, the internal audit function, and the Board of Regents.

The Audit Committee has the authority to conduct investigations into any matters within its scope of responsibility and obtain advice and assistance from outside legal, accounting, or other advisers, as necessary, to perform its duties and responsibilities. In carrying out its duties and responsibilities, the Audit Committee shall also have the authority to meet with and seek any information it requires from employees, Regents, or external parties.

The System will provide appropriate funding, as determined by the Audit Committee, to fund the internal audit activity, to compensate the external auditor, to compensate any advisers that the Audit Committee chooses to engage, and for payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

The Audit Committee's principal responsibility is one of oversight. The fundamental responsibility for the integrity of the System's financial statements and disclosures rests with management and the external auditor.

Membership and Meetings

The Audit Committee is a standing committee of the Board and is composed of not fewer than four members of the Board. The ~~chairman~~ Chairman of the Finance Committee shall serve as an ex officio voting member of the Audit Committee.

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Meetings

Committee members will be appointed by the Chairman of the Board of Regents.

The Audit Committee members will be financially literate and the Committee will provide its members with continuing education opportunities in financial reporting and other relevant areas. The Audit Committee should include at least one financial expert.

The Audit Committee will meet four times annually or more frequently as circumstances require. The Audit Committee will meet in executive session as needed and as allowed by law. The Audit Committee should meet with the external auditors, internal auditors and management in separate executive sessions.

The agenda for Committee meetings will be developed by the Audit Committee Chairman in consultation with the Chancellor, and the Chief Internal Auditor, and the Vice Chancellor for Administration.

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Responsibilities

The Audit Committee shall:

- Recommend an Audit Committee Charter for review with the external auditor and approval by the Board; committee will meet periodically with the external auditor and approval by the Board; management to discuss
- Recommend the annual System wide risk assessment audited financial statements and annual internal audit plan for review and approval by the Board; quarterly financial statements.
 - Review all internal audit reports and responses and monitor the implementation of recommendations;
 - Review all compliance reports and monitor the implementation of recommendations;
 - Initiate audits and compliance activities as deemed necessary to ensure appropriate risk management and control processes within the System;
 - Monitor the effectiveness of the internal control systems;

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Independence

The Board of Regents and management must be independent from vendors. If overlapping financial interests or personal relationships exist, they must be fully disclosed, and the appropriate personnel must recuse themselves from discussions and voting on related matters.

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Accounting / Financial Information Review Duties

1. Review the annual financial statements and related footnotes; and discuss with management, the Chief Internal Auditor and the external auditor.
2. Review the financial statements and all of its disclosures, especially fees paid to vendors, activities unrelated to the System's purpose and transactions with related entities.

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External Auditor Review Duties

1. Appoint, compensate, retain, and oversee the work performed by the external auditor retained for the purpose of preparing or issuing an audit report or related work. Review the performance and independence of the external auditor and remove the external auditor if circumstances warrant. The external auditor will report directly to the Audit Committee and the Audit Committee will oversee the resolution of disagreements between management and the external auditor if they arise.
2. Review both the audit and non-audit services to be provided by the external auditor.
3. Consider whether the external auditor's provision of permissible non-audit services is compatible with the auditor's independence. Actively engage in dialogue with the external auditor with respect to any disclosed relationships or services that may affect the independence and objectivity of the auditor and take appropriate actions to oversee the independence of the external auditor.
4. Review with the external auditor any problems or difficulties with respect to the audit and obtain reports on significant findings and recommendations, together with management responses.
5. Hold timely discussions with the external auditor regarding the following:
 - a. All critical accounting policies and practices.
 - b. All alternative treatments of financial information within generally accepted accounting principles (GAAP) related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor.
6. At least annually, obtain and review a report by the external auditor describing:
 - a. The external auditor's internal quality-control procedures.
 - b. Any material issues raised by the most recent internal quality-control review or peer review, or by any inquiry or investigation by governmental or professional authorities within the preceding five years with respect to independent audits carried out by the external auditor, and any steps taken to deal with such issues.
 - c. All relationships between the external auditor and the System.
7. Annually, evaluate the external auditor's qualifications, performance, and independence. Further, the Audit Committee will review the experience and qualifications of the lead partner. The Audit Committee will also consider whether there should be rotation of the external auditor itself. The Audit Committee should present its conclusions to the board.
8. Set policies for hiring personnel of the external auditor.

Financial Reporting Processes, Accounting Policies, and Internal Control Structure Duties

1. Discuss with the external auditor, the internal audit function, and management, the extent to which changes or improvements in financial or accounting practices have been implemented.
2. In consultation with the external auditor and the internal audit function, review the integrity of the System's financial reporting processes (both internal and external).
3. Understand the scope of the external auditor's review of internal control over financial reporting.
4. Monitor the effectiveness of the internal control systems. Receive and review any disclosures from the System's CFOs and Controllers made in connection with the certification of the System's financial reports: a) significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the university's ability to record, process, summarize, and report financial data; and b) any fraud, whether or not material, that involves management or other employees who have a significant role in the university's internal controls.
5. Review major issues regarding accounting principles and financial statement presentations, including any significant changes in the System's selection or application of accounting principles; major issues as to the adequacy of the university's internal controls.
6. Review analyses prepared by management and the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements for state and local governments.
7. Review and approve all related-party transactions.
8. Establish and oversee procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters, including procedures for confidential,

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anonymous submissions by System employees regarding questionable accounting or auditing matters.

9. Confirm that significant findings and recommendations made by the internal and external auditors are received, discussed and acted upon appropriately and promptly.
10. Assure that management is setting the appropriate tone in communicating the importance of internal controls and in establishing policies and procedures to mitigate risk.

Internal Audit Duties

1. Review all internal audit reports and responses and monitor the implementation of recommendations.
2. Recommend for approval by the Board the hiring, removal, and evaluation of the Chief Internal Auditor who shall report to the Board through the Audit Committee.
3. Annually review the performance of the Chief Internal Auditor.
4. Review the effectiveness of the internal audit function, including staffing, training, independence, and adequacy of resources.
5. Approve the internal audit purpose statement, charter, and other governance documents related to internal audit activities, and annually review and recommended changes, as needed, of the internal audit governance documents (including the purpose statement and charter).
6. Periodically review, with the Chief Internal Auditor, any significant difficulties, disagreements with management, or scope restrictions encountered in the course of conducting their work.
7. Periodically review the internal audit function's responsibility, budget, and staffing.
8. Meet with the Chief Internal Auditor in private without representation from administration present.

Ethical Compliance, Legal Compliance, and Risk Management Duties

1. Oversee, review, and periodically update the System's code of conduct and how the System assures compliance with and enforces this code.
2. Oversee the System's risk management process.
3. Review any legal and regulatory matters that may have a material impact on the financial statements, internal auditing, and/or compliance activities;
 - Meet with the Chief Internal Auditor in private without representation from administration present, to the extent allowed by law;
 - Recommend for approval by the Board the hiring, removal, the annual System-wide risk assessment and evaluation of the Chief Internal Auditor who shall report to the Board through the Committee
 - Review the effectiveness of the Internal Audit function, including staffing, training, independence, and adequacy of resources; and
4. Approve the Internal Audit mission statement, charter, and other governance documents related to annual internal audit activities plan for review and approval by the Board of Regents.
5. Initiate audits and compliance activities as deemed necessary to ensure appropriate risk management and control processes within the System.
6. Review all compliance reports and monitor the implementation of recommendations.
7. Consider the risk of management's ability to override the internal controls.

Reporting and Duties

1. Recommend to the Board of Regents that the audited financial statements be included in the System's annual report.

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2. Report regularly to the Board of Regents regarding the execution of the Audit Committee's duties, responsibilities, activities, and any issues encountered.

Other Responsibilities and Duties

1. Recommend an Audit Committee Charter for review and approval by the Board of Regents; and review this charter at least annually and recommend to the Board of Regents any necessary amendments.
2. Conduct an annual performance assessment relative to the Audit Committee's purpose, duties, and responsibilities outlined herein.
3. Perform any other activities consistent with this charter, the System's bylaws, and governing laws that the Board of Regents or Audit Committee determine are necessary or appropriate.

Audit Committee Chair

Chief Internal Auditor

Date:

Adopted:

Effective:-;

Revised:

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BOARD OF REGENTS

AUDIT COMMITTEE CHARTER

Purpose and Authority

The Audit Committee of the Board of Regents ("Board") of the University of North Texas System (System) assists the Board in fulfilling its responsibilities for:

1. Oversight of the quality and integrity of the accounting financial, and non-financial reporting practices;
2. Oversight of the internal audit function, any external auditors who the Committee may employ, and engagements with the State Auditor;
3. Oversight of the internal control environment;
4. Oversight of legal and regulatory compliance;
5. Oversight of information security and controls;
6. Oversight of the integrity of the System's financial statements and the System's accounting and financial reporting processes and financial statement audits;
7. Oversight of the System's disclosure control processes and procedures, internal controls over financial reporting, and compliance with ethical standards adopted by the System; and
8. Oversight of the System's risk management process.

The Audit Committee should encourage continuous improvement, and should foster adherence to the System's policies, procedures, and practices at all levels. The Audit Committee should also provide for open communication among the external auditor, financial and senior management, the internal audit function, and the Board of Regents.

The Audit Committee has the authority to conduct investigations into any matters within its scope of responsibility and obtain advice and assistance from outside legal, accounting, or other advisers, as necessary, to perform its duties and responsibilities. In carrying out its duties and responsibilities, the Audit Committee shall also have the authority to meet with and seek any information it requires from employees, Regents, or external parties.

The System will provide appropriate funding, as determined by the Audit Committee, to fund the internal audit activity, to compensate the external auditor, to compensate any advisers that the Audit Committee chooses to engage, and for payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

The Audit Committee's principal responsibility is one of oversight. The fundamental responsibility for the integrity of the System's financial statements and disclosures rests with management and the external auditor.

Membership and Meetings

The Audit Committee is a standing committee of the Board and is composed of not fewer than four members of the Board. The Chairman of the Finance Committee shall serve as an ex officio voting member of the Audit Committee.

Committee members will be appointed by the Chairman of the Board of Regents.

The Audit Committee members will be financially literate and the Committee will provide its members with continuing education opportunities in financial reporting and other relevant areas. The Audit Committee should include at least one financial expert.

The Audit Committee will meet four times annually or more frequently as circumstances require. The Audit Committee may meet in executive session as needed and as allowed by law. The Audit Committee should meet with the external auditors, internal auditors and management in separate executive sessions.

The agenda for Committee meetings will be developed by the Audit Committee Chairman in

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consultation with the Chancellor and the Chief Internal Auditor.

The committee will meet periodically with the external auditor and management to discuss the annual audited financial statements and quarterly financial statements.

Independence

The Board of Regents and management must be independent from vendors. If overlapping financial interests or personal relationships exist, they must be fully disclosed, and the appropriate personnel must recuse themselves from discussions and voting on related matters.

Accounting / Financial Information Review Duties

1. Review the annual financial statements and related footnotes and discuss with management, the Chief Internal Auditor and the external auditor.
2. Review the financial statements and all of its disclosures, especially fees paid to vendors, activities unrelated to the System's purpose and transactions with related entities.

External Auditor Review Duties

1. Appoint, compensate, retain, and oversee the work performed by the external auditor retained for the purpose of preparing or issuing an audit report or related work. Review the performance and independence of the external auditor and remove the external auditor if circumstances warrant. The external auditor will report directly to the Audit Committee and the Audit Committee will oversee the resolution of disagreements between management and the external auditor if they arise.
2. Review both the audit and non-audit services to be provided by the external auditor.
3. Consider whether the external auditor's provision of permissible non-audit services is compatible with the auditor's independence. Actively engage in dialogue with the external auditor with respect to any disclosed relationships or services that may affect the independence and objectivity of the auditor and take appropriate actions to oversee the independence of the external auditor.
4. Review with the external auditor any problems or difficulties with respect to the audit and obtain reports on significant findings and recommendations, together with management responses.
5. Hold timely discussions with the external auditor regarding the following:
 - a. All critical accounting policies and practices.
 - b. All alternative treatments of financial information within generally accepted accounting principles (GAAP) related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor.
6. At least annually, obtain and review a report by the external auditor describing:
 - a. The external auditor's internal quality-control procedures.
 - b. Any material issues raised by the most recent internal quality-control review or peer review, or by any inquiry or investigation by governmental or professional authorities within the preceding five years with respect to independent audits carried out by the external auditor, and any steps taken to deal with such issues.
 - c. All relationships between the external auditor and the System.
7. Annually, evaluate the external auditor's qualifications, performance, and independence. Further, the Audit Committee will review the experience and qualifications of the lead partner. The Audit Committee will also consider whether there should be rotation of the external auditor itself. The Audit Committee should present its conclusions to the board.
8. Set policies for hiring personnel of the external auditor.

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1. Discuss with the external auditor, the internal audit function, and management, the extent to which changes or improvements in financial or accounting practices have been implemented.
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7. Review and approve all related-party transactions.
8. Establish and oversee procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters, including procedures for confidential, anonymous submissions by System employees regarding questionable accounting or auditing matters.
9. Confirm that significant findings and recommendations made by the internal and external auditors are received, discussed and acted upon appropriately and promptly.
10. Assure that management is setting the appropriate tone in communicating the importance of internal controls and in establishing policies and procedures to mitigate risk.

Internal Audit Duties

1. Review all internal audit reports and responses and monitor the implementation of recommendations.
2. Recommend for approval by the Board the hiring, removal, and evaluation of the Chief Internal Auditor who shall report to the Board through the Audit Committee.
3. Annually review the performance of the Chief Internal Auditor.
4. Review the effectiveness of the internal audit function, including staffing, training, independence, and adequacy of resources.
5. Approve the internal audit purpose statement, charter, and other governance documents related to internal audit activities, and annually review and recommended changes, as needed, of the internal audit governance documents (including the purpose statement and charter).
6. Periodically review, with the Chief Internal Auditor, any significant difficulties, disagreements with management, or scope restrictions encountered in the course of conducting their work.
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Ethical Compliance, Legal Compliance, and Risk Management Duties

1. Oversee, review, and periodically update the System's code of conduct and how the System assures compliance with and enforces this code.
2. Oversee the System's risk management process.
3. Review any legal and regulatory matters that may have a material impact on the financial statements, internal auditing, and/or compliance activities.
4. Recommend the annual System-wide risk assessment and annual internal audit plan for review and approval by the Board of Regents.
5. Initiate audits and compliance activities as deemed necessary to ensure appropriate risk management and control processes within the System.
6. Review all compliance reports and monitor the implementation of recommendations.

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7. Consider the risk of management's ability to override the internal controls.

Reporting and Duties

1. Recommend to the Board of Regents that the audited financial statements be included in the System's annual report.
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3. Perform any other activities consistent with this charter, the System's bylaws, and governing laws that the Board of Regents or Audit Committee determine are necessary or appropriate.

Audit Committee Chair

Chief Internal Auditor

Date:

Adopted:

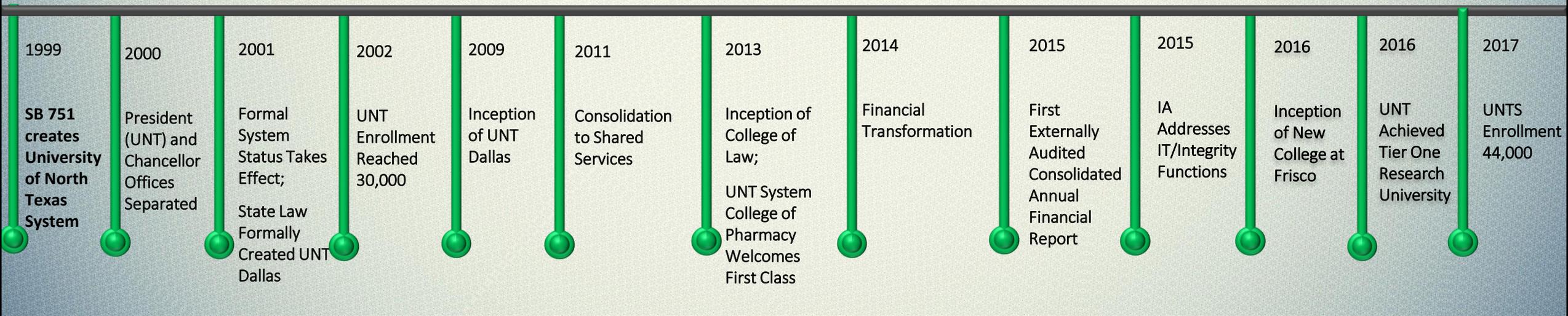
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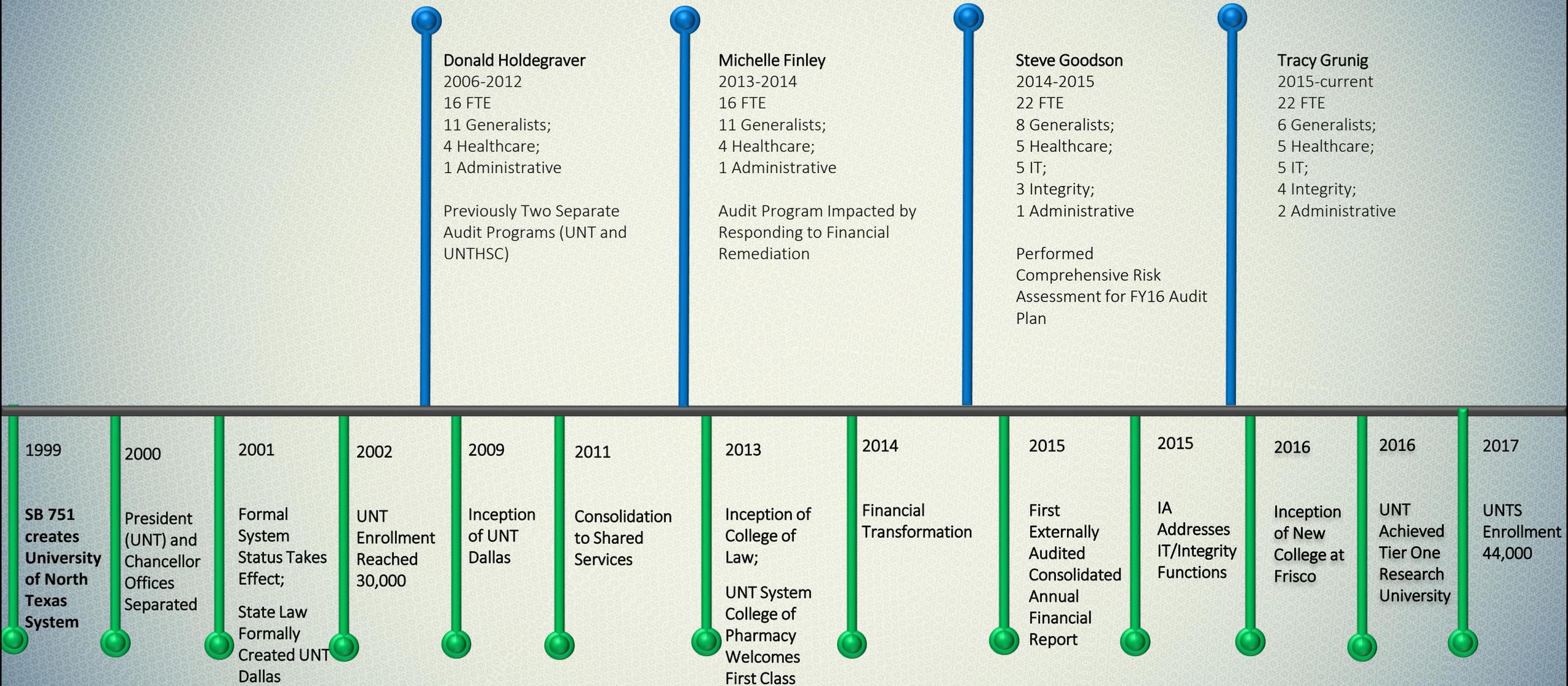
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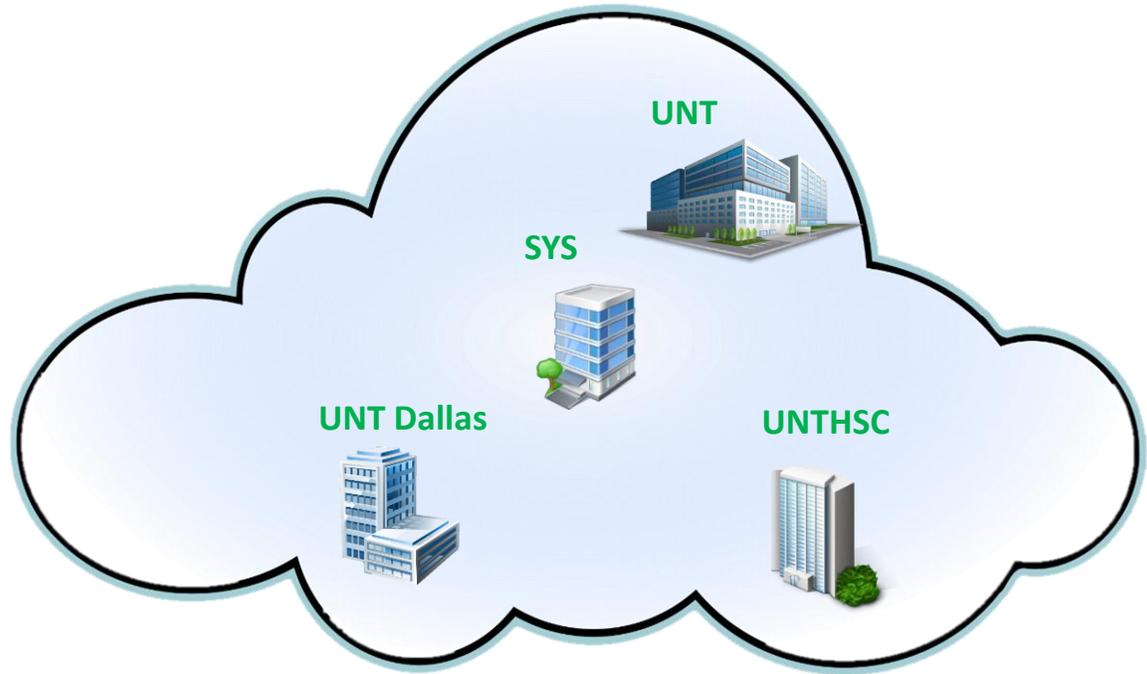
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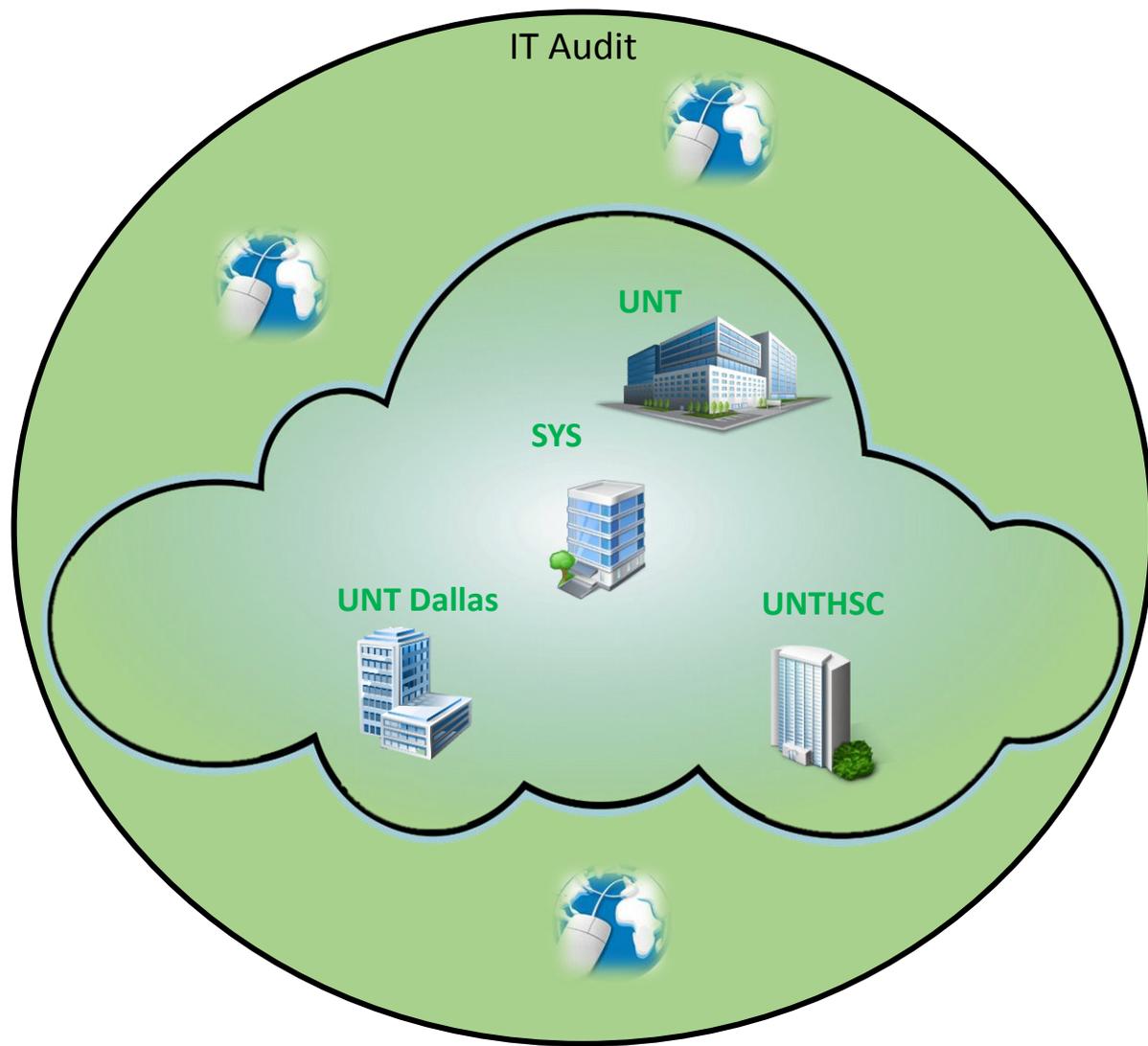
Review of Internal Audit Function

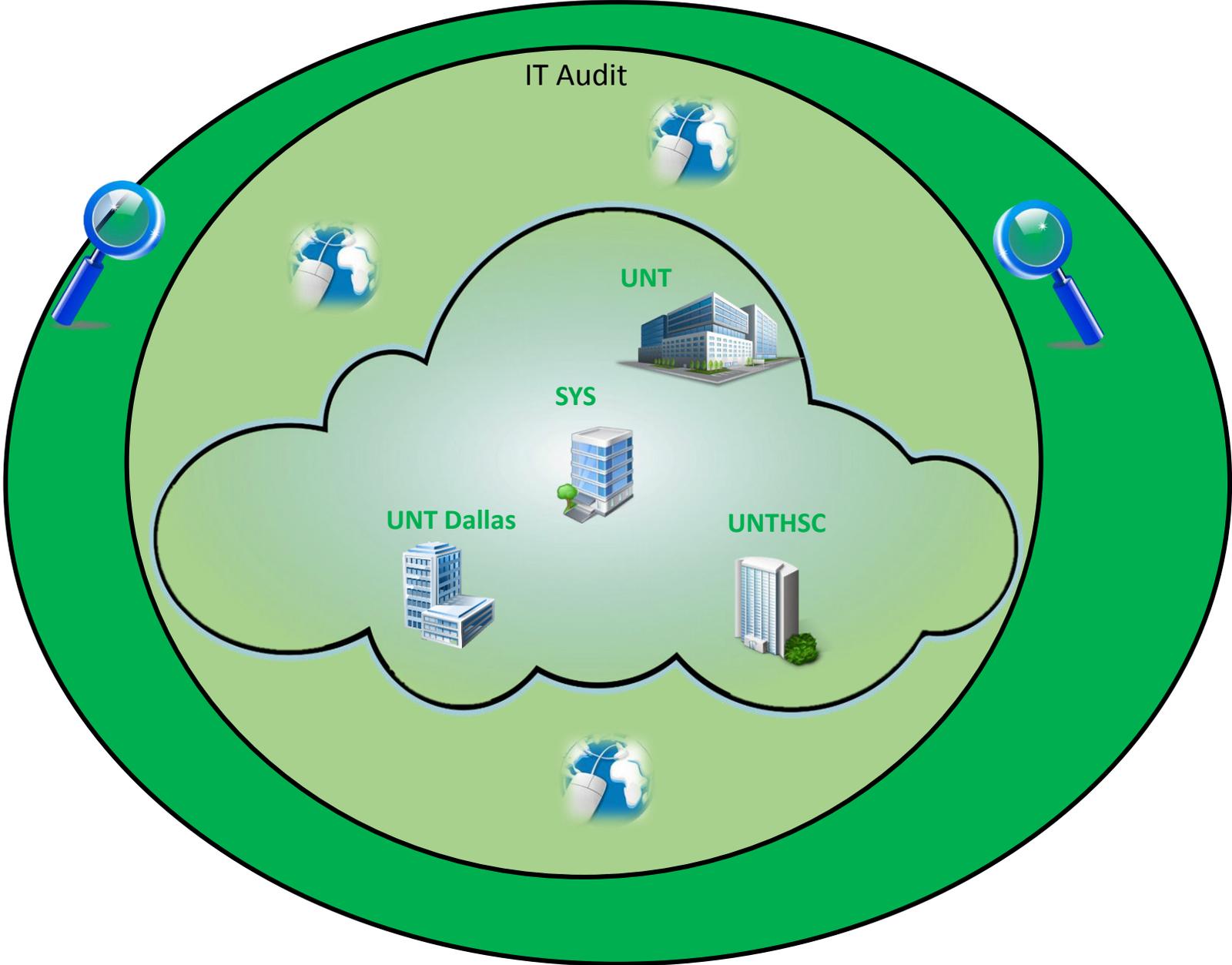
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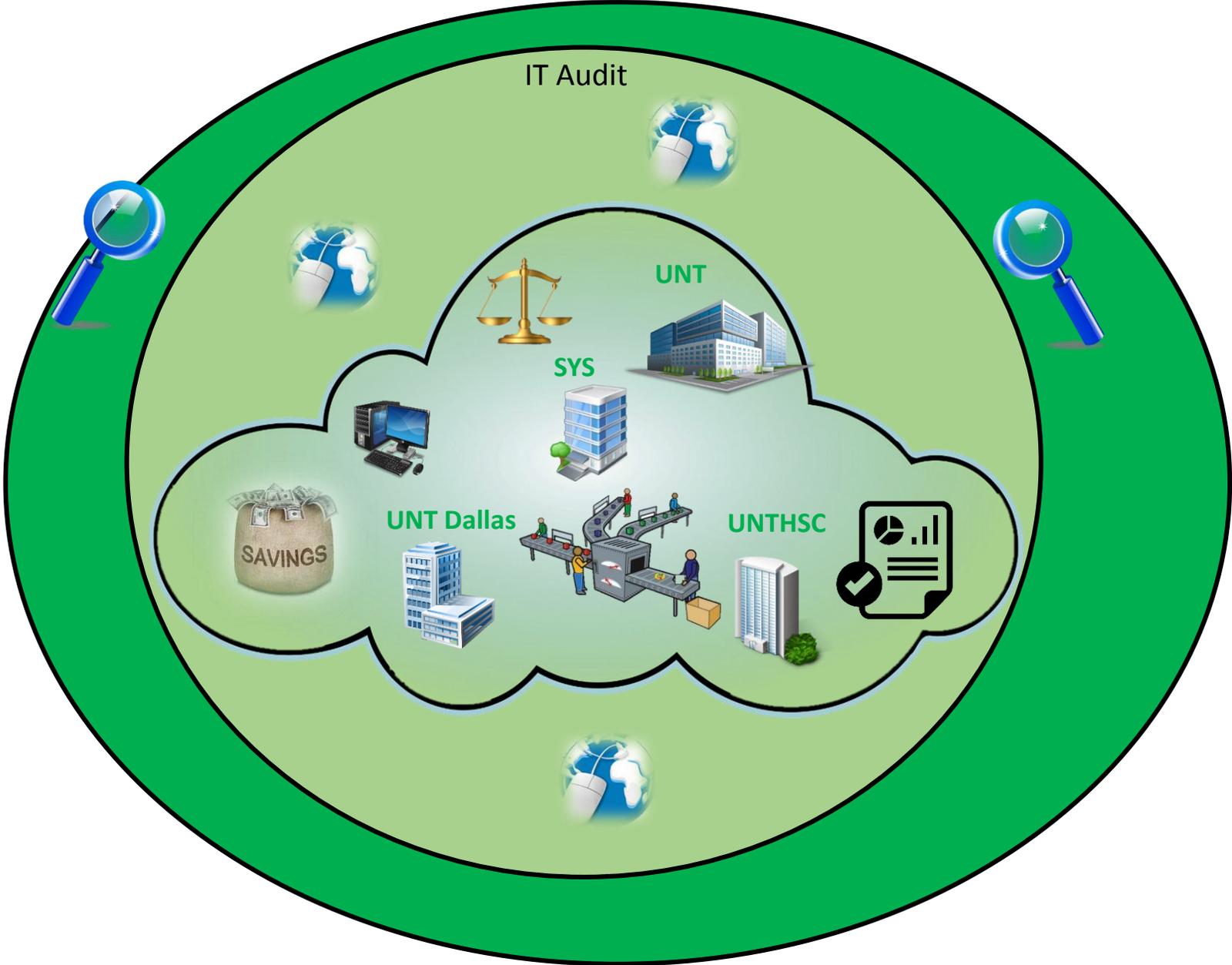












Impactful Audit Report Recommendations (FY15 –FY18)

System

- Retirement Contribution
 - Third Party Administrator hired to review Optional Retirement Programs
 - Identified incorrect Optional Retirement Program Contribution Rates and state service calculations
 - Business process issues related to the contract administration, logical access and IRS compliance
- Investments
 - Developed Conflict of Interest Disclosure Form for Self-Reporting and training
 - Program changes in Treasury and Reporting
 - Identified an understatement between GL and Investment Report; developed reconciliation process
- Student Data Access
 - Enhanced identification and security of electronically stored student information
- IT Change Management
 - Improved segregation of duties in HSC IT
 - Formal IT Change Management process documented
- Chancellor and Presidents' Expenditure Reviews
 - Shared identified risks and best practice improvements across components
 - Collaborated on business process improvements in Social Organization Membership policies

Impactful Audit Report Recommendations (FY15 –FY18)

UNT

- Minor Capital Projects
 - Highlighted risks within UNT Facilities and System Facilities Planning & Construction processes
 - Improved processes for project budget, documentation, tracking, reconciliation, and reporting
- Residence Hall – Student Safety Practices
 - Reported past due State Fire Marshall findings were not remediated timely
 - CPR and Defibrillation Training, site assessments, physical security access
- College of Music Transition Audit
 - Camps - Background Checks for personnel not completed timely; Insurance for participants not required
 - Identified Payment Card Industry (PCI) vulnerabilities for remediation
- International Travel
 - Worked with Risk Management to improve the process for registration of international travel for faculty and staff
- Business Continuity
 - UNT Academic Colleges – Facilitated development of Business Continuity Plans
- Classroom Support
 - Highlighted the need to re-evaluate policy on computer use
 - Identified lack of unique authentication and verification

Impactful Audit Report Recommendations (FY15 –FY18)

UNTHSC

- Texas Higher Education Coordinating Board (THECB)
 - Several specific audits highlighted need for financial and operational practices and improved policies and procedures
 - Worked with OGCM to ensure Sponsored Projects are being captured centrally in order for time and effort to be reported
- Budget Reviews Over Each HSC College
 - Adopted funding mechanism for Service Teaching Assessment Rates across Institution
 - Standardized budget reporting needs and budget application across Institution
 - Developed a new process to address inaccurate recording of leave of absences in EIS
 - Enhanced existing process to address lack of segregation of duties
 - Reviewed existing process to strengthen compliance with student tuition and fees state regulations
- Operating and Financial Reporting Practices
 - Improved financial monitoring for services provided for Graduate Medical Education
 - Enhanced monitoring control over extramurally funded research
 - Identified need of contract enhancement and awareness across Institution
 - Highlighted need for effective communication across Institution

Impactful Audit Report Recommendations (FY15 –FY18)

UNT Dallas

- Student Fees Audit
 - Enhanced controls over Personally Identifiable Information (PII) and safeguarding of cash
 - Identified conflict of interest vulnerabilities within the student service fee advisory committee
- Management Advisory Services
 - Benchmarked standards from peer institutions for registrar operations which provided a framework for Registrar function
 - Identified discrepancies between UNT and UNT Dallas existing policies which provided a framework for policy development
- Community Counseling Clinic
 - Ensured Protected Health Information (PHI), Family Educational Rights and Privacy Act (FERPA), PII and controls over cash handling were in compliance with federal, state and University rules and regulations
- Scholarships
 - Identified current scholarship balances and donor transaction activity

Integrity Unit

- Assisted with improper transfer of computer equipment and additional issues with payment process/corresponding policies
- Improved policies and procedures including cash handling and timekeeping practices

Comparison by Institution

Institution	Specialties Requiring Specific Audit Expertise	All System / Components FY17			Internal Audit
		FY17 (Fall) Enrollment *	Operating Budget *	FY16 Research \$ *	Current FTE*
University of North Texas System	Medical, Pharmacy, Law, Tier One Research	44,000	1,013,974,146	107,342,000	18
Texas Tech University System	Medical, Pharmacy, Law, Tier One Research	51,000	2,003,000,000	355,476,000	19
University of Houston System	Pharmacy, Law, Tier One Research	68,224	1,603,600,000	160,000,000	11
Texas State University System		84,000	1,203,328,459	115,077,000	17
Texas A&M System	Medical, Dental, Veterinarian, Law, Tier One Research	148,917	4,439,372,000	838,821,842	32
University of Texas Austin	Medical, Law, Tier One Research	40,168	2,665,800,000	600,424,607	15
University of Texas Arlington	Tier One Research	39,708	616,364,382	70,033,831	3
University of Texas Dallas	Tier One Research	26,797	607,361,874	120,073,883	9
UT Southwestern Medical	Medical, Tier One Research	3,593	2,684,701,769	331,690,918	11
Oklahoma University (& components)	Medical, Dental, Pharmacy, Tier One Research	40,054	2,036,792,690	415,322,473	18
Louisiana State University System	Medical, Dental, Veterinarian, Law, Tier One Research	45,202	2,000,000,000	545,750,529	14
University of Tennessee System	Medical, Dental, Pharmacy, Veterinarian, Law, Tier One Research	49,387	2,208,000,000	625,296,781	17
University of Alabama System	Medical, Dental, Veterinarian, Law, Tier One Research	66,301	4,299,145,040	574,589,899	16

(22 FTE appr)

* Information gathered from websites and Internal Audit functions; figures presented are approx.

Comparison by Auditor Expertise

Institution	Current FTE	Fin/Oper/Compliance	HSC	IT	Integrity	Administrative
University of North Texas System	18 (22 FTE appr)	7	3	4	2	2
Texas Tech University System	19	11	4	2	-	2
University of Houston System	11	10	-	-	-	1
Texas State University System	17	13	-	4	-	-
Texas A&M System	32	27	-	2	-	3
University of Texas Austin	15	13	-	2	-	-
University of Texas Arlington	3	2	-	1	-	-
University of Texas Dallas	9	8	-	1	-	-
UT Southwestern Medical	11	10	-	-	-	1
Oklahoma University (& components)	18	8	3	4	2	1
Louisiana State University System	14	12	-	1	-	1
University of Tennessee System	17	13	-	2	-	2
University of Alabama System	16	8	5	3	-	-

Comparison by Certifications

Certifications Held by Professional Staff (may not be unique FTE)					
Institution	CPA	CIA	CISA (IT)	Other (e.g. CFE)	None
University of North Texas System	4	6	5	7	-
Texas Tech University System	6	6	2	3	6
University of Houston System	2	3	1	2	5
Texas State University System	4	8	3	6	3
Texas A&M System	-	-	-	-	-
University of Texas Austin	3	3	2	3	5
University of Texas Arlington	2	-	1	-	-
University of Texas Dallas	1	3	1	2	2
UT Southwestern Medical	-	-	-	-	-
Oklahoma University (& components)	4	2	3	4	8
Louisiana State University System	4	6	1	2	2
University of Tennessee System	2	5	2	4	5
University of Alabama System	-	-	-	-	-