



## **FY 2014 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 Contents**

<b>I. Compliance with House Bill 16.....</b>	<b>3</b>
<b>II. Planned Work Related to the Proportionality of Higher Education Benefits.....</b>	<b>3</b>
<b>III. Internal Audit Plan for Fiscal Year 2014 .....</b>	<b>4</b>
<b>IV. Consulting Services and Non-audit Services Completed.....</b>	<b>7</b>
<b>V. External Quality Assurance Review .....</b>	<b>8</b>
<b>VI. Internal Audit Plan for Fiscal Year 2015 .....</b>	<b>8</b>
<b>VII. External Audit Services Procured in Fiscal Year 2014.....</b>	<b>12</b>
<b>VIII. Reporting Suspected Fraud and Abuse.....</b>	<b>12</b>
<b>Exhibit A – External Quality Assurance Review</b>	
<b>Exhibit B – Summary of FY 2014 Audit Plan Issues and Actions</b>	

***I. Compliance with House Bill 16 (Texas Government Code, Section 2102.015): Posting the Internal Audit Plan, Internal Audit Report, and Other Audit Information on Internet Web site***

House Bill 16 (83<sup>rd</sup> Legislature, Regular Session) was signed by Governor Perry on June 14, 2013 and became effective immediately. House Bill 16 amended Texas Government Code Chapter 2102 by adding Section 2102.015 which requires state agencies and higher education institutions to post certain information on their Internet Web sites. This Bill along with guidance on submission of reports requires that within 30 days of approval, an entity must post the following information on its Internet Web site:

- An approved fiscal year 2015 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2014 internal audit report, as required by Texas Government Code, Section 2102.009.

In addition, new requirements are applicable to the FY 2014 Audit Plan or annual report that is due by November 1, 2014. Entities are required to post a detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns raised by the plan along with a summary of the actions taken by the entity to address the concerns. A summary of FY 2014 Audit Plan issues and actions taken to resolve them are in the attached Exhibit B.

UT Health Northeast complies with House Bill 16 and guidance on submission of reports 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](#). Beginning with the FY 2014 Audit Plan, 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 posted to the UT Health Northeast Internet Web site in the Reports to the State section.

***II. Planned Work Related to the Proportionality of Higher Education Benefits***

At the request of the Governor, an internal audit of the proportionality of higher education benefits process is underway during the first quarter of fiscal year 2015. A consistent audit methodology has been deployed across the UT System that will assess the reporting process and accuracy of benefits funding information provided to the State Comptroller as applicable under the General Appropriations Act, Article IX, Sec. 6.08: Benefits Paid Proportional by Fund. The audit will be complete by November 30, 2014.

### III. Internal Audit Plan for Fiscal Year 2014

FY 2014 Audit Plan Audit/Project	Audit No.	Budgeted Hours	Actual Hours	Status of Plan
<b>Financial</b>				
FY 2013 Financial Statement Audit (final procedures)	14-01	75	92	Completed. Deloitte issued reports.
Presidential Travel and Entertainment Expenses Audit	14-02	40	14	In progress by System Audit. Field work stage.
Executives' Travel and Entertainment Expenses Audit	14-03	100	101	Completed. Report issued.
FY 2014 Financial Statement Audit (interim procedures)	14-04	80	92	Interim procedures completed (assistance to Deloitte)
UTS Policy 142.1 Testing	14-05	10	11	Completed. Summary memo prepared.
Supply Inventory Recounts	14-06	16	13	Completed. Summary memo prepared.
Reserve Applied: Audit of Benefits Paid Proportional by Fund	14-17	38	38	In progress. Field work stage.
<b>Financial Subtotal</b>		<b>359</b>	<b>361</b>	
<b>Operational</b>				
Pharmacy Inventory Audit	14-07	350	343	Completed. Report issued.
Patient Revenue Cycle Audit	14-08	350	466	Completed. Report issued.
Reserve Applied: Capital Equipment Operational Audit (FY13 carry forward)	13-04	42	42	Completed. Report issued.
Reserve Applied: Office of the VP for Institutional Advancement Change in Management Audit (FY13 carry forward)	13-14	29	29	Completed. Report issued.
Reserve Applied: Change in Management Audit - Office of the Director of Business Operations	14-16	212	212	Completed. Report issued.
Reserve Applied: Review of Controls Over Point of Service Payments	14-15	154	154	Completed. Consulting memo issued.
Reserve Applied: Disaster Drill Evaluator Role	N/A	13	13	Completed. Summary checklist submitted to mgmt.
Reserve Applied: Miscellaneous Ad Hoc Requests	N/A	164	164	Completed.
<b>Operational Subtotal</b>		<b>1,313</b>	<b>1,422</b>	
<b>Compliance</b>				
OMB Circular A-133 Research Cluster FYE 8/31/2013 Follow-Up Assistance to the SAO	14-09	20	21	Completed. SAO issued report.
Family Medicine Residency Program Grant Audit FYE 8/31/2013	14-10	75	79	Completed. Report issued.
MSRDP Faculty Practice Plan Audit	14-11	40	12	In progress by System Audit. Planning stage.
Consulting - Meaningful Use Assessment and Compliance Committee - Advisory Role	14-12	40	33	Completed.

## Internal Audit Plan for FY 2014 (Continued)

FY 2014 Audit Plan Audit/Project	Audit No.	Budgeted Hours	Actual Hours	Status of Plan
Reserve Applied: SACS accreditation process collaboration & support	N/A	32	32	Completed.
<b>Compliance Subtotal</b>		<b>207</b>	<b>177</b>	
<b>Information Technology</b>				
TAC 202 - Online Banking System Audit	14-13	400	321	In progress. Draft reporting stage.
Electronic Health Records Audit - HIPAA Security Rule	14-14	6	6	Re-designated by the IAC as FY 2015 follow-up procedures, less 6 hours applied. Remainder (244 hours) added to FY 14 unapplied reserve.
<b>Information Technology Subtotal</b>		<b>406</b>	<b>327</b>	
<b>Follow-up</b>				
Quarterly Follow-Up and Validation of Outstanding Audit Recommendations	CATS Reports	150	174	Completed.
<b>Follow-up Subtotal</b>		<b>150</b>	<b>174</b>	
<b>Projects</b>				
Training Provided by Internal Audit		40	45	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		20	21	Completed.
Institutional Committees/Workgroups - Advisory Role		36	53	Completed.
Annual Risk Assessment & Audit Plan Preparation		140	155	Completed. Audit plan approved and issued.
UT System & SAO Reports & Requests		40	59	Completed.
Internal Audit Committee Preparation/Participation		100	210	Completed.
Annual Quality Assessment Activities		30	56	Completed.
External Quality Assessment		80	114	Completed. PwC issued report.
Automated Audit Tools		40	51	Completed.
<b>Projects Subtotal</b>		<b>526</b>	<b>763</b>	
<b>Reserve</b>				
Unapplied Reserve for TBD Engagements	N/A	41	0	Remainder informally applied pro rata to projects with budget overages.
<b>Reserve Subtotal</b>		<b>41</b>	<b>0</b>	
<b>Total Hours</b>		<b>3,002</b>	<b>3,223</b>	

## Summary of FY 2014 Mid-Year Audit Plan Changes

(Approved by the UT Health Northeast Internal Audit Committee)

FY 2014 Audit Plan Audit/Project	Project No.	Budgeted Hours	Description
<b>Compliance</b>			
<b>As originally approved</b>			
MSRDP Faculty Practice Plan Audit	14-11	250	To conduct an audit of the UTHSCT Medical Service, Research, & Development Plan (MSRDP), with an objective to be determined by UT System.
<b>As amended</b>			
MSRDP Consulting Engagement - PQRS Reporting	14-11	40	Project re-purposed as assistance to System Audit. Originally budgeted at 250 hours, and now estimated at 40 hours. 210 hours added to FY 14 unapplied reserve.
<b>Information Technology</b>			
<b>As originally approved</b>			
Electronic Health Records Audit - HIPAA Security Rule	14-14	250	To assess the effectiveness of selected administrative, physical, and technical safeguards over electronic protected health information, applying a risk-based approach. Areas reviewed will include at a minimum, the administrative safeguard contingency plan standard that correlates with relevant control objectives of CobiT Framework processes DS4, "Ensure Continuous Service".
<b>As amended</b>			
Electronic Health Records Audit - HIPAA Security Rule	14-14	6	Re-designated by the IAC as FY 15 follow-up procedures, less 6 hours applied. Remainder (244 hours) added to FY 14 unapplied reserve.
<b>Reserve</b>			
<b>As originally approved</b>			
Reserve for TBD Engagements	14-15	270	Reserve for TBD engagements, including special requests, investigations, ad hoc miscellaneous requests by institutional customers, and System-wide audits.
<b>As amended</b>			
Reserve for TBD Engagements	14-15	724	Reserve for TBD engagements, including special requests, investigations, ad hoc miscellaneous requests by institutional customers, and System-wide audits.
<b>Plan changes were submitted to the required state agencies on 7/3/2014</b>			

#### IV. Consulting Services and Non-audit Services Completed

Report Date	Report Title	High-Level Objective	Results
Consulting Memorandum 6/26/2014	Review of Controls Over Point of Service Payments	To identify opportunities for improving the design or implementation of controls over point of service payments, at the request of management.	Improvements were made over the following: <ul style="list-style-type: none"> <li>• Physical security</li> <li>• Policy revisions and reinforcement</li> <li>• Training</li> <li>• Procedures and documentation</li> </ul>
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.
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	Disaster Drill Evaluator Role	Serve as an observer and evaluator for an area-wide hospital and first responder disaster drill.	Internal Audit completed an Incident Command Center (ICC) evaluation form that supported an institution-wide action report prepared by the Safety Manager.
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 FY 2013 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	Facilitate completion of the audit and financial portions of the institution's application for candidacy to the Southern Association of Colleges and Schools Commission on Candidacy (SACSCOC); 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.

## ***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 2015***

### **Identification of the Audit Universe and Risk Assessment**

The audit universe is an objective assessment of auditable activities within the institution. The universe was originally developed in coordination with the UT System Audit Office, UT System health-related institutions, UT Health Northeast management, and Audit Committee members. The universe is updated each year via a collaborative process with institutional employees and UT System leaders, as well as by reviewing the institutional strategic plan; relying on results of prior engagements and reports from internal and external monitoring functions; and reviewing committee meeting minutes and other information available to the Office of Internal Audit. The audit universe is divided into the following seven areas:

- Financial
- Operational
- Compliance
- Information Technology
- Follow-Up
- Projects
- Reserve

The UT System Audit Office identified projects requested by UT System Administration leadership and the Board of Regents. The UT Health Northeast Office of Internal Audit identified externally required audits by reviewing requirements of programs and interviewing key management, and risk-based engagements based on risk assessments performed using the Enterprise Risk Management model. The UT System Audit Office and the UT Health Northeast Office of Internal Audit also identified other projects.

The Enterprise Risk Management (ERM) model was used to develop the risk assessment for all areas within the institution. Using the ERM model, a risk footprint was developed. The UT Health Northeast tier 1 risk



footprint includes the following thirteen activities: Patient Care, Financial and Asset Management, Business Operations, Education, Research, Governance and Leadership, Information Technology, Plant Operation and Maintenance, Human Resource Management, Purchasing, Institutional Functions and Auxiliary Departments, Institutional Advancement, and Institutional Compliance Program.

These thirteen (tier 1) activities were evaluated more extensively at tier 2. For FY 2015 audit planning purposes, risk assessments have been completed at the tier 2 level for Patient Care, Research, Information Technology, Business Operations, and Education.

The following ERM methodology was used in classifying risks and evaluating the potential impact to the organization and probability of occurrence:

#### Determination of Impact

Impact is the effect of the risk on the achievement of goals. Impact was measured as high, medium or low.

Factors considered included:

- Health or safety consequences
- Potential financial loss (asset loss, expense, or revenue impairment)
- Fines or other civil sanctions
- Criminal penalties
- Strategic importance
- Negative public or political relations
- Loss to reputation that may affect future state funding, grants, or donations
- Sensitivity of data associated with the process or activity

*High Impact* – If the risk happens, the institution will probably not achieve its objective or to do so will require major damage control and expense.

*Medium Impact* – If the risk happens, the institution will have to do extra work or will be inefficient, but still may achieve its goals and objectives.

*Low Impact* – If the risk happens, the institution will be aware of it, but it will have little or no effect on operations or achievement of goals and objectives.

#### Probability

Probability is the likelihood of the risk happening. Probability was measured as high, medium, or low.

Factors considered included:

- Quality of existing controls/expectation that controls will mitigate risk
- Management and employee competence
- Public awareness, interest, or exposure that affects or provokes occurrence
- Complexity of systems or operations
- Changes in management or employee turnover
- Regulatory oversight that reduces likelihood of occurrence
- Recent degree of change, or stability, in process or activity
- Susceptibility of process or activity to human error
- Susceptibility of process, activity, or data to equipment or technology failure

- Susceptibility of process, related assets, or data to fraud or override

*High Probability* – The risk will happen frequently or often.

*Medium Probability* – The risk will happen infrequently. It is likely to happen, but not often.

*Low Probability* – The risk will seldom happen. It is unlikely it will happen at all.

In addition to using the ERM model, Internal Audit interviewed Audit Committee members and key management to identify areas of higher risk and concern within the institution. Mandatory audits, projects, reserve for special requests and audit resources were also considered when preparing the plan.

### **Proportionality of Benefits**

An Audit of Benefits Paid Proportional by Fund was started during the last quarter of FY 2014 and carried forward for completion during FY 2015 using reserve hours as needed.

### **Projects – General Appropriations Act**

Projects in the FY 2015 Audit Plan that may include some review or testing for limitations and restrictions in the General Appropriations Act, such as expenditure transfers, include the Family Medicine Residency Program Annual Financial Report Audit, the external audit of the financial statements for the fiscal year ended August 31, 2014 to be completed by Deloitte, and the Audit of Benefits Paid Proportional by Fund that is currently in progress. FY 2015 follow-up procedures related to the FY 2013 Capital Equipment Operational Audit will include some coverage in the area of capital budget controls.

### **High Risks Not Covered**

High risk areas identified but not included in the FY 2015 audit plan include certain risks in the following categories:

- Financial and asset management
- Education
- Institutional functions and auxiliary departments
- Patient care
- Research
- Institutional compliance program
- Human resource management
- Plant operation and maintenance
- Purchasing

For each of the high risk areas identified, ongoing institutional mitigating controls and monitoring processes are in place to reduce risk. Additionally, several of the risks have been audited in the two years directly preceding FY 2015.

## FY 2015 Audit Plan

The FY 2015 Audit Plan was approved by the UT Health Northeast Internal Audit Committee on July 16, 2014 and the UT System Board of Regents on August 20, 2014.

Project No.	FY 2015 Audit Plan Audit/Project	Budgeted Hours	% of Total
<b>Financial</b>			
15-01	FY 2014 Financial Statement Audit (final procedures)	77	
15-02	Presidential Travel and Entertainment Expenses Audit	40	
15-03	Executives' Travel and Entertainment Expenses Audit	100	
15-04	FY 2015 Financial Statement Audit (interim procedures)	108	
15-05	UTS Policy 142.1 Testing	10	
15-06	Supply Inventory Recounts	16	
<b>Financial Subtotal</b>		<b>351</b>	<b>12%</b>
<b>Operational</b>			
15-07	Patient Revenue Cycle Audit	350	
15-08	Leave Management Review	275	
<b>Operational Subtotal</b>		<b>625</b>	<b>21%</b>
<b>Compliance</b>			
15-09	Family Medicine Residency Program Grant Audit FYE 8/31/2014	75	
15-10	MSRDP Faculty Practice Plan Audit	250	
15-11	Clinical Research & IRB Ongoing Monitoring	100	
15-12	Section 1115 Medicaid Waiver Region 1 Anchor Administrative Costs Consulting Engagement	100	
15-13	Section 1115 Medicaid Waiver DSRIP Consulting Engagement	220	
15-14	OMB Uniform Guidance Training Project	80	
<b>Compliance Subtotal</b>		<b>825</b>	<b>27%</b>
<b>Information Technology</b>			
15-15	Follow-Up on Presidio PCI and HIPAA Vulnerability Risk Assessment Report	200	
<b>Information Technology Subtotal</b>		<b>200</b>	<b>7%</b>
<b>Follow-up</b>			
CATS Reports	Quarterly Follow-Up and Validation of Outstanding Engagement Recommendations	146	
<b>Follow-up Subtotal</b>		<b>146</b>	<b>5%</b>
<b>Projects</b>			
	Training Provided by Internal Audit	40	
	Project Management Collaboration and Oversight	20	
	Institutional Committees/Workgroups - Advisory Role	60	
	Annual Risk Assessment & Audit Plan Preparation	140	
	UT System & SAO Reports & Requests	40	
	Audit Committee Preparation/Participation	125	
	Annual Quality Assessment Activities	40	
	External Quality Assessment Action Plan Implementation	100	
	Automated Audit Tools	40	
<b>Projects Subtotal</b>		<b>605</b>	<b>20%</b>
<b>Reserve</b>			
15-16	Reserve for TBD Engagements	250	
<b>Reserve Subtotal</b>		<b>250</b>	<b>8%</b>
<b>Total Hours</b>		<b>3,002</b>	<b>100%</b>

## ***VII. External Audit Services Procured in Fiscal Year 2014***

UT Health Northeast acquired an external financial audit of the East Texas Quality Care Network (ETQCN) for the fiscal years ended August 31, 2013 and 2012. ETQCN is a tax exempt and certified nonprofit health care corporation affiliated with UT Health Northeast. The audit was performed by Henry & Peters, P. C., a firm located in Tyler, Texas. The audit was completed in FY 2014 and the report was dated October 9, 2013. 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, 2013 and 2012. The audit was completed in FY 2014 and the report was dated December 20, 2013. 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 Fraud Reporting, General Appropriations Act (83rd Legislature, Conference Committee Report), Article IX.** 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.



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,

*Price waterhouseCoopers LLP*  
PricewaterhouseCoopers, LLP

## Exhibit B - UT Health Northeast Office of Internal Audit FY 2014 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 <sup>1</sup>
13-14	9/27/2013	Office of Institutional Advancement Change in Management Audit	To determine whether internal controls are adequate to ensure the reliability of financial and operational information, safeguarding of assets, and compliance with policies and procedures.	Recommendations were made concerning the need to properly segregate duties and improve physical security over departmental receipts. In addition, institutional processes for safeguarding the entity's mechanical keys and maintaining the related key records needed to be improved.	Fully Implemented  Management concurred with the findings and has taken appropriate actions to resolve the issues.
13-04	10/22/2013	Capital Equipment Operational Audit	To determine whether processes for evaluating initial and replacement acquisitions of key capital equipment position the institution to achieve relevant strategic goals.  To determine whether processes for evaluating and managing key capital equipment leasing, warranty, and maintenance arrangements position the institution to achieve economy and efficiency of operations.	Recommendations were made for improving the capital equipment:  <ul style="list-style-type: none"> <li>• Authorization process</li> <li>• Management of service arrangements</li> <li>• Acquisition process</li> <li>• Contract visibility and awareness</li> <li>• Capital budgeting</li> </ul>	Substantially Implemented  Management concurred with the findings and is taking appropriate actions to resolve the issues.
14-01 14-04	12/20/2013	Audit of the Financial Statements for Years Ended August 31, 2013 and 2012 and interim work for the FYE 8/31/2014 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 or significant control deficiencies were identified.	Not Applicable

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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.”

Report No.	Report Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status/Actions <sup>1</sup>
14-03	12/6/2013	Executive Travel & Entertainment 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.	Recommendations were made for: <ul style="list-style-type: none"> <li>• Improving documentation attached to travel requests for clear presentation of the business purpose and dates of conferences or meetings.</li> <li>• Implementing processes for adhering to lodging rate maximum amounts, maximum gratuity rates, and detailed receipt documentation requirements for meal reimbursements.</li> </ul>	Fully Implemented  Management concurred with the findings and has taken appropriate actions to resolve the issues.
14-10	1/2/2014	Family Medicine Residency Program Audit FYE 8/31/2013	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 2013 Annual Financial report.	No issues were identified for this audit.	Not Applicable
14-07	1/8/2014	Pharmacy Inventory Audit	To determine if effective and efficient controls are in place over the procurement, security and distribution of drugs.	Recommendations were made for: <ul style="list-style-type: none"> <li>• Improving institutional processes for managing badge reader and mechanical key access.</li> <li>• Improving institutional</li> </ul>	Fully Implemented  Management concurred with the findings and has taken appropriate actions to resolve the issues.

## Exhibit B - UT Health Northeast Office of Internal Audit FY 2014 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."

Report No.	Report Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status/Actions <sup>1</sup>
		Pharmacy Inventory Audit (continued)		controls for ordering and controlling prescription pad stock.	
14-09	2/28/2014	OMB Circular A-133 Research Cluster FYE 8/31/2013 – Assist State Auditor's Office	To assist the State Auditor's Office with follow-up of prior year findings in support of the federal portion of the statewide Single Audit for the Research & Development Cluster for FYE 8/31/2013.	Obtain proper approvals for non-payroll transactions to subrecipients.	Fully Implemented
14-15	3/20/2014	Office of Business Operations Change in Management Audit	To determine whether internal controls were adequate to ensure the reliability of financial and operational information, safeguarding of assets, and compliance with policies and procedures.	Recommendations were made for: <ul style="list-style-type: none"> <li>• Reviewing contracts the department is responsible for to ensure they were renewed as required, represent current agreements and the contracts database accurately documents the contracts.</li> <li>• Ensuring travel documents submitted for payment or reimbursement include all documentation required by policy.</li> <li>• Updating the department's asset inventory records to ensure they are accurate.</li> </ul>	Substantially Implemented  Management concurred with the findings and is taking appropriate actions to resolve the issues.



## Exhibit B - UT Health Northeast Office of Internal Audit FY 2014 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 <sup>1</sup>
14-08	7/9/2014	Patient Revenue Audit	To determine the adequacy of processes and controls in place for ensuring that patient accounts are billed timely to prevent past filing deadline denials for Medicaid and Medicaid Managed Care.	<p>Recommendations were made for:</p> <ul style="list-style-type: none"> <li>• Training staff concerning management's expectations and processes for insurance verification.</li> <li>• Promptly resolving front end registration errors to promote timely billing.</li> <li>• Improving processes and holding providers accountable for promptly completing patient medical records to promote timely billing.</li> <li>• Improving billing, collections and coding processes to promote timely billing.</li> </ul>	<p>Incomplete/Ongoing</p> <p>Management concurred with the findings and is taking appropriate actions to resolve the issues.</p>
14-13	9/29/2014	TAC Section 202 Online Banking Audit	To evaluate the adequacy of controls and separation of duties for tasks that are susceptible to fraudulent or other unauthorized activity within the institution's online banking system.	<p>Recommendations were made for:</p> <ul style="list-style-type: none"> <li>• Establishing policies and procedures to address device security requirements when downloading or accessing applications used for business using non-</li> </ul>	<p>Incomplete/Ongoing</p> <p>Management concurred with the findings and is taking appropriate actions to resolve the issues.</p>

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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>
		TAC Section 202 Online Banking Audit (continued)		institutionally owned computers and devices. <ul style="list-style-type: none"> <li>• Improving system and physical access controls over remote deposits.</li> <li>• Improving controls over retained copies of financial information.</li> <li>• Implementing processes for reviewing the appropriateness of user access to the online banking system at least annually as required by UT System Policy #167.</li> <li>• Implementing processes for reporting to the Chief Financial Officer or his designee for approval a listing of users authorized in the online banking system for initiating or releasing wires or transfers as required by UT System Policy #167.</li> </ul>	

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<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.