



## **FY 2016 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.*

**Table of Content**

**I. Compliance with Texas Government Code, Section 2102.015.....3**

**II. Internal Audit Plan for Fiscal Year 2016.....3**

**III. Consulting Services and Non-audit Services Completed.....6**

**IV. External Quality Assurance Review.....7**

**V. Internal Audit Plan for Fiscal Year 2017.....7**

**VI. External Audit Services Procured in Fiscal Year 2016.....11**

**VII. Reporting Suspected Fraud and Abuse.....11**

**Exhibit A: External Quality Assurance Review**

**Exhibit B: Summary of Issues and Current Status**

**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. 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.

Reference Exhibit B: UT Health Northeast Office of Internal Audit, FY 2016 Audits – Summary of Issues and Current Status

**II. Internal Audit Plan for Fiscal Year 2016**

FY 2016 Audit Plan Audit/Project	Project Number	FY2016 Actual			Status
		Original Budget	Adj. Budget	Hours Q1-Q4	
<b>Financial Audits and Projects</b>					
FY 2015 Financial Statement Audit - Final Procedures (assistance to the external auditor)	16-01	100	6	6	Completed. Deloitte issued report. Deloitte Combined Interim & Final Procedures to be performed Q1 2017.
FY 2016 Financial Statement Audit - Interim Procedures (assistance to the external auditor)	16-02	80	80	3	
FY 2015 UTS 142.1 Assurance Work	16-03	10	10	20	Completed. Summary memo prepared.
Supply Inventory Recounts	16-04	15	9	9	Completed.
<b>Financial Subtotal</b>		<b>205</b>	<b>105</b>	<b>38</b>	

<b>Operational Audits and Projects</b>						
President's Travel, Entertainment and University Residence Maintenance Expenses Audit (assistance to the System Audit Office)	16-05	20	0	0	Not selected for detailed testing this year. The 20 budgeted hours can be applied to another project.	
Executives' Travel and Entertainment Expenses Audit	16-06	125	169	170	Completed. Report issued.	
Conflict of Interest Audit (MSRDP Audit)	16-07	250	313	203	Completed. Report issued.	
Healthcare Delivery Partnerships, Affiliations, and Grants Revenue Audit	16-08	325	325	314	Completed. Report issued.	
Audit of Key Outsourced Functions	16-09	375	375	502	Completed. Report issued.	
Reserve Applied: Cath Lab Review Consulting Engagement	16-17	123	123	123	Completed. Report issued.	
Reserve Applied: FY 2015 Patient Revenue Audit Carryforward	15-07	27	59	38	Completed. Report issued.	
Reserve Applied: Revenue Cycle Management Optimization Initiative - Project Management Role	16-18	7	479	412	Completed.	
Reserve Applied: School of Community & Rural Health - Advisory Role	16-19	5	5	5	Completed.	
Reserve Applied: Miscellaneous Ad Hoc Requests	N/A	24	100	96	Completed.	
<b>Operational Subtotal</b>		<b>1,281</b>	<b>1,948</b>	<b>1,863</b>		
<b>Compliance Audits and Projects</b>						
Audit of Benefits Paid Proportional by Fund	16-10	150	225	199	Completed. Report issued.	
Family Medicine Residency Program Grant Audit FYE 8/31/2015	16-11	75	75	60	Completed. Report issued.	
CPRIT Grant External Audit (assistance to management)	16-12	20	25	17	Completed.	
Transition to Quality- and Cost-Based Payment Models - Advisory Role	16-13	80	80	19	Completed	
State Institution of Higher Education Contracting Assessment	16-14	100	125	62	Report issued on FY 2016 Annual Internal Audit Report to the State.	
<b>Compliance Subtotal</b>		<b>425</b>	<b>530</b>	<b>357</b>		
<b>Information Technology Audits and Projects</b>						
TAC §202 Compliance Audit	16-15	250	313	355	In Progress. Fieldwork Stage to Carryover to FY 2017.	
PeopleSoft Upgrade Implementation - Advisory Role	16-16	100	64	14	Completed.	
<b>Information Technology Subtotal</b>		<b>350</b>	<b>377</b>	<b>369</b>		
<b>Follow Up</b>						
Quarterly Follow-Up and Validation of Outstanding Audit Recommendations	CATS Reports	123	123	136	Completed.	
<b>Follow Up Subtotal</b>		<b>123</b>	<b>123</b>	<b>136</b>		
<b>Development - Operations</b>						
Annual Risk Assessment and Audit Plan Development	N/A	140	175	164	Completed. Report issued.	
Internal Audit Committee Preparation and Participation	N/A	125	182	243	Completed.	
Institutional Committees and Workgroups - Advisory Role	N/A	60	58	58	Completed.	
Internal Quality Assurance and Improvement Program Activities	N/A	25	25	24	Completed.	
UT System & SAO Reports and Requests	N/A	40	40	44	Completed.	
Training Provided by Internal Audit	N/A	40	40	25	Completed. Research Faculty Seminar presentation completed in Q1.	
Project Management Collaboration and Oversight	N/A	20	20	14	Completed	
<b>Development - Operations Subtotal</b>		<b>450</b>	<b>540</b>	<b>572</b>		

<b>Development - Initiatives and Education</b>					
System Audit Office Initiatives Participation	N/A	30	30	29	Completed.
External Quality Assessment Action Plan Implementation	N/A	75	68	61	Completed.
Individual Continuing Professional Education (CPE) Training	N/A	110	70	70	Completed.
Automated Audit Tools Skills Development	N/A	30	35	35	Completed.
<b>Development - Initiatives and Education Subtotal</b>		<b>245</b>	<b>203</b>	<b>195</b>	
<b>Reserve</b>					
Unapplied Reserve for TBD Engagements	N/A	64	0	0	All Reserve Applied
<b>Reserve Subtotal</b>		<b>64</b>	<b>0</b>	<b>0</b>	
<b>Totals</b>		<b>3,143</b>	<b>3,826</b>	<b>3,530</b>	

\*Due to staffing changes during FY 2016, the original budgeted hours were adjusted twice to appropriately reflect available hours. The adjusted budgeted hours were approved by the Internal Audit Committee during the April 19, 2016 meeting and July 11, 2016 meeting.

### **Benefits Proportionality Audit – Required by Rider 8, page III-41 of the General Appropriation Act (84<sup>th</sup> Legislature)**

Rider 8, page III-41, the General Appropriations Act (84<sup>th</sup> 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.

An internal audit of the proportionality of higher education benefits process was conducted during FY 2016 (Project # 16-10). The scope of the audit included benefits funding proportionality for appropriation year (AY) 2012 and 2014. 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. Since AY 2013 was included in the prior year audit, the benefits proportionality audit conducted during FY 2016 included only AY 2012 and AY 2014. The result of the AY 2013 audit was included in the resulting audit report.

### **Texas Education Code, Section 51.9337 – Purchasing Authority Conditional; Required Standards**

Senate Bill 20 (84<sup>th</sup> Legislative 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 §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 Northeast Internal Audit Office conducted this required assessment for fiscal year 2016, and found the following:

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

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

Report Date	Report Title	High-Level Objective	Results
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	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 actions 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	FY 2015 UTS 142.1 Assurance Work	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 pan required by UTS Policy 142.1
No Formal Report	Cath Lab Review Consulting Engagement	To evaluate the strategy, structure, people, processes, and technology associated with the cath lab function and supporting institutional functions at UT Health Northeast.	An evaluation was completed of Cath Lab strategy, structure, people, processes and technology and results were presented to management for operational decisions.
No Formal Report Ongoing	Revenue Cycle Management Optimization Initiative Project Management Role	To improve the institution's operating margin, by prioritizing investments in revenue enhancement initiatives that have the most impact (time to value).	Procedures to improve institution's operating margin have been implemented. Monitoring of revenue cycle performance is in process.
No Formal Report	School of Community & Rural Health - Advisory Role	To assist the School of Community & Rural Health with the start-up of a new degree program for Master of Public Health	According to the project timeline, the institution will seek approval from Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) in December of 2016.

Report Date	Report Title	High-Level Objective	Results
No Formal Report	Transition to Quality & Cost-Based Payment Models - Advisory Role	To provide assistance to the Information Technology staff in validating the appropriateness of data to be supplied relative to meaningful use requests.	Independent evaluations of data submission were completed to ensure appropriate data was supplied to fulfill data requests.
No Formal Report	State Institution of Higher Education Contracting Assessment	To assess institution's policies and determined whether the institution has adopted the required policies to comply with Texas Education Code, Section 51.9337.	The institution is in compliance with the TEC 51.9337 and all required policies and procedures are in place.
No Formal Report	PeopleSoft Upgrade Implementation - Advisory Role	To assist management and monitor project progress associated with the PeopleSoft Financials upgrade scheduled for implementation in FY 2016.	Internal Audit participated in an advisory role as the project was being implemented.

#### IV. External Quality Assurance Review (Peer Review)

UT System engaged Price Waterhouse Cooper 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*, GAGAS, 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.

Reference Exhibit A: External Quality Assessment Review Executive Summary

#### V. Internal Audit Plan for Fiscal Year 2017

The FY 2017 annual audit plan was primarily developed based upon the results of the institution-wide risk assessment completed late in FY 2016 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:

- Risk Based Audits
- Required Audits (Externally and Internally)
- Consulting Projects
- Investigations
- Follow-up
- General Reserve
- Development – Operations
- Development – Initiatives and Education

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 the senior leaders and the Internal Audit Committee. High-risks not covered by the FY 2017 Audit Plan include the following subject areas:

<b>High-risk Strategic or Operational Areas Not Covered in the FY 2017 Audit Plan</b>	
Recruitment and Staffing	Biosafety
Patient Safety	Partnerships
Compliance Program	Research Compliance
Graduate Education	Joint Ventures
Degree Program Development	Gifts and Endowments
Research Institutes/Centers	IT Operation
Animal Research Program	Campus Police

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 (84<sup>th</sup> Legislature) and in FY 2017, this assessment will be completed within reserve hours budgeted.

The FY 2017 Audit Plan was approved by the UT Health Northeast Internal Audit Committee on July 11, 2016 and by the UT System Board of Regents’ Audit, Compliance and Management Review Committee and full board at the August 24-25, 2016 meeting.



## Risk Assessment Process

As a basis for the FY 2017 annual audit plan, a 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 utilizing a top-down approach.

The risk-assessment approach consisted of the following procedures:

- Identified and considered UT System-wide risks
- Reviewed important institutional financial and operational documents and industry data to become aware of recent institutional performance and challenges in the industry in which the institution operates
- Identified the institution’s important strategic and operational priorities and defined objectives at-risk relative to these priorities
- Collaborated with certain top organizational and operational leaders to evaluate and update strategic priorities and objectives and to score risks.
- Conducted cross-functional risk assessments involving the areas of Information Security, Compliance, Legal, and Security.

The risk assessment approach 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.

## FY 2017 Audit

Project No.	Engagements	Budgeted Hours	Percent of Total
<b>Risk Based Audits</b>			
17-01	MSRDP Faculty Practice Plan Audit	300	
17-02	Patient Revenue Audit	425	
17-03	Sponsored Programs Audit	375	
17-04	PeopleSoft Financial Management System Audit	400	
17-05	Carryforward Audits	150	
<b>Risk Based Audits Subtotal</b>		<b>1650</b>	<b>37.5%</b>

<b>Required Audits (Externally and Internally)</b>		
17-06	Financial Statement Audit Assistance (provide assistance to external auditor)	100
17-08	Executive's Travel and Entertainment Expense Audit	150
17-09	CPRIT Grant External Audit (assistance to management)	25
17-10	Family Medicine Residency Program Grant Audit FYE 8/31/2016	80
17-11	UTS 142.1 Assurance Work	16
17-12	Supply Inventory Recounts	16
<b>Required Audits Subtotal</b>		<b>387</b>
<b>8.8%</b>		
<b>Consulting Projects</b>		
17-13	Patient Revenue Cycle Advisory Team Participation	300
17-14	PeopleSoft Upgrades Implementation - Advisory Role	100
17-15	Transition to Quality and Cost-Based Payment Models - Advisory Role	80
17-16	Electronic Medical Record Advisory Team Participation	250
<b>Consulting Subtotal</b>		<b>730</b>
<b>16.6%</b>		
<b>Investigations</b>		
17-17	Investigations - Assistance	180
<b>Investigations Subtotal</b>		<b>180</b>
<b>4.1%</b>		
<b>Follow Up</b>		
CATS Report	Follow-up procedures conducted to verify the implementations status of past recommendations made	175
<b>Follow Up Subtotal</b>		<b>175</b>
<b>4.0%</b>		
<b>General Reserve</b>		
TBD	Reserve for TBD Engagements	354
<b>General Reserve Subtotal</b>		<b>354</b>
<b>8.0%</b>		
<b>Development - Operations</b>		
	Annual Risk Assessment and Audit Plan Development	175
	Internal Audit Committee preparation and participation	200
	Institutional Committees and Workgroups - Advisory Role	75
	Quality Initiatives	100
	UT System & SAO Reports and Requests	50
	Automated Tools Skills Development and Maintenance	56
	Training Provided by Internal Audit	40
	Project Management Collaboration and Oversight	20
<b>Development - Operations Subtotal</b>		<b>716</b>
<b>16.3%</b>		
<b>Development - Initiatives and Education</b>		
	System Audit Office Initiatives Participation	50
	Individual Continuing Professional Education (CPE) Training, including related travel	160
<b>Development - Initiatives and Education Subtotal</b>		<b>210</b>
<b>4.8%</b>		
<b>Total Budgeted Hours</b>		<b>4402</b>
<b>100.0%</b>		

## **VI. External Audit Services Procured in Fiscal year 2016**

UT Health Northeast acquired an external financial audit of the East Texas Quality Care Network (ETQCN) for the fiscal years ended August 31, 2015 and 2014. 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 2016 and the report was dated October 15, 2015. The SAO delegated authority to UT Health Northeast to contract for these audit services.

## **VII. Reporting Suspected Fraud and Abuse**

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

- **Section 7.09, page IX-39, 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, "Reporting 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 (PolicyStat ID #2132218) 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



## 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 - UT Health Northeast Office of Internal Audit FY 2016 Audits – Summary of Issues and Current Status

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

<b>Report No.</b>	<b>Report Date</b>	<b>Name of Report</b>	<b>High-level Audit Objective(s)</b>	<b>Observations/Findings and Recommendations</b>	<b>Current Status/Actions <sup>1</sup></b>
15-07	9/20/2016	Patient Revenue Audit of Cash Collection Rates and Patterns	To review the data and mechanisms available to model and assess predictability of collectible clinical revenue relative to actual cash collection (the net collection rate) at both the institutional level and by service line.	Data and mechanisms were reviewed for modeling and assessing the predictability of collectible clinical revenue relative to actual cash collections (the net collection rate) at both the institutional level and by service line and provided the results to senior leaders and the Patient Revenue Cycle Advisory Committee for consideration of additional investments in people, processes and technology.	N/A
16-06	11/9/2015	Executive Travel, and Entertainment Expenses Audit	To determine whether travel and entertainment expenses paid by the institution on behalf of executive leaders are appropriate and in compliance with applicable laws, policies and procedures.	Travel and entertainment expenses paid by the institution on behalf of these executive leaders during fiscal year 2015 were appropriate and substantially in compliance with applicable laws and UT System policies and procedures. Recommendations were made for improving processes and controls to enforce policy requirements and documentations standards and for improving management of unused airline tickets.	Fully Implemented

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Report No.	Report Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status/Actions <sup>1</sup>
16-07	Carryover to FY 2017	Conflicts of Interest Audit	To assess the effectiveness of UT Health Northeast's program for identifying, monitoring, and managing conflicts of interest, conflicts of commitment and outside activities.	Report to be issued in FY 2017	N/A
16-08	1/19/2016	Healthcare Delivery Partnerships, Affiliations and Grants Revenue Audit	To determine whether processes and controls are implemented for evaluating and managing healthcare delivery partnerships, affiliations and grants to ensure these business activities are adequately planned, properly approved, and effectively monitored.	Processes and controls are not in place for consistently and effectively evaluating and managing healthcare delivery partnerships, affiliations and grants to ensure these business activities are adequately planned, properly approved, and effectively monitored. Recommendations were made for implementing policies, procedures and a defined structure for leaders to propose new business strategies for the institution and for the executive leadership team to approve or decline these strategies.	Substantially Implemented
16-09	8/2/2016	Audit of Key Outsourced Functions	To assess processes and controls associated with outsourced key operational functions and institutional oversight of these activities.	Processes and controls are not in place for consistent oversight of outsourced key operational functions. Recommendations were made for improving processes and controls over: insurance coverages, criminal background checks, access to facilities, training for contracted employees and financial transactions.	Incomplete Ongoing

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Report No.	Report Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status/Actions <sup>1</sup>
16-10	2/25/2016	Audit of Benefits Paid Proportional by Fund	To validate the accuracy of information and proportional funding calculations reported to the State Comptroller on the APS 011 reports and to verify the eligibility of employee benefits paid with appropriated funds.	The benefits paid proportional by fund for FY 2012 and FY 2014 were materially accurate. Recommendations were made concerning: adjustment to APS 011 report for minor calculation errors, reviewing AY 2015 APS 011 report, and implementation of a secondary review process.	Fully implemented
16-11	1/4/2016	Family Medicine Residency Program Audit FYE 8/31/2015	To determine if FY 2015 Texas Higher Education Coordinating Board funds awarded to the UT Health Northeast Family Medicine Residency Program under the State Grant Agreement have been appropriately expended as required by program guidelines.	FY 2015 Texas Higher Education Coordinating Board funds awarded to the UT Health Northeast Family Medicine Residency Program under the State Grant Agreement were appropriately spent in accordance with applicable guidelines.	N/A
16-15	Carryover to FY 2017	Texas Administration Code, Section 202 Compliance Audit	To determine compliance with control standards promulgated by The State of Texas Department of Information Resources in the Catalog as required by TAC 202 rule § 202.76 (c)".	Report to be issued in FY 2017	N/A

<sup>1</sup> 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.