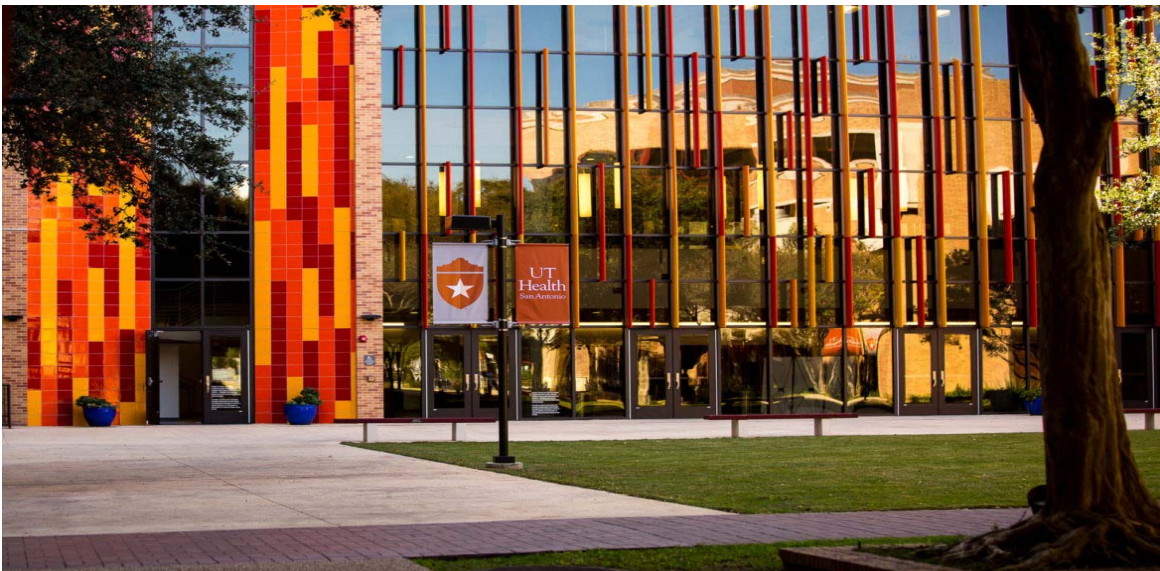




INTERNAL AUDIT ANNUAL REPORT



Fiscal Year 2017

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I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet Website

In accordance with Texas Government Code, Section 2102.015, the UT Health San Antonio, Office of Internal Audit & Consulting Services (Internal Audit) posted the approved FY 2018 Internal Audit Plan and its FY 2017 Internal Audit Annual Report to its website.

<http://uthscsa.edu/internalaudit/>

Additionally, all internal audit reports are posted on the UT System Audit Office website.

<http://www.utsystem.edu/documents/audit-reports>

Texas Government Code, Section 2102.015 also requires entities to update the Audit Plan information to include the following information on its website:

- A “detailed summary of weaknesses, deficiencies, wrongdoings, or other concerns, if any, raised by the audit plan or annual report.”
- A “summary of the action taken by the agency to address the concerns, if any, that are raised by the audit plan or annual report.”

The Texas Government Code allows entities to include the summaries described above to be included in the annual audit plan. As such, Internal Audit has included in Section II of this report the required information by summarizing FY 2017 internal audit recommendations and report on its action and progress toward implementing those recommendations. See page 7 for Schedule of Audit Recommendations and Status as of the August 31, 2017 (FY 2017).

II. Internal Audit Plan for Fiscal Year 2017 & Project Status

<i>Project/ Report #</i>	<i>Report Title</i>	<i>Report Date or Status</i>
<i>Risk Based Audits</i>		
17-04	Accounts Payable	<i>Rescheduled</i>
17-05	Payroll	<i>Rescheduled</i>
17-06	UT Dentistry Business Operations	<i>September 18, 2017</i>
17-07	Practice Plan – Billing and Collections	<i>Rescheduled</i>
17-08	CTRC Clinical Trials Billing	<i>Rescheduled</i>
17-11	Facilities Management Contracting	<i>Rescheduled</i>
17-12	Gift Compliance Review	<i>Rescheduled</i>
17-13	Bursar's Review of Segregation of Duties & Access User Roles	<i>Rescheduled</i>
17-16	PeopleSoft User Access Review	<i>Rescheduled</i>
17-17	Epic Application Review	<i>Rescheduled</i>
17-18	Axiom Application Review	<i>Rescheduled</i>
17-20	Audit Follow-up of Open Recommendations	<i>Completed</i>
<i>Externally Required Audits</i>		
17-15	Residency Program Award/Family & Community Medicine	<i>January 27, 2017</i>
17-19	Senate Bill 20 Compliance Assessment for State Auditor's Office	<i>Completed</i>
17-22	European Union Grant Audit	<i>December 30, 2016</i>
17-23	Nursing Shortage Grant (FY 2014 Expenditures)	<i>February 22, 2017</i>
17-24	Nursing Shortage Grant (FY 2015 Expenditures)	<i>February 22, 2017</i>
<i>University of Texas System Required Audits</i>		
17-01	FY 2016 Financial Statement Audit Assistance (Year-end)	<i>Completed</i>
17-02	FY 2017 Financial Statement Audit Assistance (Interim)	<i>Completed</i>
17-03	FY 2016 Subcertification Process and Monitoring of Key Controls	<i>October 28, 2016</i>
17-09	Executives "Travel and Entertainment Expenditures"	<i>November 10, 2016</i>
17-21	President's "Travel and Entertainment Expenditures"*	<i>Rescheduled</i>

**University of Texas System conducted Audit*

FY 2017 Internal Audit Plan Deviations

The FY 2017 Audit Plan represents a revised plan that was approved by the Institutional Audit Committee in July 2017. Adjustments to the Plan were primarily due to significant staff turnover and vacancies. The office experienced 100% turnover of its audit staff, including the Chief Audit Executive within the first quarter of FY 2017. Additionally, the audit of UT Dentistry's Business Operations took a significant amount of time to complete due to the complexity of its decentralized processes, as well as the limited resources available. Specific modifications to the plan include:

- Risk based projects (10 of 11) were rescheduled to be completed in FY 2018
- Required grant related audits (3) were added to the plan
 - Residency Program Award/Family & Community Medicine
 - Nursing Shortage Grant (FY 2014 Expenditures)
 - Nursing Shortage Grant (FY 2015 Expenditures)
- The assistance to UT System Audit Office for President's Travel, Entertainment Audit was cancelled. UT System conducts this audit with some assistance from UT Health San Antonio Internal Audit staff. The audit was rescheduled by UT System to FY 2018.

As of FY 2018, with the recent hires of the Chief Audit Executive, IT Audit Director and Audit Senior, the Internal Audit Office is fully staffed. Coupled with the new team members hired in late 2016, the Internal Audit function has filled key knowledge and skill gaps and is operating at full staff. There has been no staff turnover since January 2017.

Compliance Audit Requirements for Higher Education Institution:**Higher Education Institution Benefits Proportionality Audit Requirements**

Rider 8, page III-44, the General Appropriations Act (85th Legislature, Conference Committee Report) requires each higher education institution, excluding public community/junior colleges, to conduct an internal audit of benefits proportional by fund using a methodology approved by the SAO. Below is a summary of the provisions of that rider.

The rider requires the following:

- The audit must be conducted using the methodology approved by the SAO.
- The audit must examine fiscal years 2015 through 2017.
- Higher education institutions must submit a copy of the audit report to the Legislative Budget Board, the Comptroller of Public Accounts, and the SAO no later than August 31, 2018.
- If the audit identifies that the institution received excess General Revenue due to noncompliance with the proportionality requirements provided by Section 6.08, page IX-28, the General Appropriations Act (85th Legislature, Conference Committee Report), the institution must submit a reimbursement payment to the Comptroller of Public Accounts within two years from the conclusion of the audit.
- Higher education institutions must consider audits of benefits proportional when developing their annual internal audit plans for fiscal years 2018 and 2019.
- The Benefits Proportionality Audit is planned for FY 2018

Texas Government Code and Texas Education Code Requirements:

Senate Bill 20 (84th Legislature Session) made several modifications and additions to Texas Government Code (TGC) and Texas Education Code (TEC) related to purchasing and contracting. Effective September 1, 2015, TEC Section 51.9337 requires that, “The chief auditor of an institution of higher education shall annually assess whether the institution has adopted the rules and policies required by this section and shall submit a report of findings to the state auditor.” The UT Health Internal Audit Office conducted this required assessment for FY 2017, and found the following:

Based on review of current institutional policy and the UT System Board of Regents’ Rules and Regulations, UT Health San Antonio has generally adopted all of the rules and policies required by TEC Section 51.9337. Review of and revision of UT Health San Antonio policy is an ongoing process. These rules and policies will continue to be assessed annually to ensure continued compliance with TEC 51.9337.

Higher Education Institution Benefits Proportionality Audit Requirements

A summary table of recommendations to address issues identified from FY 2017 engagements, the actions taken by management, and the current implementation status is included on the following pages to address web site posting requirements as required by Texas Government Code Section 2102.015.

FY 2017 Summary of Internal Audit Recommendations and Implementation Status

Report Date	Report Title	Recommendation(s)	Management Action Plan(s)	Status
10/28/2016	FY 2016 Subcertification Process and Monitoring of Key Controls	No Findings Noted	No Findings Noted	<i>Closed</i>
11/10/2016	Executives "Travel and Entertainment Expenditures	The travel voucher and HOP 6.2.20 should be revised to clarify that supervisory or department head approval is required for travel expense reimbursements.	Management concurred with the finding and recommendation. Business Affairs will edit both HOP Policy 6.2.20 and the Travel Voucher form so that they are compatible and in agreement with the HOP 6.2.14 rule regarding hierarchical approval of official travel expenses.	<i>Implemented</i>
12/30/2016	European Union Grant Audit	No Findings Noted	No Findings Noted	<i>Closed</i>
1/27/2017	Residency Program Award/Family & Community Medicine	No Findings Noted.	No Findings Noted.	<i>Closed</i>
2/22/2017	Nursing Shortage Grant (FY 2014 Expenditures)	An immaterial coding discrepancy in which \$5,430 was reported to the THECB as an "Administrative or Instructional Personnel" expense rather than the "Using Preceptors or Part-Time Faculty to Increase Enrollment" expense. Although an error was noted, no further action is needed as the miscoded wages reported to the THECB were still considered to be an allowable expense under the Nursing Shortage Reduction Program.	Management was made aware of the issue and changed their procedures by the close of the audit.	<i>Implemented</i>
2/22/2017	Nursing Shortage Grant (FY 2015 Expenditures)	No Findings Noted	No Findings Noted	<i>Closed</i>
9/18/2017	UT Dentistry Business Operations	<i>UT Health is not required to post information since it's excepted from public disclosure under TGC Chapter 552</i>		

III. Consulting Services and Non-Audit Services Completed

The table below summarizes the key FY 2017 consulting and non-audit services performed by Internal Audit.

Report Date	Report Title	High Level Objective	Observations/Results/Recommendations	Status
12/8/2016	Validation of Estimated Expenses Incurred from 3M	Performed agreed upon procedures at the request of the School of Medicine in preparation for the upcoming vendor audit to be conducted in December 2016 by an external audit firm on behalf of 3M	Based on the work performed, Internal Audit recommended providing additional supporting documentation to the external auditors and adjusting the expense schedule to correct a few, insignificant, calculation errors. Management added documentation and made the calculation adjustments.	Completed
11/10/2016	SAO Hotline Complaint (1)	Investigate allegation	Allegations were unsubstantiated	Completed
12/30/2016	SAO Hotline Complaint (2)	Investigate allegation	Allegations were unsubstantiated	Completed
1/27/2017	Internal Investigation	Investigate allegation of Conflict of Interest and Inadequate Procurement	Allegation was substantiated and management updated procurement procedures to avoid any additional issues of this nature.	Completed
2/22/2017	Internal Investigation	Investigate allegation of Conflict of Interest	Allegation was unsubstantiated.	Completed
2/22/2017	Internal Investigation	Investigate allegation of theft of equipment.	Investigation was led by UT Health San Antonio Police Department	Completed

IV. External Quality Assurance Review

Quality Assurance Review - UT Health San Antonio Internal Audit

Background

- In accordance with the IIA's Professional Practices & Standards, a Quality Assurance Review (QAR) was completed
- Process: Internal Self-Assessment validated by an independent, third-party (Baker-Tilly)
- Period in review was generally January 2016 – December 2016 (prior team)

Results – Generally Conforms

- Self-Assessment identified nine opportunities for improvement (Governance, Staffing, Management & Process)
- Independent Validation identified seven additional opportunities for improvement (Staffing, Focus of Audit Plan, Industry Knowledge, Internal Audit Involvement, Communication to the Audit Committee, Sharing Results of QAR, Re-Establishing Effective Relationship with Compliance)

Status Update

- Overwhelming majority of the opportunities were proactively addressed (prior to report being issued)
- 14 of the 16 opportunities have been addressed and are closed
- Of the remaining two items, one will be addressed by November 1st, and the other is Partially Completed, and will be fully addressed and closed by December 31st.

See Exhibit A for Baker Tilly's Quality Assurance Report and Exhibit B UT Health San Antonio Internal Audit Management QAR Action Plan.

V. Internal Audit Plan for Fiscal Year 2018

The Institutional Internal Audit Committee approved the FY 2018 Internal Audit Plan on July 11, 2017. The plan was then modified to add two additional projects and subsequently approved by the Institutional Internal Audit Committee on October 30, 2017. The finalized Audit Plan is listed on pages 11 through 12.

**University of Texas Health San Antonio
 FY 2018 Annual Audit Plan**

FY 2018 Audit Plan	Budgeted Hours	General Objective/Description
Risk-Based Audits		
Practice Plan - Billing and Collections	500	Review and evaluate the processes and controls over billing and collections at UT Medicine.
UT Health Cancer Center Clinical Trials Billing	650	Assess the adequacy and effectiveness of processes and controls over cancer clinical trials billing both internal and external to the CTRC. (Note: This audit was originally divided into two audits (centralized and decentralized billings), based on updated information and a change in leadership, the audits have been combined with the possibility of a scope adjustment.)
Facilities Management	400	Review and evaluate the processes and controls for Facilities Management, including accounting and vendor selection processes.
Bursar's Review of Segregation of Duties and Access User Roles	140	Review and evaluate Segregation of Duties and Access User Roles at the Bursar's Office.
Epic Application Review	442	Internal Audit will review of risks and controls associated with the Epic System (UT Medicine Electronic Health Record) migration occurring this fiscal year (2018).
AxiUm Application Review	420	Review of risks and controls associated with utilization of the AxiUm System (Dental Clinic Electronic Health Record).
Accounts Payable	325	Assess the adequacy and effectiveness of processes and controls over accounts payable disbursements.
Payroll	240	Assess the adequacy and effectiveness of processes and controls over payroll.
TAC 202 & UTS 165 Compliance	300	Evaluate the UT Health SA program for compliance with TAC 202 and UTS 165 information security standards.
Executives' Travel and Entertainment Expenses Audit	150	Assist UT System staff as necessary in evaluating and testing compliance with Health Science Center (HSC) and UTS policies for travel and entertainment expenses incurred by the President of UTHSCS.
Gift Compliance Audit	350	The objective of this audit is to determine compliance with donor provisions and to evaluate the controls related to gift policy and procedures.
Carry Forward - UT Dentistry Revenue Cycle	85	Carry forward, wrap-up of work papers
Risk-Based Audits Subtotal	4,002	
Required Audits (External and/or Internal)		
FY 2017 Financial Statement Audit Assistance (Year-end)	200	Assist the external auditors in the performance of substantive testing for the audit of the Annual Financial Report (FY17 year-end work).
FY 2018 Financial Statement Audit Assistance (Interim)	150	Assist the external auditors in the performance of financial and IT control testing for the audit of the Annual Financial Report (FY18 interim work).
Sub-certification Process and Monitoring of Key Controls	125	Validate the institutional monitoring plan related to segregation of duties and New Enterprise Analytics Account Reconciliation and Financial Review and Analysis.
Joint Admission Medical Program (JAMP)	300	Determine whether funding related to the JAMP program is appropriately utilized in accordance with pertinent policies and procedures, regulations, and grant requirements (Texas Higher Education Coordinating Board).
Audit Assistance to External Agencies (SAO, THECB, etc.)	40	Coordinate external agency audits.
Residency Program Award/Family & Community Medicine	120	Review expenditures for the Residency program and report on the compliance with grant regulations to the Texas Higher Education Coordinating Board.
Senate Bill 20 Annual Compliance Assessment	20	Perform annual policy review to meet the requirements for Senate Bill 20 - State Agency Contracting.
Body Donation Program	350	Evaluate the institution's procedures and methods for receiving, storing, using and transporting anatomical specimens and disposing of remains as required by Texas Administrative Code.
Employee Benefits Proportionality Audit	230	Audit of Benefits Proportionality by fund at UT Health SA, as required by Rider 8, page III-44, of the General Appropriations Act (85th Legislature, Conference Committee Report). Scope is FY 2015- FY 2017, report due to SAO by 8/31/18.
Required Audits Subtotal	1,535	
Risk-Based Consulting Projects		

**University of Texas Health San Antonio
 FY 2018 Annual Audit Plan**

FY 2018 Audit Plan	Budgeted Hours	General Objective/Description
Consulting Epic - Additional Initiatives	400	Provide assistance with the system integration between UHS and UT Health SA.
Consulting - Meeting with Institutional Leaders/Emerging Risks	250	On-going consulting engagement
Institutional committee/council/participation	100	Participate in institutional committees.
Consulting Integration of Medical IT into Central IT	200	Provide assistance with the integration between Medical IT and Central IT.
Consulting Physical Therapy	100	TBD
Consulting UT Dentistry	100	Provide assistance in the review of the removable lab inventory process and procedures.
Risk-Based Consulting Subtotal	1,150	
Investigations		
Investigations Reserve	300	Provide support for institutional investigations (fraud).
Investigation Projects (3)	265	
Investigations Subtotal	565	
Follow-Up		
Audit Follow-Up	200	<i>Perform follow-up of audit recommendations on a quarterly basis.</i>
Risk-Based Reserve		
Institutional Management Requests/Emerging Risks	0	<i>Reserve time for identified emerging risks and management requests for audits. With the additional investigations/consulting engagements this reserve fund is expended.</i>
Development - Operations		
Annual risk assessment/audit plan development	350	Perform the annual risk assessment and develop the annual audit plan.
Internal Audit Committee preparation/participation	200	Prepare materials and organize the institutional audit committee meetings.
Continuous Monitoring and Internal Quality Assurance and Improvement Program activities	200	Implement quality assurance and improvement programs. This is an Institute of Internal Auditors requirement per the professional Practices Framework.
TeamMate, IDEA, website, etc. development/maintenance	200	Resources dedicated to the transformation of audit management software (TeamMate), the Internal Audit Department website, and IDEA implementation, etc.
Staff meetings related to the management of the internal audit function	288	Time required for the Internal Audit Department Staff Meetings.
SAO Internal Audit Activity Report	60	Resources required to develop the SAO Internal Audit Activity Report.
UT System audit requests	270	Reserve time for UTS requests.
Development - Operations Subtotal	1,568	
Development - Initiatives and Education		
System Audit Office initiatives participation (committees, workgroups, research, etc.)	120	Collaborate with System Audit Office on initiatives.
Institutional strategic initiatives	46	Participate in initiatives focused on adding value and enhancing quality.
Individual Continuing Professional Education (CPE) training (includes related travel)	352	Provide continuing professional education to staff for development of internal audit skills and competencies.
Development - Initiatives and Education Subtotal	518	
Total Budgeted Hours	9,538	

Risk Assessment Used to Develop the Internal Audit Plan

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 risk score. Internal audit determined residual risks to the institution and included areas of higher risk in the annual internal audit plan. The risks associated with Texas Administrative Code, Chapter 202, *Information Security Standards* and Benefits Proportionality were deemed to be lower since they were reviewed in FY 2016 and are scheduled to be reviewed again in FY 2018.

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 San Antonio management.

VI. External Audit Services Procured in Fiscal Year 2017

The University of Texas System contracted with Deloitte and Touche, LLP to perform an independent audit of the FY 2017 University of Texas System financial statements, which included the performance of certain audit procedures at UT Health San Antonio.

VII. Reporting Suspected Fraud and Abuse

Actions taken to comply with Section 7.09, page IX-38, the General Appropriations Act (85th Legislature) and Texas Government Code, Section 321.022, *Coordination of Investigations*, include:

- The UT Health San Antonio home page provides a link to the Compliance Hotline web page (<http://uthscsa.edu/compliance/compline.asp>) which provides its phone number and 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 UT Health 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 the coordination of investigations and reporting of suspected fraud and abuse.

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

Report of the Results of the Independent Validation of the Quality Assessment Review of Internal Audit and Consulting Services at The University of Texas Health San Antonio

May 19, 2017

May 19, 2017

Mr. John Lazarine, Chief Audit Executive
The University of Texas Health San Antonio

In May 2017, The University of Texas Health San Antonio (UT Health San Antonio) Internal Audit and Consulting Services (IACS or IA) completed a self-assessment of internal audit activities in accordance with guidelines published by the Institute of Internal Auditors (IIA) for the performance of a quality assessment review (QAR). UT Health San Antonio IACS engaged an independent review team consisting of three internal audit professionals with extensive higher education and healthcare experience to perform an independent validation of IACS' QAR self-assessment. The primary objective of the validation was to verify the assertions made in the QAR self-assessment report concerning IA's conformity to the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (the IIA Standards) and Code of Ethics, Generally Accepted Government Auditing Standards (GAGAS), and the relevant requirements of the Texas Internal Auditing Act (TIAA).

The IIA's *Quality Assessment Manual* suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform." "Generally conforms" is the top rating and means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards. "Partially conforms" means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the IA activity from performing its responsibilities in an acceptable manner. "Does not conform" means deficiencies are judged to be so significant as to seriously impair or preclude the IA activity from performing adequately in all or in significant areas of its responsibilities.

Based on our independent validation of the QAR performed by IACS, we agree with IACS' overall conclusion that the internal audit function "**Generally Conforms**" with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics, as well as with IACS' conclusions regarding GAGAS and TIAA requirements. Our review noted strengths as well as opportunities for enhancing the internal audit function.

This information has been prepared pursuant to a client relationship exclusively with, and solely for the use and benefit of, The University of Texas System Administration and UT Health San Antonio and is subject to the terms and conditions of our related contract. Baker Tilly 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 UT Health San Antonio.

The review team appreciates the cooperation, time, and candid feedback of executive leadership, stakeholders, and IACS personnel.

Very truly yours,

Baker Tilly Virchow Krause, LLP

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Candor. Insight. Results.

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Background

Baker Tilly was engaged to conduct an independent validation of University of Texas Health San Antonio Internal Audit and Consulting Services' self-assessment with the assistance of an internal audit executive from a peer institution. The primary objective of the validation was to verify the assertions made in the attached self-assessment report concerning adequate fulfillment of the organization's expectation of the internal audit activity and its conformity to the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics, Generally Accepted Government Auditing Standards, and relevant requirements of the Texas Internal Auditing Act.

The approach and scope for the independent validation included:

- > Interviewing stakeholders of the IA function, including the President and other members of the UT Health San Antonio leadership team, audit committee members, and the IA team
- > Reviewing the self-assessment and a sample of IA documents related to fiscal years 2016 and 2017
- > Considering current internal audit activities in relation to the *Standards* promulgated by the IIA as well as GAGAS and TIAA requirements
- > Identifying opportunities to enhance the internal audit function and other institution-wide considerations

Conclusions of the Independent Review Team

Based on our independent validation of the QAR performed by IACS, it is our overall opinion that the internal audit function "**Generally Conforms**" with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics. The IIA's *Quality Assessment Manual* suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform." "Generally conforms" is the top rating and means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*. "Partially conforms" means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies did not preclude the IA activity from performing its responsibilities in an acceptable manner. "Does not conform" means deficiencies are judged to be so significant as to seriously impair or preclude the IA activity from performing adequately in all or in significant areas of its responsibilities.

We agree with IACS' conclusions regarding its adherence to GAGAS and TIAA requirements.

Our review noted strengths as well as opportunities for enhancing the internal audit function and processes that affect IACS' effectiveness, as further detailed on the following pages.

Strengths

During our review we noted the following strengths:

- > **Experienced audit professionals** – In the months preceding this review, the institution hired a group of experienced internal audit professionals with diverse backgrounds, which include providing audit and consulting services to large and small public and private corporations as well as state and local government organizations.
- > **A promising start in increasing collaboration with stakeholders** – New IACS resources have started to reach out across the organization to partner with their stakeholders and other risk-centric services to leverage the healthcare and academic medical center experience of resources outside of internal audit.
- > **Refined tools and templates** – The current internal audit team is focused on refining existing tools and templates and pursuing opportunities to further leverage technology. IACS seeks to use resources from their prior work experience to improve the performance of the function and the effectiveness and efficiency of IACS operations. Some tools and templates have already been implemented.



"There is a strong foundation for internal audit with the current team. It is the best it has been in a while."



"Internal Audit spent more time with me in the last two weeks than the function had spent in the last two years. They are moving in the right direction."



"There is a culture that audit is your friend and will help you stay out of trouble."



Opportunities for Enhancement

Internal Audit-Specific Observations

IACS has experienced a state of change over the past three years, with two chief audit executives (CAE) and one interim CAE. All of the current IACS service delivery staff joined the organization within six months of the initiation of this quality assessment review (QAR) and the current CAE started a few weeks preceding the QAR onsite work. An interim CAE, in place from January 2017 to May 2017, directed the QAR self-assessment for UT Health San Antonio. In this context, this QAR primarily reflects the performance of past IACS resources and should serve as a baseline for the current resources to improve the function.

The review team agrees with the *Standards* assessment and opportunities for enhancement identified in IACS' self-assessment report, included in **Appendix D**. The components of the *Standards* that were assessed by IACS as partially conforming include:

- > 1210: Proficiency
- > 1220: Due Professional Care
- > 1311: Internal Assessments
- > 1320: Reporting on the Quality Assurance and Improvement Program
- > 2030: Resource Management
- > 2110: Governance

We offer the following observations and recommendations to complement IACS' self-assessment:

- > **Addressing staffing needs** – Continue to address challenges in achieving the audit plan and staffing information technology audit projects by exploring opportunities to leverage resources within the UT System or from outside service providers to help the team complete the audit plan and effectively serve their stakeholders in the organization in a timely manner.
- > **Focusing audit plan on most critical areas** – Streamline involvement in "required" areas such as financial reporting audit support, sub-certification process, residency program, and nursing shortage award projects. Expand the focus in critical audit areas such as cybersecurity, research, revenue cycle, and practice plan operations.
- > **Enhancing the knowledge and application of healthcare, research, and higher education risks** – Strengthen healthcare and higher education knowledge for the current team. Encourage the team to participate in regional and national conferences focused on providing specialized industry training, such as those sponsored by the Association of Healthcare Internal Auditors (AHIA), the Association of College and University Auditors (ACUA), and the Healthcare Financial Management Association (HFMA).

- > **Expanding IACS' involvement in key meetings and committees across the enterprise –** Explore opportunities to get more involved in regular leadership meetings to help management and IACS identify opportunities to provide value to the organization in a timely manner. Currently, the two committees in which internal audit participates include the Audit Committee and Compliance Committee. Other opportunities that were identified during our interviews included participating in Conflict of Interest and Information Technology governance meetings. Meetings and working groups in which IA is involved at peer institutions include:
 - President's Executive Council
 - Enterprise Risk Management Committee
 - Enterprise Application Work Group
 - Billing Compliance Advisory Committee
 - Departmental Performance Improvement Committees
- > **Increasing the level of detail provided to the Audit Committee (AC) –** Provide information to the AC on audit resources and budget plan, along with information on audit projects that were considered and could not be addressed with existing resources. This will give the AC an opportunity to provide input on whether additional resources or restructuring of the plan should be explored to help the organization gain insight and assurance over important risks.
- > **Reporting quality assurance and improvement plan (QAIP) activities –** Share the outcomes of the QAIP with the Audit Committee to provide them with insight into the quality management activities that IACS performs.

Institution-wide Consideration

Although our assessment was of IACS, the IIA *Standards* require review teams to consider the intersection of internal audit activities with risk management and compliance activities across the institution. Addressing this observation will help to optimize the efforts of IACS and Compliance:

- > **Re-establishing collaboration and coordination of IACS and Compliance efforts** – Increase the collaboration and coordination between the Internal Audit and Compliance functions to provide leadership with more clarity as to how certain risks are being addressed across the organization, limit potential duplication of effort, and most effectively leverage the combined expertise of these professionals.

In completing our review, the independent review team:

- > Conducted interviews with eleven individuals from positions across UT Health San Antonio (see list in **Appendix B**) to understand their views of the current internal audit function in relation to strategic goals, major initiatives, and challenges;
- > Reviewed documentation, including, but not limited to:
 - Internal audit charter
 - Recent annual audit plans
 - Recent annual risk assessments
 - Departmental policies and procedures
 - Staff training plans and qualifications
 - Reports to the Audit Committee
 - Sample internal audit reports
 - Quality assurance and improvement plan (QAIP) documentation;
- > Considered the current internal audit function in relation to the *Standards* promulgated by the IIA in the areas of:
 - Structure and reporting relationships
 - Charter
 - Roles and responsibilities
 - Degree of independence and objectivity
 - Education, training, qualifications, and experience of personnel;
- > Reviewed results of IACS' work paper reviews on internal audit projects performed during the past year, validating the appropriateness and completeness of the internal assessment performed; and
- > Assessed additional materials, as necessary, to further validate the self-assessment completed.

Appendix B: Interviews Conducted



Candor. Insight. Results.

Audit Committee Member

Pat Frost, Audit Committee Chair

Executive and Senior Leadership

Dr. William Henrich, President
Michael Black, Sr. Executive Vice President and Chief Operating Officer
Yeman Collier, Vice President and Chief Information Officer
Andrea Marks, Vice President and Chief Financial Officer
Gail Madison-Brown, Chief Compliance Officer

IACS

Dick Dawson, Interim Chief Audit Executive (retired)
John Lazarine, Chief Audit Executive
Kim Weber, Internal Audit Manager
Jeremy Sutton, Senior Internal Auditor
Joe Lopez, IA Staff

Appendix C: Independent Review Team Member Information



Candor. Insight. Results.

John Kiss, CPA, CFE

Senior Manager, Baker Tilly

John Kiss is a Senior Manager with Baker Tilly's risk, internal audit, and cybersecurity services practice with fourteen years of professional services experience. Serving primarily research institutions, academic medical centers, and not-for-profit organizations, John provides internal audit, financial and operational risk management, fraud investigation, organizational governance, and other assurance services. John performed and led the QAR process for seven institutions, including academic institutions and their affiliated medical centers. He also assisted a university in preparing its own QAR Self-Assessment. John holds a Bachelor of Science in Information Systems Management and a Masters in Accountancy from Wake Forest University. He is a CPA and Certified Fraud Examiner (CFE). John's clients have included The U.S. Department of Veterans Affairs Medical Centers, Children's National Health System, Stanford University's Lucile Packard Children's Hospital and Stanford Hospital and Clinics, the University of Michigan, Howard University Hospital, the Brookings Institution, the Catholic University of America, George Washington University, Georgetown University, Marquette University, Princeton University, Stanford University, and the University of Washington.

Teresa Jack, CPA

Assistant Chief Audit Executive, Texas Tech University System Office of Audit Services

Teresa Jack has worked in the Texas Tech University System Office of Audit Services for 16 years and has been the Assistant Chief Audit Executive for five years. The Office of Audit Services has a staff of 16 auditors and has responsibility for two universities and two health sciences centers. In her role, Teresa is responsible for leading the office's quality assurance and improvement program to ensure conformance with professional standards and to foster continuous departmental improvement. She also serves on several committees at the Texas Tech University Health Sciences Center, including the Institutional Compliance Working Committee, Enterprise Risk Management Committee, and the School of Medicine Performance Improvement Committee. Prior to joining Texas Tech, Teresa worked as an auditor for a public accounting firm in Lubbock, Texas for two years. Teresa received a Bachelor of Business Administration in Accounting and Master of Science in Accounting from Texas Tech University. She is also a Certified Public Accountant.

Appendix C: Independent Review Team Member Information



Candor. Insight. Results.

Raina Rose Tagle, CPA, CISA, CIA

Partner and National Higher Education Consulting Practice Leader, Baker Tilly

Raina Rose Tagle is a Partner with Baker Tilly, an accounting and advisory firm with more than 2,700 personnel nationwide. Raina leads Baker Tilly's higher education and research institutions industry consulting practice, as well as its national risk, internal audit, and cybersecurity services practice, which provides services in the areas of internal audit, financial and operational risk management, construction audit, fraud investigation, cybersecurity technology risk consulting, and organizational governance. In addition to her extensive work with higher education and academic medical center clients, Raina's practice serves the healthcare, not-for-profit, government contracting, real estate, and professional services industries. Raina started her career with Arthur Andersen. Prior to joining Baker Tilly, she led her own consulting practice that offered strategic planning facilitation, executive coaching, and organizational development for not-for-profits. Raina holds a bachelor of science in accounting from Oklahoma State University. Her community involvement includes serving as the selection committee chair for the 2010 *Washington Post* Award for Excellence in Nonprofit Management. Raina presents at conferences of the Association of College and University Auditors, the National Council of University Research Administrators, and the National Association of College and University Business Officers, and has co-authored articles in *NCURA Magazine* and *Research Global*. Raina's clients include the University of California System, the University of Wisconsin System, the University of Washington, the University of Michigan, the University of North Carolina at Chapel Hill, Cornell University, Princeton University, Stanford University, the University of Pennsylvania, Massachusetts Institute of Technology, Harvard University, and Georgetown.

Appendix D: Internal Audit Quality Self-Assessment Report



Candor. Insight. Results.

DATE: August, 2017

TO: Pat Frost, Chairman of the Audit Committee

CC: President William L. Henrich, MD, MACP
Michael Black, Chief Operating Officer

SUBJECT: Internal Audit Self-Assessment – Internal Audit Activity

Dear Mr. Frost,

Internal Audit and Consulting Services (IACS) has completed a quality self-assessment of the Internal Audit (IA) activity in preparation for validation by an independent assessor. The principal objective of the review was to assess the IA activity's conformance to The Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*, the IIA's Code of Ethics, Generally Accepted Government Auditing Standards (GAGAS), and the relevant requirements of the Texas Internal Auditing Act (TIAA). The scope of the review was of the current and prior fiscal years (FY 2016 and 2017), with an emphasis on current practices, and the methodology used was based on the IIA's *Quality Assessment Manual*.

The IIA's *Quality Assessment Manual* suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform." "Generally Conforms" is the top rating and means that an IA activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*. "Partially Conforms" means deficiencies in practice that are judged to deviate from the *Standards* are noted, but these deficiencies did not preclude IA from performing its responsibilities in an acceptable manner. "Does Not Conform" means deficiencies in practice are judged to be so significant as to seriously impair or preclude the IA activity from performing adequately in all or in significant areas of its responsibilities.

An interim CAE, in place from January 2017 to May 2017, directed the QAR self-assessment for UT Health San Antonio. In this context, this QAR primarily reflects the performance of past IACS resources and should serve as a baseline for the current resources to improve the function.

It is our overall opinion that the internal audit activities of the UT Health San Antonio Audit Office "**Generally Conforms**" to the *Standards* and Code of Ethics. While no conformance observations were found, the assessment of GAGAS was limited, as the UT Health San Antonio Audit Office did not perform any audits under GAGAS during the review period. In addition, no observations were identified related to TIAA requirements. The internal assessment identified opportunities for further improvement, of which details are provided below.

We appreciate your support for the Internal Audit function.

Sincerely,

John Lazarine
Chief Audit Executive

cc: Audit Committee

Appendix D: Internal Audit Quality Self-Assessment Report



Candor. Insight. Results.

Background

The University of Texas System Institutions and System Internal Audit groups comply with the Texas Internal Auditing Act to have independent quality assessment reviews performed every three years. During this Quality Assurance cycle, each institution conducted a self-assessment with independent validation. The national accounting and advisory firm of Baker Tilly was contracted to perform the independent validation for each institution separately. Recommendations included in this report were presented to Baker Tilly and a representative from an Internal Audit group of a peer institution to review and confirm.

Scope and Methodology

This was a comprehensive self-assessment in which each institution in the University of Texas System reviewed information about its respective IA practices and policies, including risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes, a review of a representative sample of work papers and reports, and interviews with audit staff and campus audit clients and leadership. The results of this review resulted in the following report with recommendations for improvement along with our internal assessment of conformance with the *Standards* that was then validated by Baker Tilly and the peer internal auditor.

Overall Opinion

It is our overall opinion that the internal audit activities of the UT Health San Antonio Audit Office “**Generally Conforms**” to the *Standards* and Code of Ethics. While no conformance observations were found, the assessment of GAGAS was limited, as the UT Health San Antonio Audit Office did not perform any audits under GAGAS during the review period. In addition, no observations were identified related to TIAA requirements.

Strengths

Governance:

- The Internal Audit Committee and Executive Management are extremely supportive of the Internal Audit Function and desires excellence in the program.
- The prior CAE developed an Office strategic plan that is a good start for the incoming CAE to assess and modify as needed to move the audit function in a positive direction.

Staffing:

- The current internal audit staff are relatively new to the Office and to higher education internal auditing. However, they are extremely enthusiastic and willing to move the office forward towards becoming a trusted advisor to executive management at the Institution.

Management:

- Members of the UT System audit offices across the System have established a Taxonomy which provides a good Audit Universe for the annual risk assessment.
- Internal Audit Committee Meetings are conducted quarterly and include a private session with external members of the committee.
- The Internal Audit Office manual was recently updated in the Fall 2016.

Appendix D: Internal Audit Quality Self-Assessment Report



Candor. Insight. Results.

Opportunities for Improvement and Recommendations

Governance:

- The Internal Audit Manual should reference staff compliance with IIA's Code of Ethics and the methodology in place to obtain staff abidance.
- The current Institutional Organizational Chart shows the Internal Audit function without any reporting relationship to the University President. While the Office may report administratively to the Chief Operating Officer, the organizational chart should illustrate the independence of the function's reporting to the President and the Internal Audit Committee.
- The IA function conducts post audit surveys and develops performance metrics for presentation to the Audit Committee. The CAE should consider additional quality assurance improvement initiatives to further enhance quality.
- With the recent turnover in the department, it is very important that the new CAE develop strong working relationships with executive leadership and other key positions within the University. This could be accomplished by establishing periodic standing meetings to discuss risks, concerns, or other current issues that may affect the audit function.

Staffing:

- Develop a competency model for developing and recruiting staff.

Management:

- As mentioned above, the Office should build strong working relationships with executive management in order to build confidence in the office as a trusted advisor.
- The new CAE should consider adding greater specificity to the Internal Audit Office Manual as it relates to the specific activities of the office especially once the audit management software is functioning. The current manual is general in nature and does not address many of the practices of the Office. The institution has many critical risks associated with information technology that are not being addressed from the audit perspective due to the lack of expertise in this area within the office. The new CAE should address these risks as soon as possible either through outsourcing, co-sourcing or by hiring an information technology auditor.

Process:

- Currently, the Office does not utilize the licenses it holds for its audit management software. The UT System is working on a centralized solution to be housed at The University of Texas MD Anderson Cancer Center. Once this is working effective 9/1/17, the Office should be able to more effectively conduct its audit projects.
- Data Analytic software has become an important tool to help auditors perform their work more effectively. The Office holds a license for IDEA software but has not utilized it significantly to date. The Office should train staff on the software.

Appendix D: Internal Audit Quality Self-Assessment Report



Candor. Insight. Results.

Standards Assessment

Quality Assessment Evaluation Summary—Overall Evaluation	GC	PC	DNC
OVERALL EVALUATION	✓		

Quality Assessment Evaluation Summary—Major/Supporting Standards		GC	PC	DNC
1000	Purpose, Authority, and Responsibility	✓		
	1010 Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter	✓		
1100	Independence and Objectivity	✓		
	1110 Organizational Independence	✓		
	1111 Direct Interaction with the Board	✓		
	1120 Individual Objectivity	✓		
	1130 Impairment to Independence or Objectivity	✓		
1200	Proficiency and Due Professional Care		✓	
	1210 Proficiency		✓	
	1220 Due Professional Care		✓	
	1230 Continuing Professional Development	✓		
1300	Quality Assurance and Improvement Program	✓		
	1310 Requirements of the Quality Assurance and Improvement Program	✓		
	1311 Internal Assessments		✓	
	1312 External Assessments	✓		
	1320 Reporting on the Quality Assurance and Improvement Program		✓	
	1321 Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”	✓		
	1322 Disclosure of Nonconformance	✓		
2000	Managing the Internal Audit Activity	✓		
	2010 Planning	✓		
	2020 Communication and Approval	✓		
	2030 Resource Management		✓	
	2040 Policies and Procedures	✓		
	2050 Coordination	✓		
	2060 Reporting to Senior Management and the Board	✓		
	2070 External Service Provider and Organizational Responsibility for Internal Auditing	✓		
2100	Nature of Work	✓		
	2110 Governance		✓	
	2120 Risk Management	✓		
	2130 Control	✓		
2200	Engagement Planning	✓		
	2201 Planning Considerations	✓		

Appendix D: Internal Audit Quality Self-Assessment Report



Candor. Insight. Results.

Quality Assessment Evaluation Summary—Major/Supporting <i>Standards</i>		GC	PC	DNC
	2210 Engagement Objectives	✓		
	2220 Engagement Scope	✓		
	2230 Engagement Resource Allocation	✓		
	2240 Engagement Work Program	✓		
2300	Performing the Engagement	✓		
	2310 Identifying Information	✓		
	2320 Analysis and Evaluation	✓		
	2330 Documenting Information	✓		
	2340 Engagement Supervision	✓		
2400	Communicating Results	✓		
	2410 Criteria for Communicating	✓		
	2420 Quality of Communications	✓		
	2421 Errors and Omissions	✓		
	2430 Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing”	✓		
	2431 Engagement Disclosure of Nonconformance	✓		
	2440 Disseminating Results	✓		
	2450 Overall Opinions	✓		
2500	Monitoring Progress	✓		
2600	Communicating the Acceptance of Risks	✓		
	The IIA’s Code of Ethics	✓		

GC = Generally Conforms

PC = Partially Conforms

DC = Does not Conform

Exhibit B – Internal Audit Management QAR Action Plan

Internal Audit & Consulting

QAR Action Plan

October 20, 2017



UT Health
San Antonio

Opportunities for Improvement and Related Action Plans

Self-Assessed: Opportunities for Improvement and Related Action Plans

Pages 3 – 11

Independent Review: Opportunities for Improvement and Related Action Plans

Pages 12 - 19

Self-Assessment: Opportunities for Improvements and Action Plans

1. Governance

1. The Internal Audit Manual should reference staff compliance with IIA's Code of Ethics and the methodology in place to obtain staff abidance.

Action taken/Planned: COMPLETED

1. IA Manual was updated to reference staff compliance with the IIA's Code of Ethics.
 2. Internal Audit staff will abide by the IIA Code of Ethics and has signed an acknowledgement that they have read and agree to abide by the Code. Going forward, every auditor will sign/date statement by Sept. 15th of each new fiscal year.
2. The current Institutional Organizational Chart shows the Internal Audit function without any reporting relationship to the University President. While the Office may report administratively to the Chief Operating Officer, the organizational chart should illustrate the independence of the function's reporting to the President and the Internal Audit Committee.

Action Taken/Planned: December 1, 2017

1. CAE will discuss with Chief Operating Officer, Audit Committee Chairman and the President to determine what, if any changes to make to the organizational reporting relationship.

1. Governance (Continued)

3. The IA function conducts post audit surveys and develops performance metrics for presentation to the Audit Committee. The CAE should consider additional quality assurance improvement initiatives to further enhance quality.

Action Taken/Planned: COMPLETED

1. For every audit and special investigation lasting more than 40 hours (calendar week), a meeting will be held and documented to capture lessons learned. (*Effective date November 1, 2017*)
2. Annually, IACS will select a sample of audit work and complete a internal, self-assessed, Quality Assurance review. The results will be shared with the team, and where appropriate, improvements to the process will be made.

1. Governance (Continued)

4. With the recent turnover in the department, it is very important that the new CAE develop strong working relationships with executive leadership and other key positions within the University. This could be accomplished by establishing periodic standing meetings to discuss risks, concerns, or other current issues that may affect the audit function. Effective relationships play an important role in building confidence in the office as a trusted advisor.

Action Taken/Planned: COMPLETED

1. After initially taking on the role as CAE on May 1, 2017, the CAE met with 30 leaders across the Institution. Since then the CAE has scheduled and held recurring, quarterly one on one meetings with 25 key leaders across the Institution. The purpose of these meetings is to establish and maintain effective working relationships with key leaders, stay abreast of key projects and initiatives and, to ensure that audit resources are focused on those areas most critical to the Institution.

2. Staffing

1. Develop a competency model for developing and recruiting staff.

Action Taken/Planned: COMPLETED

1. CAE developed and communicated the “Internal Audit Skills & Capabilities Matrix”. This document details the skills, competencies and behaviors expected at the Staff through Senior Manager position/levels. This document will be used in discussions with team members regarding their development at current and future levels. This document has been shared and discussed with the Internal Audit team, the Chief Operating Officer and the interim Vice President of Human Resources.

3. Management

1. The new CAE should consider adding greater specificity to the Internal Audit Office Manual as it relates to the specific activities of the office especially once the audit management software is functioning. The current manual is general in nature and does not address many of the practices of the Office.

Action Taken/Planned: COMPLETED

1. The IA Manual was reviewed, with updates made to ensure it accurately captures the key processes and activities of the group. This includes references to the processes impacted by the rollout of TeamMate, the automated audit management software.

3. Management (Continued)

2. The Institution has many critical risks associated with information technology that are not being addressed from the audit perspective due to the lack of expertise in this area within the office. The new CAE should address these risks as soon as possible either through outsourcing, co-sourcing or by hiring an information technology auditor.

Action Taken/Planned: COMPLETED

1. The CAE has 30 years experience auditing and providing advisory services regarding technology and cyber security risks. In addition, upon taking the job as CAE, he worked with the COO and the CFO to elevate the previously open job requisition of IT Audit Manager (which had been open two years) to an IT Audit Director position. Robert Morgan was hired in August 2017, as the team's IT Audit Director.

4. Process

1. Currently, the Office does not utilize the licenses it holds for its audit management software. The UT System is working on a centralized solution to be housed at The University of Texas MD Anderson Cancer Center. Once this is working effective 9/1/17, the Office should be able to more effectively conduct its audit projects.

Action Taken/Planned: COMPLETED

1. In August, 2017, UT System implemented an updated version of TeamMate, an audit management system, across all fourteen UT Institutions. The IACS team at UT Health San Antonio, was very involved in the requirements gathering, testing and user training prior to the system go-live. Effective in the 2018 audit plan/fiscal year (Sept. 1, 2017), all audits will utilize, and be housed in, TeamMate.

4. Process (Continued)

2. Data Analytic software has become an important tool to help auditors perform their work more effectively. The Office holds a license for IDEA software but has not utilized it significantly to date. The Office should train staff on the software.

Action Taken/Planned: Partially Completed (December 31, 2017)

- All of the current staff has experience using data analytics (Excel, IDEA, ACL)
- During the planning process, the use of data analytics is considered for all audits and special investigations
- Members of the IACS team participated in a webinar led by the UT System IA Subject Matter Expert (SME), Erin Baker, on September 14, 2017
- Staff has been and is currently using IDEA and will continue to enhance knowledge of software with additional training.
- IACS will coordinate with Erin Baker to provide on-site, baseline training on data analytics, and the use of IDEA, to ensure that all of the staff have at least a baseline understanding of the tool and its use. The timing of the training will be based on coordinating schedules, but plan is to complete by **December 31, 2017**

Independent Review: Opportunities for Improvements and Action Plans

1. Address Staffing Needs

Continue to address challenges in achieving the audit plan and staffing information technology audit projects by exploring opportunities to leverage resources within the UT System or from outside service providers to help the team complete the audit plan and effectively serve their stakeholders in the organization in a timely manner.

Action Taken/Planned: COMPLETED

The CAE has 30 years of experience auditing and providing advisory services in the technology and cyber security space. In addition, the hiring of Robert Morgan, as the IT Audit Director, gives the UT Health San Antonio IACS team a tremendous amount of knowledge in this very critical risk area. A continual assessment will be made as to whether additional resources or skills are needed on a audit/project or permanent basis, with any needs being discussed with Institutional leadership and the Audit Committee.

2. Focusing Audit Plan on Most Critical Areas

Streamline involvement in "required" areas such as financial reporting audit support, sub-certification process, residency program, and nursing shortage award projects. Expand the focus in critical audit areas such as cybersecurity, research, revenue cycle, and practice plan operations.

Action Taken/Planned: COMPLETED (On-Going)

Ensuring that IACS is focusing their resources and effort on those areas most critical to the Institution is an on-going process. There are a variety of ways we will ensure that this continues to happen, including, but not limited to the following:

- Recurring quarterly meetings with leadership across the Institution, on-going dialogue and discussion with external resources (i.e. EY and PwC), attending AHIA and ACUA conferences and forums, CAE roundtables, participating in several Committee and staff meetings
- Recently completed a revenue cycle audit in the School of Dentistry, included an audit of the revenue cycle for the Medical Practice Plan in the FY 2018 Audit Plan, as well as audits for key applications (axiUm and Epic), and planned advisory services for major IT initiatives – Data Center consolidation, Epic upgrade, integrating UHS and UT Health on to Epic
- Reviewing and assessing the risks associated with “required audits” and risk-based audits on the audit plan will be a continual process
- Heightened awareness and education with key constituents – on going discussions will help to streamline

3. Enhancing the Knowledge and Application of Healthcare, Research, and Higher Education Risks

Strengthen healthcare and higher education knowledge for the current team. Encourage the team to participate in regional and national conferences focused on providing specialized industry training, such as those sponsored by the Association of Healthcare Internal Auditors (AHIA), the Association of College and University Auditors (ACUA), and the Healthcare Financial Management Association (HFMA).

Action Taken/Planned: COMPLETED (On-Going)

Staying abreast of new and emerging risks within Higher Education and Healthcare will always be a continuous effort. That said, we have taken steps to ensure that build and maintain key relationships within these areas, and Although this will be a continuous effort

- Attended AHIA's 36th Annual Conference and Roundtable Session / Boston, MA - Aug. 2017
- All staff are members of AHIA and ACUA
- IA staff met with Dr. Carlos Rosende, Executive Vice Dean for Clinical Affairs who provided a 2.5 hour orientation of the Clinical Practice for the School of Medicine

4. Expanding IACS Involvement in Key Meetings and Committees Across the Enterprise

Explore opportunities to get more involved in regular leadership meetings to help management and IACS identify opportunities to provide value to the organization in a timely manner. Currently, the two committees in which internal audit participates include the Audit Committee and Compliance Committee. Other opportunities that were identified during our interviews included participating in Conflict of Interest and Information Technology governance meetings. Meetings and working groups in which IA is involved at peer Institutions include:

- President's Executive Council
- Enterprise Risk Management Committee
- Enterprise Application Work Group
- Billing Compliance Advisory Committee
- Departmental Performance Improvement Committee

Action Taken/Planned: COMPLETED (On-Going)

In addition to the regularly scheduled, quarterly 1x1 meetings with over 25 key leaders across the Institution to stay abreast of current or new initiatives/projects, new and emerging risks helping to ensure IACS is focused on areas most important to the Institution, we also are active participants in the following:

- Administrative Cabinet Meeting
- MSRDP
- IMS Team Meeting
- Compliance Committee
- Information Security Working Group

5. Increasing the Level of Detail Provided to the Audit Committee

Provide information to the AC on audit resources and budget plan, along with information on audit projects that were considered and could not be addressed with existing resources. This will give the AC an opportunity to provide input on whether additional resources or restructuring of the plan should be explored to help the organization gain insight and assurance over important risks.

Action Taken/Planned: COMPLETED

As part of the Q3 FY 2017 Audit Committee meeting, the CAE provided, in the materials and in discussion, IACS resources and their current status, as well as presented the FY 2018 Audit Plan, which included audits and projects “above the line” (audits/projects that would be included in the current plan) as well as those “below the line” (those audits/projects that just missed the plan due to resources and prioritization). This information will be communicated to the AC as needed.

6. Reporting Quality Assurance and Improvement Plan (QAIP) Activities

Share the outcomes of the QAIP with the Audit Committee to provide them with insight into the quality management activities that IACS performs.

Action Taken/Planned: COMPLETED

On October 2, 2017, the CAE provided a copy of both the internal, self-assessed Quality Assurance Review (QAR) Report, as well as the independently validated QAR Report completed by the outside firm of Baker-Tilly, to President Henrich, Michael Black and the external Audit Committee members. While most of the committed action plans are complete, the CAE will provide a status update of the actions planned or taken until all committed actions have been completed.

7. Re-establishing Collaboration and Coordination of IACS and Compliance Efforts

Increase the collaboration and coordination between the Internal Audit and Compliance functions to provide leadership with more clarity as to how certain risks are being addressed across the organization, limit potential duplication of effort, and most effectively leverage the combined expertise of these professionals.

Action Taken/Planned: COMPLETED (On-going)

The CAE has standing 1x1 meetings scheduled with Gail Madison-Brown, the leader of the Compliance team to maintain an effective working relationship and to sure the two teams are aligned and coordinated in related activities. In addition, the CAE is an active member of the Compliance Committee. The two teams have worked very well on those investigations involving both teams. Feedback received from Ms. Madison-Brown, and her team, regarding our working relationships have been very positive.