



ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2015

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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 The University of Texas Health Science Center at San Antonio (UT Health Science Center San Antonio or HSC) public web site:

- The Internal Audit Plan FY16, as prescribed by Texas Government Code, Section 2102.008.
- The Annual Internal Audit Report FY15, as required by Texas Government Code, Section 2102.009.

In addition, Section III "Internal Audit Plan for Fiscal Year 2015," 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 1st of each year.

II. Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institutions

Rider 8, page III-39, the General Appropriations Act (84th Legislature, Conference Committee Report), requires that higher education institutions conduct an internal audit during fiscal year 2016 of benefits proportional by fund, using a methodology prescribed by the State Auditor's Office. The rider requires that the audit examine appropriation years (AY) 2012 through 2014, and be completed no later than August 31, 2016. To comply with Rider 8, a benefits proportionality audit is included in the UT Health Science Center San Antonio FY 2016 annual audit plan.

An internal audit of the proportionality of higher education benefits process was conducted during FY 2015 at the request of the Governor. The scope of the audit included benefits funding proportionality for appropriation year (AY) 2013. Audit procedures were consistent with the methodology prescribed by the State Auditor's Office to comply with Rider 8, and included review of source information obtained from the internal accounting system and the State's Uniform Statewide Accounting System (USAS), review of the benefits proportionality reporting process, validation of the accuracy of information and proportional funding calculations reported to the State Comptroller on the Benefits Proportionality by Fund Report (APS 011), and testing to verify eligibility of employee benefits paid with appropriated funds.

Because AY 2013 was included in the prior year audit, the benefits proportionality audit conducted during FY 2016 will include only AY 2012 and AY 2014. The results of the AY 2013 audit will be included in the resulting audit report, with a statement certifying that the procedures followed were consistent with the methodology prescribed by the State Auditor's Office.

III. Internal Audit Plan for Fiscal Year 2015

FY 15 Engagement / Report Name	Report Date / Status
<u>Financial</u>	
Annual Financial Statement Audit FY14 (Year-End) Assistance	Completed
Annual Financial Statement Audit FY15 (Interim) Assistance	Completed
Review of Sub-Certification Process and Monitoring Key Controls	11/21/2014
Proportional Benefits Funding	11/26/2014
Facilities Management Work Order System	In-progress
<u>Operational</u>	
Executive Officer Travel and Entertainment Expenditures	4/1/2015
President Travel & Entertainment Expenses (Assistance to UTS Audit Office)	No assistance required
UT Med Scheduling	Replaced by ICD-10 Readiness Assessment
Faculty Productivity- Teaching; Research	Postponed
Referrals	Combined with UT Medicine Scheduling
Dental School - Business Operations	Postponed to FY16
Department of Emergency Medicine	In-progress
Department of Psychiatry	8/26/2015
<u>Compliance</u>	
School of Nursing Faculty Compensation Plan	4/27/2015
SAO A-133 Single Audit Assistance	Completed
Residency Programs:	
• Family Practice Residency Program Operational Grant	1/5/2015
• Emergency and Trauma Care Education Partnership Program - Emergency Medicine - Surgical Critical Care - Graduate Nursing	1/5/2015
Joint Admissions Medical Program (JAMP) Annual Financial Report Opinion	10/31/2014
<u>Information Technology</u>	
Annual Financial Statement Audit FY15 (Interim) Assistance	Completed
Information Security Compliance (TAC 202 & UTS 165)	Postponed to FY16
Research Core Facility	Postponed to FY16
EPIC Cadence - Scheduling	Combined with UT Medicine Scheduling
Dental School - Billing AxiUm	Combined with Dental School Business Operations
Mobile Devices (BYOD)	Postponed to FY16
<u>Follow-Up</u>	
	Completed

FY 15 Engagement / Report Name	Report Date / Status
<u>Consulting</u>	
Facilities Management Work Order System	In-progress
Institutional Research Core Laboratories	In-progress
Physician Quality Reporting System (PQRS) at UT Medicine	11/10/2014
ICD-10 Readiness Assessment	8/28/2015
<u>Projects</u>	
Internal Audit Committee	Completed
FY16 Risk Assessment and Annual Audit Plan	Completed
FY14 SAO Internal Audit Report	11/1/2014
UT System Metrics	Completed
UT System Requests	Completed
TeamMate and Website Maintenance	Completed
Quality Improvement Projects	Completed

FY15 Internal Audit Plan Deviations

Internal Audit and Consulting Services performed all engagements on the FY15 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 FY15 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 FY15 were carried forward for completion in the FY16 internal audit plan.

Engagements Replaced/Combined/Added:

- The UT Health Science Center San Antonio internal audit staff was not required to assist the UT System Audit Office on its annual System-wide audit of the Presidents' Travel and Entertainment (T&E) Expenditures.
- The Referrals and EPIC Cadence-Scheduling engagements were combined with their operational audit counterpart, UT Medicine Scheduling; however the UT Medicine Scheduling engagement was replaced with ICD-10 which was deemed to be higher risk.
- Dental School-AxiUm Billing was combined with Dental School Business Operations (FY16).
- Two investigations were requested during the 4th quarter of FY15 and were added to the audit plan.

Engagements Postponed:

- Dental School – Business Operations (FY16)
- Mobile Devices (FY16)
- Research Core Facility-IT (iLab post implementation - FY16)
- Information Security Compliance - TAC 202 & UTS 165 - (FY16)
- Faculty Productivity–Teaching; Research (TBD)

FY15 Summary of Internal Audit Recommendations and Implementation Status

Report Date, Name & Number	Internal Audit Recommendations	Implementation Status of Recommendations
11/21/2014 Review of Sub-Certification Process and Monitoring Key Controls (15-05)	Separate the <i>Access Control Executive</i> access rights and account reconciliation duties for proper segregation of duties. Consider revising the monitoring plan for segregation of duties to include a review of departmental user access.	Fully implemented.
11/26/2014 Proportional Benefits Funding (15-03)	None noted.	No management response required.
4/1/2015 Executive Officer Travel and Entertainment Expenditures (15-09)	Revise policies related to include supervisory approval of entertainment reimbursements.	To be completed by November 2015.
8/26/2015 Department of Psychiatry (15-13)	This report is confidential and is exempt from public disclosure under Texas Government Code, Section 552.139.	Implementation ongoing.
4/27/2015 School of Nursing Faculty Compensation Plan (15-10)	Develop and communicate standardized procedures for supplemental compensation as well as maintaining a repository of all original documentation related to faculty compensation. In addition, a clause should be included in the Memorandums of Appointment pertaining to incentive compensation for disincentives and reduction in commitment hours. Lastly, an approval of compensation plan should be obtained from the Executive Vice Chancellor for Health Affairs.	Fully implemented.
1/5/2015 <u>Residency Programs:</u> Family Practice Residency Program Operational Grant (15-25) - Emergency Medicine (15-28) - Surgical Critical Care (15-27) - Graduate Nursing (15-26)	None noted.	No management response required.
10/31/2014 Joint Admissions Medical Program (JAMP) Annual Financial Report Opinion (15-11)	None noted.	No management response required.

IV. Consulting Services and Nonaudit Services Completed

The table below summarizes the key FY15 consulting and nonaudit services performed by Internal Audit.

Title	Objective	Observations/Recommendations
11/10/2014 Physician Quality Reporting System (PQRS) at UT Medicine (15-C-21)	Review UT Medicine's PQRS initiative and readiness to report calendar year 2014 quality measures to the Centers for Medicare and Medicaid Services (CMS)	Develop physician documentation standards to ensure consistency in the documentation of quality data in the medical records related to PQRS. In addition, PQRS dashboards and feedback reports should be utilized to analyze and communicate PQRS quality measures to providers. Consideration should be given to naming a Chief Quality Officer for clinical effectiveness, patient safety, patient centeredness, and health care quality improvement at UT Medicine.
8/28/2015 ICD-10 Readiness Assessment (15-C-24)	Conduct an ICD-10 Readiness Assessment at UT Medicine.	<p>An ICD-10 Steering Committee was formed to provide oversight over ICD-10 with key performance indicators being rolled out to identify any issues after the transition. Coder training was completed on June 1, 2015 and dual coding analysis of all billing providers is on target to be completed by August 31, 2015. Furthermore, Epic, EpicCare, 3M and CodeAssyst have been replaced or upgraded to be ICD-10 compliant. Additionally, new software, Diagnosis Translator and Training Curriculum, have been purchased and implemented to assist with ICD-10. Lastly, the clearinghouse, TriZetto, tested all commercial payers and has reported that they are ready for the transition to ICD-10.</p> <p>Challenges in preparation for the transition to ICD-10:</p> <ul style="list-style-type: none"> • Recruiting Coders • Retaining Existing Coders • Getting Physicians Re-engaged • Training of Hospital Based Physicians at University Hospital
Investigation	Investigate alleged timekeeping irregularities.	Allegations were substantiated and reported to the HSC Police for further investigation.

V. External Quality Assurance Review (Peer Review)

An external Quality Assurance Review was performed by PricewaterhouseCoopers in FY14. See Exhibit A.

VI. Internal Audit Plan for Fiscal Year 2016

The Institutional Internal Audit Committee approved the FY16 Internal Audit Plan on July 23, 2015.

FY16 Planned Engagement	Budgeted Hours	Description
<u>Financial</u>	1,680	
FY15 Financial Statement Audit (Year-End)	100	Assist the Deloitte auditors in the performance of substantive testing for the audit of the Annual Financial Report (FY15 year-end work).
FY16 Financial Statement Audit (Interim)	180	Assist the Deloitte auditors in the performance of financial and IT control testing for the audit of the Annual Financial Report (FY16 interim work).
Subcertification Process and Monitoring of Key Controls	100	Validate the institutional monitoring plan related to segregation of duties and account reconciliations.
University of Texas Rio Grande Valley (UTRGV) Contract(s) and Related Reimbursements for Services Provided	300	Evaluate contracts and reimbursements related to the Regional Academic Health Center campus transition to UTRGV.
Accounts Payable	300	Assess the adequacy and effectiveness of internal controls over accounts payable.
Account Reconciliations Process	300	Evaluate the internal controls over the redesigned account reconciliations process.
Delivery System Reform Incentive Payment (DSRIP)	300	Assess the adequacy and effectiveness of internal controls in place to ensure key milestones and goals under the 1115 Waiver are met.
<u>Consulting</u>		
PeopleSoft Financials Upgrade	100	Evaluate system configurations and internal controls over the newly automated payment requests, as well as review system user access.
<u>Operational</u>	1,640	
President's Travel, Entertainment and University Residence Maintenance Expenses Audit (assistance to System Audit Office)	40	Assist the System Audit Office in evaluating and testing compliance with Regent Rule 20205: Expenditures for Travel, Entertainment, and Housing by Chief Administrator.
Executives' Travel and Entertainment Expenses Audit	160	Evaluate and test compliance with the HSC and UTS policies for travel and entertainment expenses incurred by senior leaders.
Practice Plan - Conflicts of Interest	300	Evaluate compliance with Conflict of Interest policies and procedures.
Contract Administration Review	300	Determine whether the institution is procuring in a cost-effective, transparent and ethical manner, as required per Senate Bill 20.
Dental School - Business Operations	300	Evaluate the financial internal controls at the School of Dentistry.
Practice Plan - Billing & Collections	340	Review and evaluate the internal controls over billing and collections at UT Medicine.
<u>Consulting</u>		
iLab Post Implementation Review	200	Perform a post implementation review of the research core facilities computer system.

FY16 Planned Engagement	Budgeted Hours	Description
<u>Compliance</u>		
State Auditor's Office (SAO) A-133 Single Audit Assistance	40	Coordinate SAO audits.
Residency Program Award/Family & Community Medicine	80	Review expenditures for the Residency program and report on compliance with grant regulations to the Texas Higher Education Coordinating Board.
Residency Program Award/Emergency Medicine	40	Review expenditures for the Residency program and report on compliance with grant regulations to the Texas Higher Education Coordinating Board.
Residency Program Award/McAllen Family Practice	80	Review expenditures for the Residency program and report on compliance with grant regulations to the Texas Higher Education Coordinating Board.
Benefits Proportionality	350	Determine whether state appropriated funds used to pay employee benefits are in proportion to salaries or wages paid from those funds.
Cancer Therapy and Research Center (CTRC) Clinical Trials Billing	400	Assess the adequacy and effectiveness of internal controls over cancer clinical trials billing at the CTRC.
Decentralized Cancer Clinical Trials Billing	300	Assess the adequacy and effectiveness of internal controls over cancer clinical trials billing outside of CTRC.
Gift Compliance Review	300	Ascertain compliance with restricted gifts and donations.
Research Export Controls	200	Assess the adequacy and effectiveness of export controls to determine compliance with U.S. export control regulations.
HIPAA Privacy Rule	300	Evaluate HSC's program for compliance with the HIPAA Privacy Rule.
<u>Information Technology</u>		
TAC 202 & UTS 165 Compliance	300	Evaluate the HSC program for compliance with Texas Administrative Code (TAC) 202 and UTS 165 information security standards.
Mobile Device Management	300	Assess data security of personal portable devices.
UT Medicine IT General Controls Review (Organization & Management, Vendor Management, Asset Management, and IT Operations Review)	284	Perform a review of the organization, management, and IT operations areas within the Control Objectives for Information and Related Technology (COBIT) framework, as well as assess vendor management and asset management at UT Medicine.
Centralized IT General Controls Review (Organization & Management, Vendor Management, Asset Management, and IT Operations Review)	300	Perform a review of the organization, management, and IT operations areas within the COBIT framework, as well as assess vendor management and asset management for Centralized IT services.
HIPAA Security Rule	300	Evaluate HSC's program for compliance with the HIPAA Security Rule.

FY16 Planned Engagement	Budgeted Hours	Description
<u>Follow-Up</u>	384	Perform follow-up of audit recommendations on a quarterly basis.
<u>Development - Operations</u>	1,104	
Annual risk assessment/audit plan development	400	Perform the annual risk assessment and develop the annual audit plan.
Internal audit committee preparation/participation	160	Prepare materials and organize the institutional audit committee meetings.
<u>Institutional Committee/Council/participation</u>	80	Participate in UT System committees that will enhance institutional audit department capabilities.
Metrics/Internal Quality Assurance and Improvement Program activities	160	Prepare internal audit performance measures for reporting to UT System and implement quality assurance and improvement programs.
TeamMate, IDEA, website, etc. development/maintenance	160	Maintain and update the audit management software system, TeamMate, and public-facing Internal Audit & Consulting Services webpages, including preparing the annual internal audit activity report as required by the State Legislature.
Staff meetings related to the management of the internal audit function	144	Hold staff meetings related to the management of the internal audit function.
<u>Development – Initiatives and Education</u>	740	
System Audit Office initiatives participation (committees, workgroups, research, etc.)	140	Provide an opportunity to collaborate with System Audit Office on initiatives.
Institutional strategic or quality initiatives (EQA action plans)	40	Participate in initiatives focused on adding value and enhancing quality.
Individual Continuing Professional Education (CPE) training (includes related travel)	560	Provide an opportunity to develop internal audit skills and competencies.
<u>Reserve</u>	1,426	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.
Total Budgeted Hours	10,548	

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

The institutional annual risk assessment was conducted using the methodology developed by the UT System Audit Office. The risk assessment entailed using a top-down approach based on the institutional strategic objectives and priorities. Internal Audit assigned scores to risk factors for each objective to obtain the overall critical risk. An Informational Technology risk assessment was also performed to identify technology risks. Internal audit determined residual risks to the institution and included these risks in the annual internal audit plan.

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. An additional high-risk area identified but not included in the FY16 Internal Audit Plan relates to the enhancement of acute care affiliations with local hospitals. This risk continues to be monitored by Internal Audit for potential inclusion in a revised FY16 audit plan, or in subsequent annual audit plans.

VII. External Audit Services Procured in Fiscal Year 2015

External audit services were not procured by UT Health Science Center San Antonio in FY15. The University of Texas System contracted with Deloitte and Touche, LLP to perform an independent audit of the FY15 University of Texas System financial statements, which included the performance of 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 (84th Legislature) and Texas Government Code, Section 321.022, Coordination of Investigations, include:

- The University of Texas Health Science Center San Antonio 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 University of Texas Health Science Center San Antonio 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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