



**UT Health**  
San Antonio

## **INTERNAL AUDIT ANNUAL REPORT**



**Fiscal Year 2018**

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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 2019 Internal Audit Plan and its FY 2018 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, unless the information is exempt from public disclosure under Chapter 552.

<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 weaknessess, 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 Governement 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 2018 internal audit recommendations and report on its action and progress toward implementing those recommendations. See page 6 for Schedule of Audit Recommendations and Status as of August 31, 2018 (FY 2018).

## II. Internal Audit Plan for Fiscal Year 2018 & Project Status

<b>Project/ Report #</b>	<b>Report Title</b>	<b>Report Date or Status</b>
<b><i>Risk Based Audits</i></b>		
18-01	Practice Plan – Billing and Collections (Cash Management)	<i>In-Process*</i>
18-02	UT Health Cancer Center - Clinical Trials Billing	<i>In-Process*</i>
18-03	Facilities Management	<i>In-Process*</i>
18-04	Bursar's Review of Segregation of Duties & Access User Roles	August 29, 2018
19-01	Epic Application Review	<i>Re-scooped**</i>
18-06	Axium Application Review	<i>In-Process*</i>
18-07	Accounts Payable	<i>In-Process*</i>
18-08	Payroll	July 11, 2018
18-09	TAC 202 & UTS 165 Compliance	April 18, 2018
18-10	Executives Travel and Entertainment Expenditures	May 24, 2018
18-38	Gift Compliance	August 29, 2018
18-26	Audit Follow-up of Open Recommendations	<i>Completed</i>
<b><i>Externally Required Audits</i></b>		
18-18	Residency Program Award/Family & Community Medicine	January 4, 2018
18-19	Senate Bill 20 Compliance Assessment	October 31, 2018
18-16	Joint Admission Medical Program (JAMP)	October 24, 2017
18-20	Body Donation Program	July 12, 2018
18-47	Employee Benefits Proportionality	August 7, 2018
<b><i>University of Texas System Required Audits</i></b>		
18-13	FY 2017 Financial Statement Audit Assistance (Year-end)	<i>Completed</i>
18-14	FY 2018 Financial Statement Audit Assistance (Interim)	<i>Completed</i>
18-15	FY 2016 Subcertification Process and Monitoring of Key Controls	<i>Completed</i>

\*Projected completion date November 30, 2018

\*\*Audit was re-scooped to allow the audit team to obtain external expertise which would not be available until FY 2019.

***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 State of Texas Auditor's Office (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 was completed and issued on August 7, 2018.

**Texas Government Code and Texas Education Code (TEC) Requirements:**

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 San Antonio Internal Audit Office conducted this required assessment for FY 2018, 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 Audit Requirements**

A summary table of recommendations to address issues identified from FY 2018 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 2018 Summary of Internal Audit Recommendations and Implementation Status**

<b>Report Date</b>	<b>Report Title</b>	<b>Recommendation(s)</b>	<b>Management Action Plan(s)</b>	<b>Status</b>
October 28, 2017	FY 2017 Subcertification Process and Monitoring of Key Controls	No Findings Noted	N/A	Closed
October 24, 2017	Joint Admission Medical Program (JAMP)	No Findings Noted	N/A	Closed
January 4, 2018	Residency Program Award/Family & Community Medicine	No Findings Noted	N/A	Closed
April 18, 2018	TAC 202 & UTS 165 Compliance	<i>UT Health is not required to post information since it's exempt from public disclosure under TGC Chapter 552</i>		
May 24, 2018	Executives Travel and Entertainment Expenditures	Enhance language in current T&E policies and procedures to ensure the appropriate level of management is reviewing and approving T&E related expenses.	Management concurred with the recommendation and has updated the policy to include language to ensure the appropriate level of management is approving T&E related expenses.	Closed
		Update internal Travel Services website by adding links to the website to all pertinent T&E policies and procedures.	Management concurred with the recommendation and is in the process of working with the Information Technology Department to update the travel website.	<i>In Process (due to be completed by 11/30/2018)</i>
July 11, 2018	Payroll	Recoup reimbursement payments totaling \$371.67 made in error to the three employees for travel expenses.	Management has recouped the \$371.67.	Closed
		Recoup overpayment of \$2,079 made to one employee for moonlighting activities.	Management has recouped the \$2,079.	Closed
July 12, 2018	Body Donation Program	No Findings Noted	N/A	Closed
August 7, 2018	Employee Benefits Proportionality	No Findings Noted	N/A	Closed
August 29, 2018	Bursar's review of Segregation of Duties & Access User Roles	No Findings Noted	N/A	Closed
August 29, 2018	Gift Compliance	Enhance current policies to clearly define current purpose gifts and to provide guidance for the solicitation, receipt,	Management is in the process of updating the pertinent gift policies and procedures.	<i>In Process (due to be completed by 8/31/2019)</i>

Report Date	Report Title	Recommendation(s)	Management Action Plan(s)	Status
October 31, 2018	Gift Compliance Audit (Continued)	<p>processing, and monitoring of current purpose gifts.</p> <p>Consider enhancing current policies by adding links from other pertinent policies and procedures to HOP Policy 6.10.2 Gifts: Acceptance, Processing, and Solicitation to further educate users on the proper use of donor funding within current restricted accounts.</p> <p>Ensure revised policies for current purpose gifts are available and communicated to departmental staff that receive, process and monitor current purpose gifts.</p> <p>Ensure donation forms are used for all current purpose gifts to document the donor's intent.</p> <p>Continue to work with Business Affairs to obtain additional PID account numbers and/or Fund Codes in order to enhance monitoring efforts of current purpose gift donations.</p>	<p>Management is in the process of applying links to pertinent gift policies and procedures.</p> <p>Management will ensure newly updated gift policies and procedures will be communicated to the appropriate parties.</p> <p>Management will develop and implement policy and procedures that will ensure a donation form will be completed, to properly document the donor's current purpose gift intended use</p> <p>To enhance monitoring efforts of current purpose gift donations, we are currently working with the Business Affairs Office to generate our own Fund Group Account for our Current Purpose Gifts over a certain threshold and with certain criteria.</p>	<i>In Process (due to be completed by 8/31/2019)</i>
	Senate Bill 20 Compliance Assessment	No Findings Noted	N/A	Closed

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

The table below summarizes the key FY 2018 consulting and non-audit services performed by Internal Audit.

<b>Report Date</b>	<b>Report /Engagement Title</b>	<b>High Level Objective</b>	<b>Observations/Results/Recommendations</b>	<b>Status</b>
N/A	Various Investigations - Exempt from public disclosure.			
May 16, 2018	Consulting Engagement for Department of Rehabilitation Medicine	Performed a high level review of their inventory and procurement practices.	Department is working with the Procurement Department to ensure that, retrospectively, all vendors currently being used have valid contracts in place and have been properly procured in accordance with state regulations.	Completed
June 6, 2018	Consulting Engagement for Human Resources Department	Human Resources met with IA and requested assistance regarding a number of recent Human Capital Management (HCM) application support issues.	IA provided preliminary guidance and recommendations focused on establishing clearer roles and responsibilities between HRIS and IMS regarding enterprise change management processes, as well as recommendations on HRIS and IMS jointly reviewing and revising the HCM service-level agreement to clarify the expectations and responsibilities of both groups.	Completed
July 11, 2018	Consulting Engagement for School of Health Professions	Assisted SoHP to obtain past due revenue (7 months) from the City of San Antonio relating to a contract for training services.	Assisted staff in preparing reimbursement documentation in a format in which the City wants in order to obtain past due revenue totaling \$105,980.	Completed

## IV. External Quality Assurance Review

*The University of Texas Health San Antonio has a peer review conducted in coordination with The University of Texas System Office every three years. The last review/validation was conducted in May of 2017. Another review will not be scheduled until the spring of 2020. The following information are the results of the prior 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)
- All 16 opportunities have been addressed and are closed

## V. Internal Audit Plan for Fiscal Year 2019

The Institutional Internal Audit Committee approved the FY 2019 Internal Audit Plan on July 17, 2018 (*updated and approved by Audit Committee on 10/31/2018*). The finalized Audit Plan is listed below (pages 10 through 13):

<b>Project #</b>	<b>Audit Title</b>	<b>Budgeted Hours</b>	<b>General Objective/Description</b>
<b>Risk-Based Audits</b>			
<i>Critical</i>	Epic Infrastructure Data Security	450	<i>Determine whether adequate and effective processes and controls are in place to secure Epic database infrastructure and to prevent unauthorized and/or inappropriate access.</i>
<i>Critical</i>	Institutional Data Governance	440	<i>Determine whether the processes and controls for data governance are adequate and effective to manage the protection and usage of sensitive, confidential and/or critical institutional data.</i>
<i>High</i>	ProCard Program	300	<i>Assess the adequacy and effectiveness of processes and controls for managing the ProCard program.</i>
<i>Critical</i>	Practice Plan – Billing & Collections	450	<i>Review and evaluate the effectiveness of the payment collection processes and related controls, within UT Health Physicians clinical operations.</i>
<i>Critical</i>	Drug Diversion	450	<i>Determine whether the processes and controls for drug diversion protocols are adequate and effective.</i>
<i>Critical</i>	Follow-up Audit of Revenue Cycle – School of Dentistry	535	<i>As a follow-up to the FY18 audit, reperform an evaluation of the processes and controls over UT Dentistry's Revenue Cycle.</i>
<i>Critical</i>	Clinical Trials Billing	400	<i>Assess the adequacy and effectiveness of processes and controls over clinical trials billing, excluding those conducted by the Mays Cancer Center. An audit of the Cancer Center's Clinical Trials Billing is being completed as part of the FY 18 Audit Plan.</i>
<i>Critical</i>	Mays Cancer Center Infusion Charge Capture and Billing	550	<i>Assess the adequacy and effectiveness of the Mays Cancer Center's drug infusion charge capture and billing processes and controls.</i>
<i>Critical</i>	Sharing Epic with External Partners	240	<i>Assess the adequacy and effectiveness of the processes and controls associated with extending Epic access to external partners and providers.</i>
<i>Critical</i>	Carry Forward FY 2018 Project: Mays Cancer Center Clinical Trials Billing	125	<i>Completion of audit started during Q4 FY 2018.</i>
<i>Critical</i>	Carry Forward FY 2018 Project: Facilities Management	125	<i>Completion of audit started during Q4 FY 2018.</i>
<i>Critical</i>	Carry Forward FY 2018 Project: AxiUm	250	<i>Completion of audit started during Q4 FY 2018.</i>
<i>High</i>	Carry Forward FY 2018 Project: Accounts Payable	100	<i>Completion of audit started during Q4 FY 2018.</i>
<i>High</i>	Carry Forward FY 2018 Project: Practice Plan (Cash Management)	220	<i>Completion of audit started during Q4 FY 2018.</i>
<b><i>Risk-Based Audits Subtotal</i></b>		<b>4,635</b>	

<b>Project #</b>	<b>Audit Title</b>	<b>Budgeted Hours</b>	<b>General Objective/Description</b>
<b>Required Audits (Internal / External)</b>			
	FY 2018 Financial Statement Audit Assistance (Year-end)	20	Assist the external auditors in the performance of substantive testing for the audit of the Annual Financial Report (FY 18 year-end-work).
	FY 2019 Financial Statement Audit Assistance (Interim)	10	Assist the external auditors in the performance of financial and IT control testing for the audit of the Annual Financial Report (FY 19 interim-work).
	Residency Program Award/Family & Community Medicine	200	Review expenditures for the Residency program and report on the compliance with grant regulations to the Texas Higher Education Coordinating Board.
	Nursing Shortage Program (Award 2016)	200	Determine whether revenues and expenditures related to Texas Higher Education Coordinating Board (THECB) funds for FY 2016 were accurately stated on the associated program reports and were in accordance with THECB requirements.
	Executive Travel and Entertainment Expenses	160	Evaluate and test compliance with UT Health San Antonio and UTS policies for travel and entertainment expenses incurred by senior leaders (Required by UT System biennially - conducted off-cycle based on risk).
	SAO Annual Reporting Requirement on Procurement Policies	20	Review for compliance with the Texas Education Code §51.9337 requirement that the chief audit executive annually certify to the state auditor that the institution has procurement policies in place that comply with the Texas Education Code requirements for higher education institutions. (Due 11/1/18)
	Audit Assistance to External Agencies (SAO, THECB, etc.)	80	Coordinate external agency audits.
	Annual Internal Audit Report	80	Prepare and issue the SAO Internal Audit Activity Report.
<b>Required Audits Subtotal</b>		<b>770</b>	
<b>Risk-Based Consulting Projects</b>			
High	School of Health Professions - City Contract EMT	250	Review the processes and controls for managing the contract with the City of San Antonio for emergency management training and professional services. Where appropriate, provide guidance and feedback to Management to enhance these processes and controls.
High	Credential Management	120	Gain an understanding of how privileged access and credentials are managed within IT operations, and where appropriate, provide guidance to help ensure that associated processes and controls are in place to effectively protect against unauthorized and inappropriate system access. Examples of credentials include service passwords and private keys used for authentication for system automation and administration.
Critical	Epic Risk Assessment and Audit Roadmap	240	Internal Audit will co-source with a Epic Subject Matter Expert (SME), to complete a risk assessment of our Institution's deployment of Epic. This assessment will be used to develop a risk-based roadmap for completing future audits and consulting engagements.

<b>Project #</b>	<b>Audit Title</b>	<b>Budgeted Hours</b>	<b>General Objective/Description</b>
n/a	Institutional Committee/Council Participation	240	<i>Participation in institutional committees and/or councils</i>
n/a	Meeting with Institutional Leadership	225	<i>Regularly scheduled, and as needed, meetings with the top 50+ leaders across the Institution to ensure that IA is aware of current and upcoming key initiatives and projects across the Institution. These meetings serve as a key element in: continually assessing the risk landscape, ensuring that Audit resources are focused on areas most critical to the Institution and that we have a consistent view of the strategic objectives of UT Health SA. These meetings also help to identify opportunities for IA to provide consulting services.</i>
<b>Risk-Based Consulting Subtotal</b>			<b>1,075</b>
<b>Investigations</b>			
	<b>Reserve Balance for Investigations</b>	<b>400</b>	<i>Provide support for institutional investigations.</i>
<b>Follow-up</b>			
	<b>Reserve to conduct follow-up procedures</b>	<b>320</b>	<i>Perform follow-up procedures to ensure management action plans have been implemented and has mitigated the risk noted by Audit.</i>
<b>Development Operations</b>			
	Annual Risk Assessment/Audit Plan Development	250	<i>Perform the annual risk assessment and develop the annual audit plan.</i>
	Internal Audit Committee preparation/participation	200	<i>Prepare materials and organize the institutional audit committee meetings.</i>
	Internal Quality Assurance and Improvement Program Activities	100	<i>Implement quality assurance and improvement programs. This is an Institute of Internal Auditors requirement per the professional Practices Framework.</i>
	Teammate, IDEA, website, etc. development/maintenance	80	<i>Resources dedicated to the transformation of audit management software (TeamMate), the Internal Audit Department website, and IDEA implementation, etc.</i>
	Staff meetings related to the management of the internal audit function	300	<i>Time required for the Internal Audit Department Staff Meetings.</i>
	UT System Audit Requests	50	<i>Reserve time for UTS requests</i>
	<b>Development Operations Subtotal</b>	<b>980</b>	
<b>Development – Initiatives and Education</b>			
	System Audit Office initiatives participation (committees, workgroups, research, etc.)	250	<i>Collaborate with System Audit Office on initiatives.</i>
	Institutional Strategic Initiatives	120	<i>Participate in initiatives focused on adding value and enhancing quality.</i>
	Individual continuing Professional Education (CPE) training (includes travel)	480	<i>Provide continuing professional education to staff for development of internal audit skills and competencies.</i>
	Professional organization/association participation	40	<i>Time reserved for participation in professional organization.</i>

<b>Project #</b>	<b>Audit Title</b>	<b>Budgeted Hours</b>	<b>General Objective/Description</b>
	Professional writing, publications, external presentation	160	<i>Time reserved for professional writing, publications, external presenting.</i>
	<b><i>Development – Initiatives and Education Subtotal</i></b>	<b><i>1,050</i></b>	
	<b><i>Total Budgeted Hours</i></b>	<b><i>9,230</i></b>	

### ***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.

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 2018**

The University of Texas System contracted with Deloitte and Touche, LLP to perform an independent audit of the FY 2018 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 (85<sup>th</sup> 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.