



INTERNAL AUDIT ANNUAL REPORT



Fiscal Year 2022

Prepared by:
Internal Audit & Consulting Services Office
7703 Floyd Curl Drive
San Antonio, TX 78229-3900

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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, UT Health San Antonio, Office of Internal Audit & Consulting Services (Internal Audit) posted the approved FY 2023 Internal Audit Plan and its FY 2022 Internal Audit Annual Report to its website.

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

Additionally, all internal audit reports are posted on the UT System Audit Office website, unless the information is excepted from public disclosure under Chapter 552.

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

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

- “detailed summary of weaknesses, deficiencies, wrongdoings, or other concerns, if any, raised by the audit plan or annual report.”
- “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 State Auditor’s Office (SAO) based on Texas Government Code, Section 2102.015 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 2022 internal audit recommendations and report on its action and progress toward implementing those recommendations. See page 6 for Schedule of Open Audit Recommendations and the status as of August 31, 2022 (FY 2022).

II. Internal Audit Plan for Fiscal Year 2022 & Project Status

<i>Project/Report #</i>	<i>Report Title</i>	<i>Report Date or Status</i>
Risk Based Audits		
<i>UTHSCSA 21-04 CF</i>	Asset Management	<i>November, 2022 **</i>
<i>UTHSCSA 22-01</i>	Construction Management	<i>Transferred to FY 2023</i>
<i>UTHSCSA 22-02</i>	UTHP Charge Capture	<i>November, 2022 **</i>
<i>UTHSCSA 22-03</i>	Infection Control at the COHR and Remote Clinics	<i>November, 2022 **</i>
<i>UTHSCSA 22-04</i>	UHS Annual Operating Agreement Compliance Review	<i>April 11, 2022</i>
<i>UTHSCSA 22-05</i>	Sub-certification Process and Monitoring of Key Controls	<i>October 31, 2021</i>
<i>UTHSCSA 22-06</i>	Foreign Influence	<i>Carryover to FY 2023</i>
<i>UTHSCSA 22-07</i>	Axiom Security	<i>Transferred to FY 2023</i>
<i>UTHSCSA 22-08</i>	EPIC Application - General IT Controls Effectiveness (TAC 202)	<i>October 31, 2022*</i>
<i>UTHSCSA 22-09</i>	Research Computing Environment - Security and Policy Compliance	<i>Transferred to FY 2023</i>
<i>UTHSCSA 22-10</i>	Timekeeping Process - Completeness and Accuracy	<i>Cancelled***</i>
Consulting Audits		
<i>UTHSCSA 22-42</i>	CARES Act Funding	<i>October 14, 2021</i>
<i>UTHSCSA 22-11</i>	Diversity, Equity, and Inclusion Initiatives	<i>Transferred to FY 2023</i>
<i>UTHSCSA 22-13</i>	Cloud Computing Security Risk and Compliance	<i>Cancelled***</i>
<i>UTHSCSA 22-14</i>	Data Governance (DMM Framework) Maturity	<i>Transferred to FY 2023</i>
<i>UTHSCSA 22-41</i>	Technology Transfer Best Practices	<i>July 6, 2022</i>
<i>UTHSCSA 22-44</i>	Optional Retirement Program	<i>March 28, 2022</i>
Externally Required Audits		
<i>UTHSCSA 22-17</i>	Residency Program Award/Family & Community Medicine	<i>December 1, 2021</i>
<i>UTHSCSA 22-20</i>	Annual Internal Audit Report	<i>October 31, 2021</i>
<i>UTHSCSA 22-21</i>	Employee Benefits Proportionality Audit	<i>January 11, 2022</i>
University of Texas System Required Audits		
<i>UTHSCSA 22-15</i>	FY 2021 Financial Statement Audit Assistance (Year-end)	<i>Completed</i>
<i>UTHSCSA 22-16</i>	FY 2022 Financial Statement Audit Assistance (Interim)	<i>Completed</i>

* Report to be issued by October 31, 2022

** Report to be issued by November 30, 2022

*** Audit & Consulting Engagement were cancelled due to lack of IT Audit resources, Audit Committee approval was obtained for the audit engagement on 4/20/22

Note: Items transferred to FY 2023 Audit Plan due to Audit Resources or Management Request

Compliance Audit Requirements for Higher Education Institution:

Higher Education Institution Benefits Proportionality Audit Requirements

Rider 8, page III-50, the General Appropriations Act (87th Legislature, Conference Committee Report) requires each higher education institution, excluding public community/junior colleges, to conduct an internal audit of benefits proportional by method of finance 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 2019 through 2021.
- 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, 2022.
- 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 (87th 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 2022 and 2023.

The Benefits Proportionality Audit for FY 2019 through FY 2021 was completed and submitted to the Legislative Budget Board, the Comptroller of Public Accounts, and the SAO on January 11, 2022.

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

TEC Section 51.9337(h) 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 2022, 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 2022 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 2022 Summary of Internal Audit Recommendations and Implementation Status

Report Date	Report Title / Status of Audit	Recommendation(s)	Management Action Plan(s)
November 4, 2021	Report Title (UTHSCSA 21-03) UHS (MSA) Contract Revenue Compliance Status of this Audit <i>In-Progress</i>	<p>Each subsection of the contract should include all relevant pay variables to ensure the payments received from UHS are aligned with the services provided by UT Health SA and terms and conditions as stated in the contract. Clearly defining variables for billing purposes within the contract will improve transparency for UT Health SA and UHS, as well as simplifying monitoring efforts for both parties.</p> <ol style="list-style-type: none"> Since the FY 2022 MSA contract is currently in its final stages of review, some contract terms may not be able to be updated to add the appropriate clarity. However, UT Health SA departments should streamline the billing and payment process for the portion in which they have control such as: <ul style="list-style-type: none"> Utilizing the standardized form that captures hours worked by an employee as illustrated in the current MSA Agreement under Exhibit A. Invoice UHS for the total amount of hours worked monthly versus the standard retainer to accurately reflect the services rendered for the payment period. Ensure all standardized forms are signed by the appropriate personnel and sum to the invoice total sent to UHS for payment. Due to the financial magnitude of this contract, the lack of clarity and guidance the current contract provides, and the long-standing partnership between UT Health San Antonio and UHS an overall assessment of the current contract deliverables is needed. We recommend updating, at a minimum, the subsection schedules to include all required deliverables such as: <ul style="list-style-type: none"> Services to be performed Number of FTEs desired Hours/shifts to be worked Key variables needed to clearly and effectively invoice UHS at an agreed upon rate. <p>Updating the schedules to include the additional information not only improves transparency between UT Health SA and UHS, but also helps ensure the completeness and accuracy of the billing and collections for services provided by UT Health SA making monitoring efforts for both parties more efficient.</p> 	<p><u>Action Plan:</u> For the next MSA in 2023 we will create a task force from UTH and UHS to review and rewrite each exhibit/schedule consistent with what are the actual expectations and requirements, and determine a process to determine the payments. The Task Force will involve the UTH department chair/division chief of the clinical service as well as the UHS responsible party. This way we can draft language and terms to which all agree, and include the documentation required. In addition to simplifying the process, we should also attempt to standardize as much as possible. We will attempt to complete as much of this work as possible this year however given the size and scope of the services, we will not have time to complete everything. <u>Owner:</u> Executive Vice Dean for Clinical Affairs and Vice Dean for Finance & Administration, LSoM <u>Implementation Date:</u> January 1, 2023; inaugurate Task Force in January 2022, with completion of re-drafting schedules by September 1, 2022.</p>
April 11, 2022	Report Title (UTHSCSA 22-04) UHS (AOA) Contract Revenue Compliance	<p>Each subsection of the contract should include, and clearly define, all relevant pay variables to ensure the payments received from UHS are aligned with the services provided by the LSOM and terms and conditions as stated in the contract. Clearly defining variables for billing purposes within the contract will improve transparency for UT Health San Antonio and UHS, as well as simplifying monitoring efforts for both parties.</p>	<p><u>Action Plan:</u> The current billing practice ensures that we can more closely align accruals with actual cash flow and allows for time to properly reconcile amounts after</p>

<p>Status of this Audit <i>In-Progress</i></p>	<ol style="list-style-type: none"> 1. The AOA contract will not be up for renewal until August 31, 2023; therefore, the contract terms may not be able to be updated until the next contract in which to add the appropriate clarity. Upon renewal, LSOM departments should streamline the billing and payment process for the portion in which they have control such as: <ul style="list-style-type: none"> • Invoice UHS for the total amount of hours worked monthly versus the standard one-twentieth amount to accurately reflect the services rendered for the payment period. • Ensure all standardized forms are signed by the appropriate personnel and sum to the invoice total sent to UHS for payment. 2. Due to the financial significance of this contract, the lack of clarity and guidance in the current contract, and the long-standing partnership between UT Health San Antonio and UHS, an overall assessment of the contract deliverables is needed. We recommend updating, at a minimum, the subsection schedules to include all required deliverables such as: <ul style="list-style-type: none"> • Services to be performed • Number of FTEs desired • Hours/shifts to be worked • Key variables needed to clearly and effectively invoice UHS at an agreed upon rate. <p>Updating the contract to include the additional information not only improves transparency between UT Health San Antonio and UHS, but also helps ensure the completeness and accuracy of the billing and collections for services provided by the LSOM making monitoring efforts for both parties more efficient.</p>	<p><i>receipt. It has been contractually agreed to by both UT and UH leadership and provides predictability in financial prosecution of the contract for both sides of the partnership.</i></p> <p><i>For the next AOA, we will create a task force from UTH and UHS to review each exhibit/schedule consistent with what are the actual expectations and requirements, and determine a simplified process for payments related to the work accomplished. The Task Force will involve the UTH department chair/division chief of the clinical service as well as the UHS responsible party. This way we can draft language and terms to which all agree, and include the documentation required. We are dedicated to working with our UH partners to clarify the specifics for all schedules within the AOA as they relate to measurable payment terms and units of service. The approach to this will mimic that which has been previously pledged for the MSA and will be worked on concurrently with the MSA review effort.</i></p> <p><u>Owner:</u> <i>Executive Vice Dean for Clinical Affairs and Vice Dean for Finance & Administration, LSOM</i></p> <p><u>Implementation Date:</u> <i>Schedule reviews will be initiated in May 2022, with the goal of completing the review process by January 1, 2023. The current AOA contract runs January 1, 2022, through August 31, 2023.</i></p>
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III. Consulting Services and Non-Audit Services Completed

The table below summarizes the key FY 2022 consulting and non-audit services performed by Internal Audit.

Project Number#	Request Closed	Engagement Title	High Level Objective	Observations Results	Status
UTHSCSA 22-45	Dec 14, 2021	Cash Handling Procedures	Assessed process and procedures for cash handling for SoD	Where needed, Management has planned/ or taken appropriate corrective action.	<i>Completed</i>
UTHSCSA 22-46	Jan 20, 2022	Advisory Support - Data Security	Evaluated select processes regarding ACO Partners.		
UTHSCSA 22-44	Feb 9, 2022	Retirement Benefits	Assessed the status of retirement benefits for employees that may qualify for benefits other than TRS.		
UTHSCSA 22-41	July 6, 2022	Tech Transfer	Reviewed the tech transfer process and provided executive leadership with requested information.		
UTHSCSA 22-48	June 28, 2022	Management Access Review	Guidance provided on management access reviews.		
UTHSCSA 22-49	Aug 14, 2022	Be Well Texas	Evaluated procurement process for contract work with grant funds.		

IV. External Quality Assurance Review

UT 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 July of 2020, another review is planned for FY 2023.

V. Internal Audit Plan for Fiscal Year 2023

The Institutional Internal Audit Committee approved the FY 2023 Internal Audit Plan on June 30, 2022, and revised on October 19, 2022. The finalized Audit Plan is listed below:

Project #	Audit Title	General Objective/Description
Assurance Engagements		
UTHSCSA 22-02CF	UTHP Charge Capture	<i>Evaluate the effectiveness and controls of the charge capture process to determine that UTHP is billing for all services rendered. Carry Forward Audit from FY 22</i>
UTHSCSA 22-06CF	Foreign Influence	<i>Evaluate the system of internal controls in place to manage risks identified by the federal government related to foreign influence. Carry Forward Audit from FY 22</i>
UTHSCSA 23-03	Dentistry Revenue Cycle Billing Process	<i>Assess the controls and procedures as it pertains to the billing and claims process with the SoD practice plan.</i>
UTHSCSA 23-04	Sub-certification Process and Monitoring of Key Controls	<i>Validate the Institutional monitoring plan related to segregation of duties and account reconciliations and financial review and analysis</i>
UTHSCSA 23-05	Physician Credentialing	<i>Assess MSRDP processes for: physician credentialing, recertification and monitoring of physicians licensures and insurance for expirations to ensure compliance with government regulations and Institutional policy.</i>
UTHSCSA 23-06	Payroll Process – Employment Status	<i>Assess processes for identifying, submitting, and processing changes regarding payroll as it pertains to an individual's employment status.</i>
UTHSCSA 23-07	Procurement – Sole Source Vendor	<i>Assess the processes and controls as it pertains to sole source procurement agreements</i>
UTHSCSA 23-08	National Institutes of Health (NIH) - Expenditures	<i>Assess the research billing process regarding NIH grants for efficiency and effectiveness.</i>
UTHSCSA 23-09	Epic Application Security & Infrastructure Security Assessment	<i>Evaluate EPIC Application, database, and operating system security by assessing the design and operating effectiveness of General IT Controls. (Meet requirement of TAC 202)</i>
UTHSCSA 23-10	axiUm Application Security	<i>Evaluate axiUm security by assessing the design and operating effectiveness of General IT Controls as they relate to the Axium application.</i>
UTHSCSA 23-11	Construction Management	<i>Evaluate the policies and processes in place to effectively manage construction projects in excess of ten million dollars. Carry Forward Audit from FY 22</i>
UTHSCSA 23-12	Research Computing Environment - Security and Policy Compliance	<i>Assess the processes and controls in place to manage non-IMS (or Clinical IT) supported devices network security provisioning and compliance with institutional standards. Carry Forward Audit from FY 22</i>
Assurance Engagements (Risk-based Audits)		38.3%
Advisory and Consulting Engagements		
UTHSCSA 23-13	Diversity, Equity and Inclusion Initiatives	<i>Provide audit support in helping the Institution achieve its DEI objectives.</i>
UTHSCSA 23-14	Be Well Texas Grant	<i>Assess the processes for managing the billing and performance requirements as outlined in program contracts.</i>
UTHSCSA 23-15	Underpayments and Contract Rates – Mays Cancer Center	<i>Assess the controls and procedures as it pertains to the billing and claims process for the Mays Cancer Center.</i>
UTHSCSA 23-16	Data Governance Maturity Assessment	<i>Benchmark performance across critical institution data capabilities and associated cybersecurity.</i>
Advisory and Consulting Engagements		22.1%
Required Engagements		
UTHSCSA 23-20	FY 2022 Financial Statement Audit Assistance (Year-end)	<i>Assist the external auditors in the coordination and/or performance of testing for the audit of the Annual Financial Report (FY22 year-end work).</i>

Project #	Audit Title	General Objective/Description
UTHSCSA 23-21	FY 2023 Financial Statement Audit Assistance (Interim)	Assist the external auditors in the coordination and/or performance of financial and IT control testing for the audit of the Annual Financial Report (FY23 interim work).
UTHSCSA 23-22	Residency Program Award/Family & Community Medicine	Review expenditures for the Residency program and report on the compliance with grant regulations to the Texas Higher Education Coordinating Board.
UTHSCSA 23-23	Body Donation	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.
UTHSCSA 23-24	SAO Annual Reporting Requirement on Procurement Policies	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.
UTHSCSA 23-26	Annual Internal Audit Report (SAO)	Prepare and issue the annual SAO Internal Audit Activity Report.
Required Engagements		6.7%
Other		
Investigation Reserve		2.8%
IT Audit Reserve		2.5%
Follow-up		1%
Development – Operations		18%
Development – Initiatives and Education		8.6%

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 involved using a top-down approach based on the institutional strategic objectives and priorities. The risk assessment included consideration of risks associated with (1) the applicable information technology risks related to Title 1, Texas Administrative Code, Chapter 202, Information Security Standards, and (2) benefits proportionality. Internal Audit also considered potential risk areas based on external inputs from other academic healthcare Institutions, external firms, and other professional organizations such as the Association of Healthcare Internal Auditors. 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 FY 2022

The University of Texas System contracted with Deloitte and Touche, LLP to perform an independent audit of the FY 2022 University of Texas System financial statements, which included the performance of certain audit procedures at UT Health San Antonio. Internal Audit did not contract for any audit services in FY 2022.

VII. Reporting Suspected Fraud and Abuse

Actions taken to comply with Section 7.09, page IX-38, the General Appropriations Act (86th Legislature), and Section 7.09, page IX-38, the General Appropriations Act (87th Legislature), as well as 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 provided 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 link is being re-established and is also listed in HOP Policy 2.5.5.
- The UT Health San Antonio Handbook of Operating Procedures ([HOP](#)) [Policy 2.5.5 Fraud, Abuse and False Claims Act](#) (HOP) Policy 2.5.5, *Fraud, Abuse and False Claims Act* provides information on the coordination of investigations and reporting of suspected fraud and abuse.