



# **ANNUAL INTERNAL AUDIT REPORT**

**Fiscal Year 2014**

Prepared by:  
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## I. Compliance with House Bill 16

The Texas Internal Auditing Act requires state agencies to file an annual report of the agency’s internal audit activities and to post the report on the institution’s internet web site. The purpose of the annual internal audit report is to provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the annual report assists central oversight agencies in planning their work and coordinating efforts.

Compliance with House Bill 16 includes posting the following on the UTHSCSA public web site:

- The Internal Audit Plan FY15, as prescribed by Texas Government Code, Section 2102.008.
- The Annual Internal Audit Report FY14, as required by Texas Government Code, Section 2102.009.

In addition, Section III “Internal Audit Plan for Fiscal Year 2014,” will include a detailed summary of the weaknesses, deficiencies, wrongdoings and concerns noted, as well as a summary of the actions taken to address the concerns raised. The report will be posted by November 1<sup>st</sup> of each year.

## II. Planned Work Related to the Proportionality of Higher Education Benefits

At the request of the Governor, an internal audit of the proportionality of higher education benefits process is underway during the first quarter of fiscal year 2015. A consistent audit methodology has been deployed across the UT System that will assess the reporting process and accuracy of benefits funding information provided to the State Comptroller as applicable under the General Appropriations Act, Article IX, Sec. 6.08: Benefits Paid Proportional by Fund. The audit will be completed by November 30, 2014.

## III. Internal Audit Plan for Fiscal Year 2014

Engagement / Report Name	Report Date / Status
<b><u>Financial</u></b>	
Annual Financial Statement Audit FY13 (Year-End) Assistance	Deloitte 12/20/2013
Annual Financial Statement Audit FY14 (Interim) Assistance	In-progress
Testing of Sub-Certification Process and Monitoring Key Controls	11/27/2013
Facilities Management Work Order System Consultation	In-progress
<b><u>Operational</u></b>	
UT Med Scheduling	Postponed to FY15
Faculty Productivity- Teaching; Research	Postponed to FY15
School of Health Professions: Enrollment Management - Emergency Health Sciences and Respiratory Care Programs	10/2/2014
Departmental Drug Inventory	10/4/2013
Clinical and Translational Science Award	5/2/2014
Department of Urology Change in Management	4/8/2014
Department of Health Restoration and Care Systems Management Change in Management	5/2/2014
Practice Plan Audit	Replaced by PQRS
Physician Quality Reporting System (PQRS)	In-progress

Engagement / Report Name	Report Date / Status
<b><u>Compliance</u></b>	
President Travel & Entertainment Expenses Audit Assistance	Cancelled
Executives Travel & Entertainment Expenses	1/21/2014
CPRIT Audit	Deloitte 8/27/2014
Residency Programs:	
• Family Practice	1/7/2014
• Emergency and Trauma Care Education Partnership Grant	1/30/2014
- Emergency Medicine	
- Surgical Critical Care	
- Graduate Nursing	
SAO A-133 Audit Assistance	SAO 2/28/2014
Nursing Shortage Reduction Program	3/28/2014
<b><u>Information Technology</u></b>	
Annual Financial Statement Audit FY14 (Interim) Assistance	Completed
EPIC Cadence Scheduling	Postponed to FY15
Network Security & Monitoring	4/11/2014
Mobile Devices (BYOD)	Postponed to FY15
Departmentally Managed Research Server Security	9/11/2014
<b><u>Follow-up</u></b>	
Quarterly Reports Issued	
<b><u>Projects</u></b>	
Internal Audit Committee	Completed
FY15 Annual Audit Plan	Completed
FY13 SAO Internal Audit Report	11/1/2014
External Quality Assessment	PwC 7/25/2014
Emerging Risks	Cancelled

### ***FY14 Internal Audit Plan Deviations***

Internal Audit and Consulting Services performed all engagements on the FY14 annual audit plan with the deviations noted below. There was a deficit in the fiscal year's available hours due to vacancies. To compensate for the decreased staffing levels, the original FY14 annual internal audit plan was revised and changes were presented to and approved by the Institutional Internal Audit Committee. All audits in-progress at the end of FY14 were carried forward for completion in the FY15 internal audit plan.

### **Engagements Cancelled/Replaced:**

- The practice plan audit was replaced by the consulting project of the Physician Quality Reporting System.
- The UT Health Science Center San Antonio President was not selected by the UT System for its annual System-wide audit of the Presidents' Travel and Entertainment (T&E) Expenditures.
- Emerging Risks were not covered due to vacancies.

**Engagements Postponed to the FY15 Internal Audit Plan:**

- UT Medicine Scheduling
- Faculty Productivity–Teaching; Research
- EPIC Cadence Scheduling
- Mobile Devices

***FY14 Summary of Internal Audit Recommendations and Implementation Status***

Report Date, Name & Number	Internal Audit Recommendations	Implementation Status of Recommendations
11/27/2013 Testing of Sub-Certification Process and Monitoring Key Controls (14-C-21)	Maintain support for the review of account reconciliations and modify the monitoring plan to include due dates for receipt of certifications.	Fully implemented.  Documentation to evidence Business Affairs review of monitoring by departments was retained and the timing of the review was revised.
10/2/2014 School of Health Professions: Enrollment Management - Emergency Health Sciences and Respiratory Care Programs (14-09)	Implement a proactive academic planning cycle, strengthen the pre-eligibility process, and update the content of program marketing materials and websites.	Implementation ongoing.  Changes to the academic planning cycle, pre-eligibility processes and to the content of marketing materials were underway.
10/4/2013 Departmental Drug Inventory (14-10)	Improve departmental drug inventory policies, usage reports, and physical security of non-controlled medications.	Fully implemented.  Inventory policies and procedures were implemented to increase usage monitoring and physical security.
5/2/2014 Clinical and Translational Science Award (14-11)	Strengthen strategic direction and operational administration, establish consistent performance management, and utilize the IT infrastructure to promote research discoveries.	Implementation ongoing.  Management is in the process of developing plans to implement and strengthen the issues noted in the report.
4/8/2014 Department of Urology Change in Management (14-13)	Strengthen financial monitoring and reporting, contract collections, time and leave support, and expenditures processes.	Implementation ongoing.  Controls enhanced include time and leave, expenditures, and some financial procedures. Improvements ongoing relate to overdrafts and contracts.
5/2/2014 Department of Health Restoration and Care Systems Management Change in Management (14-24)	Strengthen financial reporting, segregation of duties over cash handling, time and effort monitoring, and expenditures processes.	Implementation ongoing.  Controls enhanced include account reconciliation, cash handling, and time and leave monitoring. Improvements ongoing relate to effort commitments and contracts.
1/21/2014 Executives Travel & Entertainment Expenses (14-22)	Reiterate the policies for hierarchical approval and for the timely submission of travel vouchers, and establish timing for entertainment vouchers.	Implementation ongoing.  Executives were reminded of the timely submission of vouchers and hierarchical approval. Updates to institutional procedures and the General Compliance Awareness Training module are ongoing.

Report Date, Name & Number	Internal Audit Recommendations	Implementation Status of Recommendations
Residency Programs: 1/7/2014 Family Practice (14-07) 1/30/2014 Emergency and Trauma Care Education Partnership Grant - Emergency Medicine (14-03) - Surgical Critical Care (14-04) - Graduate Nursing (14-05)	None noted.	No management response required.
3/28/2014 Nursing Shortage Reduction Program (14-25)	None noted.	No management response required.
4/11/2014 Network Security & Monitoring (14-12)	This report is confidential and is exempt from public disclosure under Texas Government Code, Section 552.139.	
9/11/2014 Departmentally Managed Research Server Security (14-19)	This report is confidential and is exempt from public disclosure under Texas Government Code, Section 552.139.	

#### IV. Consulting Services and Non-Audit Services Completed

The table below summarizes the key FY14 consulting and non-audit services performed by Internal Audit.

Title	Results
Investigations	Conducted five (5) investigative reviews and recommended strengthening internal controls related to three incidents of suspected fraudulent activities: one incident of conflict of commitment, one incident of improper conservation of funds, and one incident of improper transfer of funds. One suspected incident was substantiated and reported to HSC Police for further investigation. All other incidents were unsubstantiated and internal controls were enhanced as necessary.
Clinical Trial Management System	Recommendations regarding budgeting and billing of medical services related to clinical trials based on protocol documentation were made.
Memo issued 4/29/2014 ClinCard Participant Payment Process (14-14)	Recommendations for implementation of the Greenphire ClinCard solution were made regarding user roles and responsibilities, segregation of duties, and monitoring plans.
Information Technology Consulting	Provided advisory services to the UT Medicine EPIC Security Team by participating, as an ex-officio member without voting authority, in the team meetings.
External Audit Coordination: SAO	Liaison between the State Auditor's Office (SAO) and the UTHSCSA Accounting and IT departments to facilitate SAO requests for information and meetings.

#### V. External Quality Assurance Review (Peer Review)

See Exhibit A.

## VI. Internal Audit Plan for Fiscal Year 2015

The Institutional Internal Audit Committee approved the FY15 Internal Audit Plan on July 25, 2014.

FY15 Planned Engagement	Budgeted Hours	Description
<b><u>Financial</u></b>	<b>900</b>	
Annual Financial Statement Audit FY 2014 (Year-End) Assistance	375	Assist the Deloitte external auditors in the performance of substantive testing for the audit of the Annual Financial Report.
Annual Financial Statement Audit FY 2015 (Interim) Assistance	275	Assist the Deloitte external auditors in the performance of control testing for the audit of the Annual Financial Report.
Sub-Certification Activity	100	Validate the institutional monitoring plan related to segregation of duties and account reconciliations at the department level.
Proportionality Employee Benefits	150	Determine whether state appropriated funds used to pay employee benefits were in proportion to salaries paid from those funds.
<b><u>Operational</u></b>	<b>3500</b>	
Nursing Practice Plan	300	Evaluate the School of Nursing's faculty compensation plan to determine appropriate incentivization of those who provide health care. This will satisfy UT System's audit plan guidelines to include a practice plan audit for FY15.
UT Medicine Scheduling	500	Determine that the Institutional Sustainability Task Force (ISTF) recommendations and the patient first initiative relating to scheduling processes at the clinics have been implemented.
Faculty Productivity–Teaching; Research	600	Determine if metrics are in place and aligned with the institution's research and teaching missions; also, to review for incentives that drive the mutual success of the individual, department and the institution.
Research Core Facility	400	Analyze the financial performance of the 10 laboratories to ascertain whether they are financially viable and determine whether the recommendations from the University Core Research Facilities Committee were implemented.
Referrals	500	Evaluate the management of internal and external referrals processes and determine whether ISTF recommendations have been implemented.
Dental School–Business Operations	400	Evaluate contract management and expenditures.
Change In Management: (Psychiatry, Emergency Medicine, others as determined)	800	Evaluate the internal control structure and compliance with select policies and procedures in departments identified with a change in management.
<b><u>Compliance</u></b>	<b>660</b>	
Executives Travel and Entertainment Expenditures	200	Evaluate and test compliance with UTS and UTHSCSA policies for expenses incurred by executives.
President Travel and Entertainment Audit Assistance	40	Assist UTS Audit Office in evaluating compliance with Regent Rule 20205: Expenditures for Travel, Entertainment, and Housing by Chief Administrator.
SAO A-133 Single Audit Assistance	100	Coordinate with SAO and other external parties regarding audit plans and provide assistance to the Office of Sponsored Programs on audit procedures.
Residency Programs	240	Review expenditures for the Residency programs and report on the compliance with grant regulations to the Texas Higher Education Coordinating Board.

FY15 Planned Engagement	Budgeted Hours	Description
Joint Admissions Medical Program (JAMP)	80	Review expenditures and provide an audit opinion on the Annual Financial Reports prepared by the Medical School that are sent to the JAMP Council.
<b><u>Information Technology</u></b>	<b>1600</b>	
Annual Financial Statement Audit - FY 2015 (Interim) Assistance	100	Assist the Deloitte external auditors in the performance of IT control testing for the audit of the FY15 Annual Financial Report.
Information Security Compliance (TAC 202 & UTS 165)	400	Assess whether UTHSCSA has an effective program to comply with the Texas Administrative Code Section 202 and UT System Policy 165.
Research Core Facility– Integrated IT	100	Evaluate the internal controls surrounding system access and system applications. Part of an integrated audit with the financial analyses of core labs.
EPIC Cadence Scheduling– Integrated IT	300	Assess the adequacy and effectiveness of internal controls over the scheduling functionality. Part of an integrated audit to review the implementation of ISTF recommendations.
Dental School AxiUm Billing– Integrated IT	300	Evaluate user access (including view capabilities) and application controls. Part of an integrated audit with the review of business operations.
Mobile Devices (BYOD)	300	Assess the Institution’s controls for data security of personal portable devices.
Project/Consulting	100	Participate in an advisory capacity in the implementation of IT initiatives for FY15, including the Health Information Exchange.
<b><u>Follow-up</u></b>	<b>500</b>	Follow-up on prior audit recommendations as required by the Standards of the Institute of Internal Auditors.
<b><u>Continuous Auditing</u></b>	<b>400</b>	Identify unusual trends in institutional transactional data and processes.
<b><u>Projects</u></b>	<b>1804</b>	
SAO IA Annual Report FY14	100	Prepare the annual internal audit activity report as required by State Legislature.
Annual Audit Plan	400	Perform the annual risk assessment and develop the FY16 Audit Plan.
Internal Audit Committee	300	Prepare materials and organize the institutional audit committee meetings.
UT System, SAO Reporting/Requests	100	Provide required information requests.
TeamMate and Website Maintenance	100	Maintain the audit management software system, TeamMate, and public-facing Internal Audit & Consulting Services webpages.
UTS Committees Participation and Professional Association Participation	180	Participate in UT System committees that will enhance internal audit capabilities and participate in associations that will advance the knowledge & mission of the Internal Audit & Consulting Services department.
Metrics, Quality Improvement Projects, and Annual Quality Self Assessment	624	Prepare internal audit performance measures for reporting to UT System, implement quality improvements resulting from the PwC External Quality Assessment Review, and adhere to the Institute of Internal Auditor’s Professional Standard for quality assurance.
<b><u>Reserve Hours</u></b>	<b>1130</b>	Provide for advisory services or training to the institution, complete additional audits as prescribed by UT System, address emerging risks or management request, and support institutional investigations.
<b>Total Budgeted Hours</b>	<b>10,494</b>	



### ***Risk Assessment Used to Develop the Internal Audit Plan and Additional “High” Risks Not Included***

The risk assessment process assists in the development of the annual internal audit plan by identifying and evaluating critical business, compliance, and information technology risks associated with the institution’s strategies, processes and operations. The risk assessment methodology focused on organizational objectives to develop an inventory of institutional risks. The risk information was gained, in part, by interviewing seven senior leaders and five mid-tier or technology-specific directors.

In addition to the audits derived from the risk assessment, the audit plan includes other required, recurring, and/or requested projects as directed by the University of Texas System, external regulatory agencies, and UT Health Science Center San Antonio management. Additional high risk areas identified but not included in the FY15 Internal Audit Plan relate to contract management, conflict of interest disclosures, construction and certain fraud risks. These risks continue to be monitored by Internal Audit for inclusion in a revised FY15 audit plan or in subsequent annual audit plans.

### **VII. External Audit Services Procured in FY14**

External audit services were not procured by UT Health Science Center San Antonio in FY14. The University of Texas System contracted with Deloitte and Touche, LLP to perform an independent audit of the FY14 University of Texas System financial statements and an independent audit of the Cancer Prevention Research Institute of Texas grant, which included the performance certain audit procedures at UT Health Science Center San Antonio.

### **VIII. Reporting Suspected Fraud and Abuse**

Actions taken to comply with Article IX, Section 7.09, the General Appropriations Act (83<sup>rd</sup> Legislature) and Texas Government Code, Section 321.022, Coordination of Investigations, include:

- The UTHSCSA home page provides a link to the Compliance Hotline web page (<http://uthscsa.edu/compliance/compline.asp>) which provides information on how employees can confidentially report suspected improper conduct, illegal actions, and fraud.
- The Compliance Hotline web page provides a link to the State Auditor’s Office (SAO) Hotline web page (<http://sao.fraud.state.tx.us>) which provides information on reporting suspected fraud, waste and abuse to the SAO.
- The UTHSCSA Handbook of Operating Procedures (HOP), Policy 2.6.3, *Fraud, Abuse and False Claims Act*, (<http://uthscsa.edu/hop2000/2.6.3.pdf>), provides information on coordination of investigations and reporting of suspected fraud and abuse.

## Exhibit A - External Quality Assurance Review (Peer Review) Executive Summary



June 25, 2014

Ms. Gail Madison-Brown, Assistant Vice President and Chief Audit Executive, *Ad Interim*  
The University of Texas Health Science Center at San Antonio  
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We have completed an External Quality Assessment ("EQA") of The University of Texas Health Science Center at San Antonio ("UTHSC San Antonio" or "institution") Internal Audit & Consulting Services ("IA"). The EQA included an assessment of the level of conformance with the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing ("the IIA Standards"), the Generally Accepted Government Auditing Standards ("GAGAS"), as well as the relevant requirements of the Texas Internal Auditing Act ("TIAA"). Listed below are our observations:

- IIA Standards – Based on our work, overall IA generally conforms. We did identify process enhancement opportunities.
- GAGAS – Our assessment of GAGAS was limited, based on IA's disclosure that no internal audits were performed during our assessment period under GAGAS. Based on our work, we identified process enhancement opportunities.
- TIAA requirements – In addition to observations related to IIA Standards and GAGAS, a conformance observation was identified during our work. The current UTHSC San Antonio chief audit executive (*ad interim* since September 2013) is not a certified public accountant or certified internal auditor nor has at least three years of auditing experience as required in TIAA Section 2102.006. UTHSC San Antonio disclosed that all workpapers prepared supporting IA's audit reports were reviewed by an individual that is a certified public accountant and certified internal auditor with more than three years of auditing experience as well as a chief audit executive has been hired to start in July 2014 who is a certified public accountant and certified internal auditor with more than three years of auditing experience.

Our services were performed and this report was developed in accordance with our contract dated February 18, 2014 and are subject to the terms and conditions included therein. Our Services were performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants ("AICPA"). Accordingly, we are providing no opinion, attestation or other form of assurance with respect to our work and we did not verify or audit any information provided to us. Our work was limited to the specific procedures and analysis described herein and was based only on the information made available through June 11, 2014, when field work was substantially completed. Accordingly, changes in circumstances after this date could affect the findings outlined in this report. This information has been prepared solely for the use and benefit of, and pursuant to a client relationship exclusively with The University of Texas System Administration. PwC disclaims any contractual or other responsibility to others based on its use and, accordingly, this information may not be relied upon by anyone other than The University of Texas System Administration and UTHSC San Antonio.

We would like to offer a sincere thank you to you and your staff, and the Audit Committee and management of UTHSC San Antonio, for the time and attention they provided during this assessment. We appreciate the opportunity to serve The University of Texas System Administration on this important engagement.

Very truly yours,

*PricewaterhouseCoopers LLP*

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