



FY 2015 Internal Audit Annual Report

Purpose of the Internal Audit Annual Report: To provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the internal audit annual report assists oversight agencies in their planning and coordination efforts.

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

Texas Government Code, Section 2102.015 requires that state agencies, including institutions of higher education, post on their website:

- the agency's approved internal audit plan, as provided by Texas Government Code Section 2102.008
- the agency's annual report, as required by Texas Government Code Section 2102.009

Texas Government Code, Section 2102.015, also requires entities to update the posting described above to include the following information on the Web site:

- a detailed summary of the 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

A state agency is not required to post information contained in the agency's internal audit plan or annual report if the information is excepted from public disclosure under Texas Government Code Chapter 552.

UT Health Northeast complies with these requirements by posting fiscal year audit plans and annual internal audit reports on the institution's external website in the "Reports to the State" section at [Resources | Reports to the State » UT Health Northeast](#). Detailed summaries of weaknesses and deficiencies raised by the audit plan or annual report along with the summary of actions taken to address the concerns are included within the annual internal audit reports. See Exhibit D for the FY 2015 detailed summaries.

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

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

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

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

III. Internal Audit Plan for Fiscal Year 2015

FY 2015 Audit Plan Audits/Projects	Project	Total Budgeted Hours	Total Actual Hours	Status of Plan
Financial				
FY 2014 Financial Statement Audit (final procedures)	15-01	77	106	Completed. Deloitte issued reports.
Presidential Travel and Entertainment Expenses Audit	15-02	40	30	Completed. System Audit issued report.
Executive Travel and Entertainment Expenses Audit	15-03	100	153	Completed. Report issued.
FY 2015 Financial Statement Audit (interim procedures)	15-04	108	16	Interim procedures completed (assistance to Deloitte).
UTS Policy 142.1 Testing	15-05	10	10	Completed. Summary memo prepared.
Supply Inventory Recounts	15-06	16	12	Completed. Summary memo prepared.
Reserve Applied: Audit of Benefits Paid Proportional by Fund	14-17	110	110	Completed. Report issued.
Financial Subtotal		461	437	
Operational				
Patient Revenue Audit - Cash Collection Rates and Patterns	15-07	350	237	In progress. Draft reporting stage.
Employee Leave Management Audit	15-08	275	321	Completed. Report issued.
Reserve Applied: Planning for FY 16 Executive Travel and Entertainment Expenses Audit	16-06	0	30	In progress for FY 16 plan year. Planning stage.
Reserve Applied: Planning for FY 16 Audit of Key Outsourced Functions	16-09	0	38	In progress for FY 16 plan year. Planning stage.
Reserve Applied: Miscellaneous Ad Hoc Requests	N/A	76	130	Completed.
Operational Subtotal		701	756	
Compliance				
Family Medicine Residency Program Grant Audit FYE 8/31/2014	15-09	75	86	Completed. Report issued.

FY 2015 Audit Plan Audits/Projects	Project	Total Budgeted Hours	Total Actual Hours	Status of Plan
MSRDP Faculty Practice Plan Audit (FY 14 - PQRS Consulting)	15-10	94	94	PY topic completed by System Audit. Report issued.
MSRDP Faculty Practice Plan Audit (FY 15 - Charity Care Consulting)	15-16	156	76	Completed. Results communicated.
Clinical Research & IRB Ongoing Monitoring	15-11	100	80	Completed.
Section 1115 Medicaid Waiver Region 1 Anchor Administrative Costs - Advisory Role	15-12	30	26	Completed.
Section 1115 Medicaid Waiver DSRIP Consulting Engagement	15-13	290	336	Completed. Report issued.
OMB Uniform Guidance Training Project	15-14	80	79	Completed. Research Faculty Seminar conducted; P & P implementation matrix presented to Research Compliance Committee.
Reserve Applied: Endowment Management Fee Audit	15-16	0	81	Completed. Report issued.
Reserve Applied: Office of Legal Affairs Support	N/A	0	81	Completed.
Reserve Applied: SACSCOC Accreditation Process Collaboration & Support	N/A	25	33	Completed.
Compliance Subtotal		850	972	
<i>Information Technology</i>				
Information Technology Security Assessment Follow-Up Audit	15-15	200	147	Completed. Report issued.
Reserve Applied: Complete TAC § 202 Online Banking Audit	14-13	39	39	Completed. Report issued.
Information Technology Subtotal		239	186	
<i>Follow-up</i>				
Quarterly Follow-Up and Validation of Outstanding Audit Recommendations	CATS reports	146	128	Completed CATS reports prepared.
Follow-up Subtotal		146	128	

FY 2015 Audit Plan Audits/Projects	Project	Total Budgeted Hours	Total Actual Hours	Status of Plan
Projects				
Training Provided by Internal Audit	N/A	40	46	Completed. Consulted with management and facilitated preparation of an internal control training module required for mandatory annual training for select employees.
Project Management Collaboration and Oversight	N/A	20	22	Completed.
Institutional Committees/Workgroups - Advisory Role	N/A	60	58	Completed.
Annual Risk Assessment & Audit Plan Preparation	N/A	140	217	Completed. Audit plan approved and submitted.
UT System & SAO Reports and Requests	N/A	40	69	Completed.
Audit Committee Preparation/Participation	N/A	125	172	Completed.
Annual Quality Assessment Activities	N/A	40	53	Completed. Report presented to Audit Committee.
External Quality Assessment Action Plan Implementation	N/A	100	92	Completed. Status grid presented to Audit Committee.
Automated Audit Tools	N/A	40	45	Completed.
Projects Subtotal		605	774	
Reserve				
Unapplied Reserve for TBD Engagements	15-16	0	0	All reserve applied.
Reserve Subtotal		0	0	
Totals		3,002	3,253	

IV. Consulting Services and Non-audit Services Completed

Report Date	Report Title	High-Level Objective	Results
No formal report	Internal Control Training Provided by Internal Audit	Collaborate with management to prepare training presentations that focus on internal controls over purchases and expenditures.	Facilitated an updated internal control training module for incorporation into mandatory annual training.

Report Date	Report Title	High-Level Objective	Results
No formal report	Institutional Committee or Meeting Participation – Advisory Role	Contribute to institutional governance by participating in an advisory role on several institutional committees.	Internal Audit served in an advisory capacity on a number of standing and ad hoc committees during the year and completed various action items assigned during the committee meetings.
No formal report	Fulfill Ad Hoc Requests	To fulfill ad hoc advisory or analysis requests by institutional and UTS customers.	Improvement of entity's operations, risk management, control, and governance processes.
No formal report	UTS Policy 142.1 Testing	To perform annual testing of the institutional monitoring plan for the segregation of duties and reconciliation of accounts, as required by UTS 142.1, Policy on the Annual Financial Report.	UT Health Northeast adequately executed the monitoring plan required by UTS Policy 142.1.
No formal report	Supply Inventory Recounts	To assist the Accounting department with the annual verification of departmental supply inventories for the purpose of financial statement asset valuation.	Supply inventory test recounts of assigned areas were substantially accurate.
No formal report	SACSCOC Accreditation and Support	Attend committee meetings and conference calls in preparation for a SACSCOC site visit; prepare for and participate in an interview from the candidacy site visit team.	UT Health Northeast was granted candidacy status by SACSCOC in June 2014 and a site visit was held in June 2015.
January 20, 2015	Medical Service Research and Development Plan (MSRDP) FY 2014 consulting engagement - Physician Quality Reporting System (PQRS) (Performed by UT System Audit Office)	To assess UT Health Northeast's process for reporting PQRS measures to Centers for Medicare and Medicaid Services (CMS).	Identified opportunities for improving processes and controls to ensure the accuracy and completeness of PQRS data.

Report Date	Report Title	High-Level Objective	Results
Informal communication	MSRDP FY 2015 consulting engagement – Charity Care	To assess institutional charity care policies and processes.	Advised management on charity care policies and processes.
No formal report	Clinical Research and Institutional Review Board Ongoing Monitoring	Monitored the status of important clinical research operational objectives.	Identified the status and risks associated with important clinical research operational objectives or projects.
No formal report	Section 1115 Medicaid Waiver Region 1 Anchor Administrative Costs	Reviewed UT Health Northeast's Medicaid Waiver Region 1 Anchor administrative costs reported to validate the appropriateness, accuracy and completeness of amounts reported to external parties.	Validated the accuracy and appropriateness of Medicaid Waiver Region 1 Anchor administrative costs reported to external parties.
Internal Memorandum – January 15, 2015	Section 1115 Medicaid Waiver Delivery System Reform Incentive Payments	Provided an independent perspective on key opportunities and risks associated with a sample of UT Health Northeast's DSRIP projects.	Identified opportunities for improving processes and controls to reduce risks associated with a sample of UT Health Northeast's DSRIP projects.
No formal report	Office of Management and Budget (OMB) Uniform Guidance Training Project	Prepared and conducted a working session for Sponsored Project administration personnel, and a corresponding Research Faculty Seminar presentation, on the new OMB Uniform Guidance, including the new effort reporting regulations, in preparation for the December 26, 2014 effective date.	Reduced the risk for non-compliance resulting from lack of knowledge of the new OMB Uniform Guidance.

V. External Quality Assurance Review

UT System engaged Price Waterhouse Coopers to conduct external quality assessments of the audit activities at all UT System institutions and System Administration. The quality assessment for UT Health Northeast (also known as UT Health Science Center at Tyler) was completed and a report was issued on February 28, 2014. The overall objective of the assessment was to evaluate whether the UT Health Science Center at Tyler Office of Internal Audit conforms with the Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*, Generally Accepted Governmental Auditing Standards, relevant requirements of the Texas Internal Auditing Act, and to perform an assessment of the internal auditing function

compared to leading practices. The UT Health Science Center at Tyler Office of Internal Audit received an overall rating of “generally conforms” with IIA *Standards*. “Generally Conforms” means the Internal Audit activity has practices that are in accordance with the IIA *Standards*, although opportunities for enhancement may exist. “Generally Conforms” is the highest ranking possible.

The Executive Summary of the UT Health Science Center at Tyler 2014 External Quality Assessment of the Office of Internal Audit is located at Exhibit A.

VI. Internal Audit Plan for Fiscal Year 2016

The FY 2016 annual audit plan was primarily developed based upon the results of the institution-wide risk assessment completed late in FY 2015 which focused on UT Health Northeast’s critical strategic and operational objectives and risks related to these. To identify audits and projects for the plan, Internal Audit considered the level of risk for strategic and operational objectives and monitoring of the risk performed internally and externally. In addition, audits and projects externally required or requested by UT System or the Board of Regents were also included in the plan.

The audit plan was divided into the following categories:

- Financial
- Operational
- Compliance
- Information Technology
- Follow-Up
- Development – Operations
- Development – Initiatives and Education
- Reserve

Audits and projects were included in the plan based upon the level of risks and the audit resources available but allocations were made to ensure an adequate level of coverage within each of the categories. Although the plan was developed to cover as many of the high risks as possible there were some risks related to strategic or operational objectives which were ranked as “high” that were identified in the risk assessment process in which a project was not scheduled. Many of these “high” risk objectives for which a project was not scheduled were deemed to be mitigated by the secondary line of defense such as compliance, risk management, functional teams, or committees. Specific “high” risks not covered by the plan were communicated to senior leaders and the Internal Audit Committee. High-risks not covered by the FY 2016 Audit Plan include the following subject areas:

High-risk Strategic or Operational Areas Not Covered in the FY 2016 Audit Plan	
Institutional Leadership	Budgeting /Decision Support
Policy Management	Debt Service
Joint Ventures	Coding
Risk Management	Graduate Education
Campus Police	IT Operations

High-risk Strategic or Operational Areas Not Covered in the FY 2016 Audit Plan	
Branding	Effort reporting/certification (eCERT)
Gifts and Endowments	Electronic Medical Records
Faculty Tenure and Development	Research Institutes/Centers
Degree Program Development	Pre-award & Award Acceptance
Accreditation and Attestation	Biosafety
Patient Safety	Bench Research Program
Recruitment and Staffing	Partnerships
Financial Reporting	

An audit of Benefits Paid Proportional to Fund is included in the plan to ensure that benefits proportional by fund are accurately calculated and applied according to the established guidelines set forth in Article IX, Section 6.08 of the General Appropriations Act for appropriation years 2012 and 2014, in compliance with a budget rider enacted during the 84th legislative session.

A State Institution of Higher Education Contracting Assessment will be completed to assess whether the institution has adopted the rules and policies outlined in Texas Education Code § 51.9337, which designates purchasing authority for institutions of higher education as being conditional unless compliance has been met. The chief auditor of each institution is required to perform this assessment annually, beginning in FY 2016. This project addresses contract management and other requirements of Senate Bill 20 (84th Legislature).

The FY 2016 Audit Plan was approved by the UT Health Northeast Internal Audit Committee on July 15, 2015 and by the UT System Board of Regents on August 19, 2015.

Risk Assessment Process

As a basis for the FY 2016 annual audit plan, an enterprise-wide risk assessment was completed to identify and evaluate risks relative to UT Health Northeast's critical strategic and operational objectives. This risk-assessment methodology was developed under the leadership of The University of Texas System Audit Office and implemented system-wide. The process is designed to capture and evaluate critical strategic and operational risks for the organization. The risk-assessment methodology is comprised of the following key elements in developing the assessment:

- A. Gain a comprehensive understanding of the organization's structure, critical strategic and operational goals, performance and environment within which it operates.
- B. Identify accountability for areas in which priorities are significant and risk factors are high.
- C. Gather and organize risk information to develop the organization's key objectives and risk inventory. Define risk factors in the areas of oversight controls, operations maturity, regulatory risk, hazard and fraud.
- D. Assess, collect and report risk and scoring of critical risks. Critical risks are scored using a pre-defined model for assessing risks based upon evaluation of risk factors including oversight controls and operations alignment.
 - Oversight controls including initiative or business objectives, metrics, monitoring, policies and procedures, communications, and culture were evaluated using the risk level criteria of critical, high, moderate and low.

- Operations alignment including people roles, people training, process formality, process efficiency, technology strength, and technology as an enabler were evaluated using the risk levels critical, high, moderate and low.

See Exhibit B: Internal Audit Risk Assessment Methodology “Capturing Critical Risks”

The risk assessment used is structured around the Three Lines of Defense model that is endorsed by the Institute of Internal Auditors. This model provides a structured approach for various departments or areas within an organization to be responsible for managing the organization’s risks. In summary, management is primarily responsible for risk. Risk assessing and risk managing functions such as Compliance, Information Security, Risk Management, Police, and Legal make up the secondary line of defense. Finally, Internal Audit is responsible for independently and objectively providing advice on how to strengthen risk management in the first and second lines of defense and mitigate risk.

See Exhibit C: Three Lines of Defense Model

FY 2016 Audit Plan

Project No.	Engagements Financial Audits and Projects	Budgeted Hours	Percent of Total
16-01	FY 2015 Financial Statement Audit - Final Procedures (assistance to the external auditor)	100	
16-02	FY 2016 Financial Statement Audit - Interim Procedures (assistance to the external auditor)	80	
16-03	FY 2015 UTS 142.1 Assurance Work	10	
16-04	Supply Inventory Recounts	15	
	Financial Subtotal	205	6.5%
Operational Audits and Projects			
16-05	President's Travel, Entertainment and University Residence Maintenance Expenses Audit (assistance to the System Audit Office)	20	
16-06	Executives' Travel and Entertainment Expenses Audit	125	
16-07	MSRDP Faculty Practice Plan Audit	250	
16-08	Patient Revenue Audit	325	
16-09	Audit of Key Outsourced Functions	375	
	Operational Subtotal	1,095	34.8%
Compliance Audits and Projects			
16-10	Audit of Benefits Paid Proportional by Fund	150	
16-11	Family Medicine Residency Program Grant Audit FYE 8/31/2015	75	
16-12	CPRIT Grant External Audit (assistance to management)	20	
16-13	Transition to Quality- and Cost-Based Payment Models - Advisory Role	80	
16-14	State Institution of Higher Education Contracting Assessment	100	
	Compliance Subtotal	425	13.5%

Information Technology Audits and Projects			
16-15	TAC §202 Compliance Audit	250	
16-16	PeopleSoft Upgrades Implementation - Advisory Role	100	
		Information Technology Subtotal	350 11.1%
Follow Up			
CATS Reports	Quarterly Follow-Up and Validation of Outstanding Audit Recommendations	123	
		Follow Up Subtotal	123 3.9%
Development - Operations			
	Annual Risk Assessment and Audit Plan Development	140	
	Internal Audit Committee Preparation and Participation	125	
	Institutional Committees and Workgroups - Advisory Role	60	
	Internal Quality Assurance and Improvement Program Activities	25	
	UT System & SAO Reports and Requests	40	
	Training Provided by Internal Audit	40	
	Project Management Collaboration and Oversight	20	
		Development - Operations Subtotal	450 14.3%
Development - Initiatives and Education			
	System Audit Office Initiatives Participation	30	
	External Quality Assessment Action Plan Implementation	75	
	Individual Continuing Professional Education (CPE) Training	110	
	Automated Audit Tools Skills Development	30	
		Development - Initiatives and Education Subtotal	245 7.8%
Reserve			
	Reserve for TBD Engagements	250	
		Reserve Subtotal	250 8.0%
Total Budgeted Hours		3,143	100.0%

VII. External Audit Services Procured in Fiscal Year 2015

UT Health Northeast acquired an external financial audit of the East Texas Quality Care Network (ETQCN) for the fiscal years ended August 31, 2014 and 2013. ETQCN is a tax exempt and certified nonprofit health care corporation affiliated with UT Health Northeast. The audit was performed by CliftonLarsonAllen, LLP. The audit was completed in FY 2015 and the report was dated October 20, 2014. The SAO delegated authority to UT Health Northeast to contract for these audit services.

The University of Texas System acquired a financial audit of the UT Health Northeast financial statements from Deloitte & Touche, LLP for the fiscal years ended August 31, 2014 and 2013. The audit was completed in FY 2015 and the report was dated December 17, 2014. The SAO delegated authority to UT System to contract for these audit services as an addendum to a System-wide agreement.

VIII. Reporting Suspected Fraud and Abuse

UT Health Northeast has taken the following actions to implement the requirements of:

- **Section 7.09, page IX-37, the General Appropriations Act (84th Legislature, Conference Committee Report).** The institution's website includes the State Auditor's Office fraud hotline information and a link to the State Auditor's website for fraud reporting. The information is linked from the institution's home page via a link entitled, "How to Report Fraud, Waste, and Abuse". The institution has also included information on how to report suspected fraud involving state funds to the State Auditor's Office in its Compliance and Ethics Hotline Reporting Policy 4.1.11 in the Institutional Handbook of Operating Procedures (IHOP).
- **Texas Government Code Section 321.022, Coordination of Investigations:** UT System has implemented UTS Policy 118, Section 24, which outlines the reporting requirements of Texas Government Code § 321.022. This policy is applicable to all UT System institutions, including UT Health Northeast. The policy states that if funds received from the state are lost, misappropriated, misused, or other unlawful conduct has occurred in relation to the entity, the Chief Administrative Officer shall report the reason and basis for the alleged fraud to the State Auditor as required by Texas Government Code § 321.022. The UT Health Northeast President is knowledgeable about the policy requirements and his reporting responsibilities to the State Auditor.



EXHIBIT A - EXTERNAL QUALITY ASSESSMENT REVIEW EXECUTIVE SUMMARY

February 28, 2014

Ms. Kris Kavasch
Executive Director of Internal Audit
The University of Texas Health Science Center at Tyler
11937 U.S. Highway 271
Tyler, TX 75708-3154

We have completed an External Quality Assessment (“EQA”) of The University of Texas Health Science Center at Tyler (“UTHSC Tyler”) Office of Internal Audit (“IA”). The EQA included an assessment of the level of conformance with the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing (“the IIA Standards”), the Generally Accepted Government Auditing Standards (“GAGAS”) as well as the relevant requirements of the Texas Internal Auditing Act (“TIAA”). Listed below are our observations:

- IIA Standards – Based on our work, overall IA generally conforms. We did identify process enhancement opportunities.
- GAGAS – Our assessment of GAGAS was limited, based on IA’s disclosure that no internal audits were performed during our assessment period under GAGAS. Based on our work, we did not identify conformance observations. We did identify process enhancement opportunities.
- TIAA requirements – Other than the observations related to IIA Standards and GAGAS, no other observations were identified during our work.

Our Services were performed and this report was developed in accordance with our contract dated February 18, 2014 and are subject to the terms and conditions included therein. Our Services were performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants (“AICPA”). Accordingly, we are providing no opinion, attestation or other form of assurance with respect to our work and we did not verify or audit any information provided to us. Our work was limited to the specific procedures and analysis described herein and was based only on the information made available through February 28, 2014, when field work was substantially completed. Accordingly, changes in circumstances after this date could affect the findings outlined in this report. This information has been prepared solely for the use and benefit of, and pursuant to a client relationship exclusively with The University of Texas System Administration. PwC disclaims any contractual or other responsibility to others based on its use and, accordingly, this information may not be relied upon by anyone other than The University of Texas System Administration and UTHSC Tyler.

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

Very truly yours,

PricewaterhouseCoopers LLP
PricewaterhouseCoopers, LLP

PricewaterhouseCoopers LLP, 1201 Louisiana, Suite 2900, Houston, TX 77002-5678
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Information contained herein is for the sole benefit and use of PwC’s Client

Exhibit B: Internal Audit Risk Assessment Methodology Model

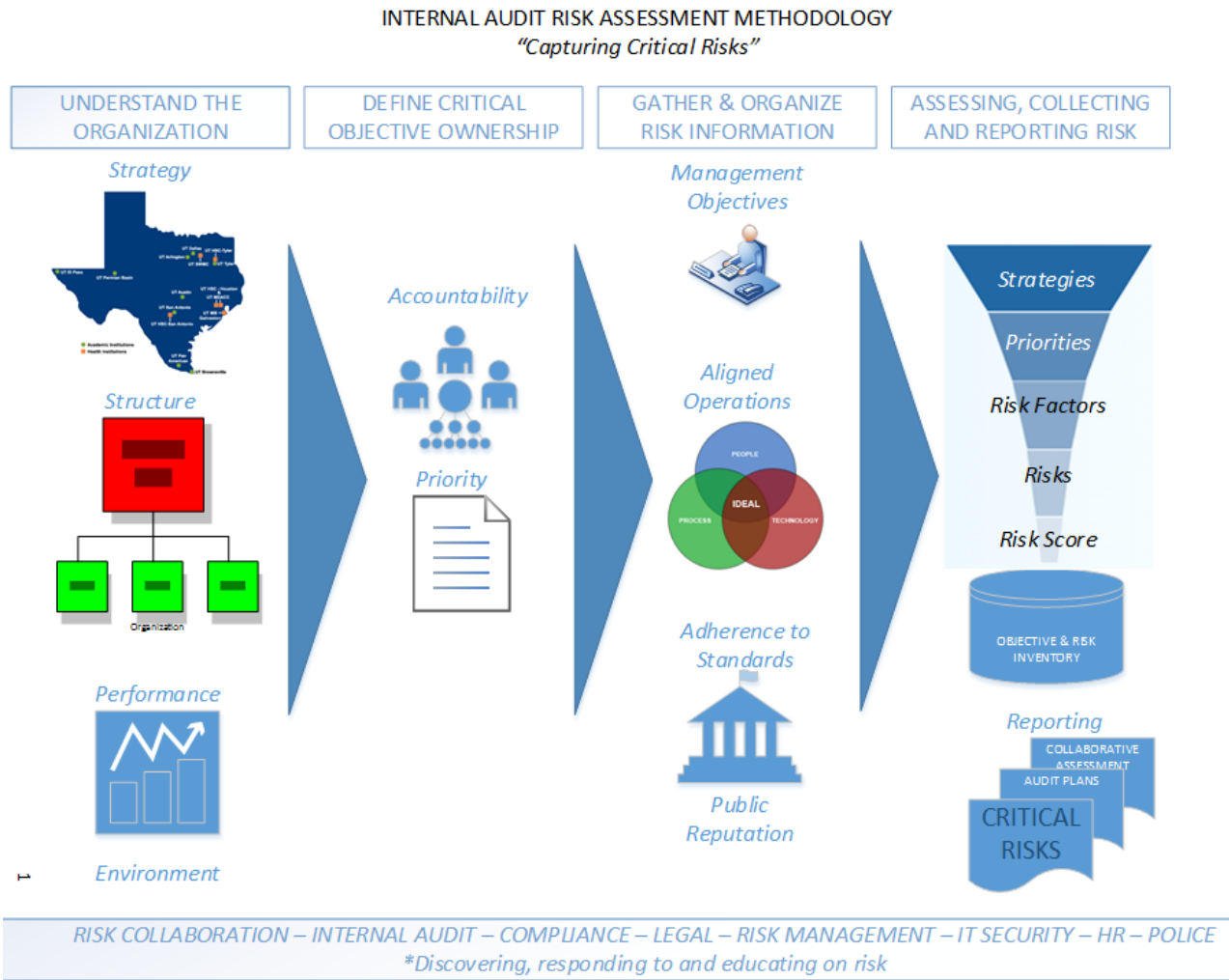


Exhibit C: Three Lines of Defense Model

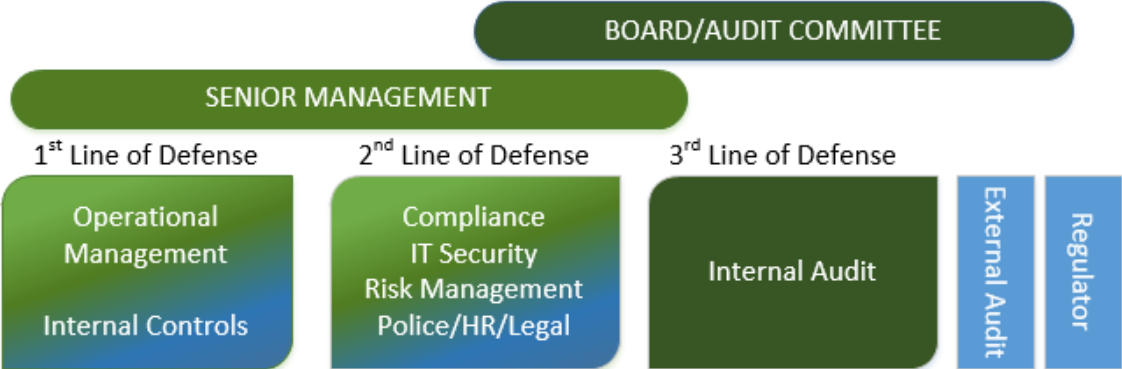


Exhibit D - UT Health Northeast Office of Internal Audit FY 2015 Audits - Summary of Issues and Current Status

House Bill 16 which amended Texas Government Code 2102 by adding Section 2102.015 requires state agencies and institutions of higher education to post to the institution's website:

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

Report No.	Report Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status/Actions ¹
15-01 15-04	12/7/2014	Audit of the Financial Statements for Years Ended August 31, 2014 and 2013 and interim work for the FYE 8/31/2015 audit – assist Deloitte	To express an opinion on the institution's financial statements.	The financial statements were presented fairly, in all material respects. No material weaknesses in financial accounting and reporting were identified. One significant deficiency in controls was identified in the area of information technology change management.	Incomplete/Ongoing IT management is in the process of implementing actions to fully resolve the issues concerning information technology change management.
15-02	4/2/2015	Presidential Travel & Entertainment Expenses Audit	To determine whether travel, entertainment, and university residence maintenance expenses paid on behalf of or reimbursed to the presidents and their spouses are appropriate, accurate, and in compliance with applicable institutional policies and Regents' Rules and Regulations.	Travel and entertainment expenses reimbursed to and paid on behalf of the president and his spouse appeared appropriate and accurate and adequate controls were in place. Recommendations were made for implementing processes to ensure compliance with policies concerning supporting documentation, approval of direct billed expenses, and timeliness standards.	Substantially Implemented Management concurred with the findings and is taking appropriate actions to resolve the issues.

**Exhibit D - UT Health Northeast Office of Internal Audit
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Report No.	Report Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status/Actions¹
15-03	2/24/2015	Executive Travel & Entertainment Expenses Audit	To determine whether travel & entertainment expenses paid by the institution on behalf of executive leaders were appropriate and in compliance with applicable laws, UT System and UT Health Northeast policies and procedures.	Travel and entertainment expenses reimbursed or paid on behalf of executives were appropriate and substantially in compliance with policies and procedures. No recommendations were made; however, there were some documentation deficiencies identified in which Internal Audit provided travel and entertainment policy training to executives and their staff.	Not Applicable
15-16	11/19/2014	Audit of Benefits Paid Proportional by Fund	To determine the accuracy of benefits paid proportional to fund for years AY 2013.	The Benefits Proportionality by Fund Report (APS 011) for AY 2013 submitted to the required state agencies on November 12, 2013 is materially accurate and no reimbursement is due. The process in place to prepare the annual report is sufficient to ensure benefits funding proportionality is applied according to applicable guidelines.	Not Applicable

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Report No.	Report Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status/Actions ¹
15-08	7/9/2015	Employee Leave Management Audit	To assess controls for leave management by reviewing activity in the system for accuracy and completeness.	Recommendations were made concerning the need for management to improve controls specific to fourteen issues identified concerning manual processes, Kronos timekeeping system and the Evolution leave slip system.	Incomplete/Ongoing Management concurred with the findings and has an action plan for resolving all of the issues within the timeframe of October 31, 2015 through March 31, 2016.
15-09	1/5/2015	Family Medicine Residency Program Audit FYE 8/31/2014	To provide an opinion regarding revenues and expenditures related to Texas Higher Education Coordinating Board grant funds reported on the Family Medicine Residency Program FY 2014 Annual Financial report.	No issues were identified for this audit.	Not Applicable
15-15	4/16/2015	IT Security Assessment Follow-up Audit	To assess the implementation status of recommendations that address the institution's higher risk IT vulnerabilities as outlined in the externally contracted IT Security Assessment.	Confidential report based on Texas Government Code Sections 552.139 exception referencing 552.021 requirements.	Confidential Report
15-16	8/10/2015	Endowment Management Fee Audit	To assess the reasonableness of calculations and supporting documentation for the endowment management and administrative (M&A) expenses incurred by UT Health Northeast.	Endowment M&A expenses documented were allowable, reasonable and adequately supported. Recommendations were made for implementing a time tracking system and updating job descriptions.	Fully Implemented

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¹ Definitions of implementation status are as follows:

- I. Fully Implemented: Successful development and use of a process, system, or policy to implement a prior recommendation.
- II. Substantially Implemented: Successful development but inconsistent use of a process, system, or policy to implement a prior recommendation.
- III. Incomplete/Ongoing: Ongoing development of a process, system, or policy to address a prior recommendation.
- IV. Not Implemented: Lack of a formal process, system, or policy to address a prior recommendation.