
Date: August 13, 2024

To: Robert Hromas, MD, FACP

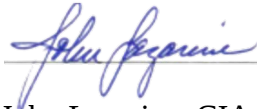
From: John Lazarine, Chief Audit Executive
Internal Audit & Consulting

Subject: Audit Report – TEC 51.3525 Compliance Audit

As added to our FY 2024 Audit Plan, we recently completed the Texas Education Code (TEC) 51.3525 Compliance Audit. Attached is the report detailing the results of this review. Management's Action Plans are included in the report.

We appreciate the cooperation and assistance we received from Executive Leadership, the Office of Legal Affairs, Human Resources, and the Institutional Compliance and Privacy Office throughout the review.

Respectfully,



John Lazarine, CIA, CISA, CRISC, CDPSE
Chief Audit Executive
Internal Audit & Consulting Services

Distribution:

cc: Andrea Marks, Sr. EVP & Chief Operating Officer
Heather Adkins, VP and Chief Marketing and Communications Officer
Michael Schnabel, Interim VP and Chief Information Officer
Hailey Mullican, VP for Legal Affairs and Chief Legal Officer
Amy Tawney, VP and Chief Human Resources Officer
Jessica Saldivar, Chief Compliance and Privacy Officer
J. Michael Peppers, Chief Audit Executive, UT System

External Audit Committee Members:

Randy Cain
Carol Severyn
Ed Garza

Background: The 88th Texas State Legislature passed, and the Texas Governor signed into law, Senate Bill 17, which amended Section 1, Subchapter G, Chapter 51 of the *Texas Education Code* by adding Section 51.3525, “Responsibility of Governing Boards Regarding Diversity, Equity, and Inclusion Initiatives” (TEC §51.3525). TEC §51.3525 requires the Board of Regents of The University of Texas (UT) System, as summarized below, to ensure that each unit of each UT institution does not, except as required by federal law:

- Establish or maintain a diversity, equity, and inclusion (DEI) office;
- Hire or assign an employee of the institution or contract with a third party to perform the duties of a DEI office;
- Compel, require, induce, or solicit any person to provide a DEI statement or give preferential consideration to any person based on the provision of a DEI statement;
- Give preference on the basis of race, sex, color, ethnicity, or national origin to an applicant for employment, an employee, or a participant in any function of the institution; and
- Require, as a condition of enrolling at the institution or performing any institution function, any person to participate in DEI training, which includes a training, program, or activity designed or implemented in reference to race, color, ethnicity, gender identity, or sexual orientation.

UT Health San Antonio’s Internal Audit and Consulting Services performed an audit to assess UT Health San Antonio’s compliance with TEC §51.3525.

Objective: The primary objective of this engagement was to provide the President and executive leadership reasonable assurance as to whether UT Health San Antonio has complied with the requirements of TEC §51.3525. This included determining whether UT Health San Antonio has:

- ❖ Closed the DEI office or made appropriate changes to offices, divisions, or other units that were previously responsible for DEI initiatives.
- ❖ Complied with the restriction on hiring or assigning employees to perform DEI duties.
- ❖ Updated staff hiring and employment practices to remove requirements for DEI statements and to not provide preferential treatment based on race, sex, color, ethnicity, or national origin to an applicant for employment, an employee, or a participant in any function of the institution.
- ❖ Complied with the prohibition on requiring participation in DEI training as a condition of performing any institutional function.
- ❖ Discontinued programs and activities which promote differential treatment of, or provide special benefits to, individuals based on race, color, or ethnicity.
- ❖ Developed or updated disciplinary policies and procedures, if needed, to comply with TEC §51.3525.

Conclusion on Compliance with TEC §51.3525: Based on the work we performed, we believe that UT Health San Antonio, has achieved compliance with TEC §51.3525:

TEC §51.3525 Requirements	Based on Audit Procedures and Management Actions
“Does not, except as required by federal law: (A) establish or maintain a diversity, equity, and inclusion office[.]”	Complies

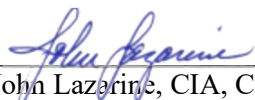
TEC §51.3525 Requirements	Based on Audit Procedures and Management Actions
“Does not, except as required by federal law:… (B) hire or assign an employee of the institution or contract with a third party to perform the duties of a diversity, equity, and inclusion office[.]”	Complies
“Does not, except as required by federal law:… (C) compel, require, induce, or solicit any person to provide a diversity, equity, and inclusion statement or give preferential consideration to any person based on the provision of a diversity, equity, and inclusion statement [.]”	Complies
“Does not, except as required by federal law:… (D) give preference on the basis of race, sex, color, ethnicity, or national origin to an applicant for employment, an employee, or a participant in any function of the institution[.]”	Complies
“Does not, except as required by federal law:… (E) require as a condition of enrolling at the institution or performing any institution function any person to participate in diversity, equity, and inclusion training, which: (i) includes a training, program, or activity designed or implemented in reference to race, color, ethnicity, gender identity, or sexual orientation; and (ii) does not include a training, program, or activity developed by an attorney and approved in writing by the institution's general counsel and the Texas Higher Education Coordinating Board for the sole purpose of ensuring compliance with any applicable court order or state or federal law[.]”	Complies
“(2) adopts policies and procedures for appropriately disciplining, including by termination, an employee or contractor of the institution who engages in conduct in violation of Subdivision (1).”	Complies

In fall 2023, UT System implemented UTS 197 *Compliance with State Law Regarding Diversity, Equity, and Inclusion in Institutions of Higher Education* (UTS 197) to help achieve and enable ongoing compliance with TEC§51.3525. UTS 197 includes activities which are considered important but are not specifically required by statute. The secondary objective of this audit was to provide reasonable assurance that UT Health San Antonio has complied with the requirements of UTS 197.

Based on the work we performed, we believe that UT Health San Antonio has achieved significant compliance with the key requirements of UTS 197. However, while not specifically required by statute, we have identified opportunities, as described below, to help ensure ongoing compliance with TEC§51.3525:

Observations and Recommendations (by Rating)	Management Action Plans
Low: The Institution defined UTS 197 as its policy with regards to TEC §51.3525 and maintains general information/FAQs and a link to the UTS policy on the HOP page. Management should consider redesigning the Senate Bill 17 link on the Institution's intranet homepage to guide employees to a central location for statute guidance and communicate this resource to employees.	Management will relocate the resources related to SB 17 compliance to the Institutional Compliance Office webpage by October 31, 2024.
Low: While management has communicated to department leadership its commitment to comply with TEC §51.3525, all employees may not be aware of their roles and responsibilities with respect to compliance with the law. Management should ensure employees are educated about TEC §51.3525 requirements.	TEC §51.3525 content will be added to a general compliance training module by October 31, 2024.
Medium: Management implemented monitoring activities to help ensure ongoing compliance to TEC §51.3525, however a documented monitoring plan had not yet been implemented. Management should document a monitoring plan to ensure ongoing compliance with TEC §51.3525.	Management will draft and adopt a monitoring plan by December 31, 2024.
Medium: Management had not yet defined a process to provide the President with reasonable assurance that all offices and departments of UT Health San Antonio are operating in compliance with TEC §51.3525. Management should document the process the President will rely upon to support certification to the Chancellor.	The President relied on current institutional monitoring activities and the results of this audit to certify compliance to TEC §51.3525 for FY 2024. The process that the President will rely on to certify on-going compliance will be documented in the overall monitoring plan to be developed by December 31, 2024. The plan will include monitoring updates to the President and the institutional Compliance Committee semi-annually going forward.

We will follow up on the action plans to determine the implementation status. Follow-up will help ensure that timely action is taken to address the observations in this report.


 John Lazarine, CIA, CISA, CRISC, CDPSE
 Chief Audit Executive

Methodology and Scope

UT Health San Antonio Internal Audit and Consulting Services conducted this engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing* and generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the engagement to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our objectives. UT Health San Antonio Internal Audit and Consulting Services is independent per GAGAS requirements for internal auditors. The procedures we performed included, but were not limited, interviews with management, reviewing policies and procedures, reviewing hiring practices, reviewing financial information, obtaining and reviewing supporting documentation, testing controls, data analytics, and other work which we deemed necessary to achieve our audit objective.

The scope of this audit covered activities management undertook to address DEI-related:

- Offices and duties that may have been performed elsewhere within the institution;
- Staff hiring and employment practices and DEI statements;
- Training;
- Programs and activities;
- Applicable policies and procedures;
- Internal controls and monitoring;
- External facing web pages and social media accounts that may have referenced active DEI activities; and
- Funding.

The scope of the audit included activities taken from January 1, 2024, until July 2024.

Observation Ratings

Priority	An issue that, if not addressed timely, has a high probability to directly impact achievement of a strategic or important operational objective of the University or the UT System as a whole.
High	An issue considered to have a medium to high probability of adverse effects to a significant office or business process or to the University as a whole.
Medium	An issue considered to have a low to medium probability of adverse effects to an office or business process or to the University as a whole.
Low	An issue considered to have minimal probability of adverse effects to an office or business process or to the University as a whole.

Criteria

- TEC §51.3525
- UTS 197
- UT System SB 17 Guidance
- Other key institutional policies where applicable

REPORT DATE

August 7, 2024

REPORT DISTRIBUTION

To: Dr. Robert Hromas, Acting President

Cc: Andrea Marks, Sr. Executive VP and Chief Operating Officer
Heather Adkins, VP and Chief Marketing and Communications Office
Michael Schnabel, Interim VP and Chief Information Officer
Hailey Mullican, VP for Legal Affairs and Chief Legal Officer
Amy Tawney, VP and Chief Human Resources Officer
Jessica Saldivar, Chief Compliance and Privacy Officer
J. Michael Peppers, Chief Audit Executive, UT System
External Agencies (State Auditor, Legislative Budget Board,
Governor's Office)

External Audit Committee Members:

Randy Cain
Carol Severyn
Ed Garza