

ANNUAL REPORT ON

INTERNAL AUDIT ACTIVITY

FOR

**THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER
AT SAN ANTONIO**

FISCAL YEAR 2006

FY 2006 Annual Internal Audit Report

Purpose of the Annual Report: To provide information on the benefits and effectiveness of the internal audit function. In addition, the annual report assists central oversight agencies in their work planning and coordinating efforts.

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I. Internal Audit Plan for Fiscal Year 2006

Audit Areas	FY 2006 Accomplishment of Plan
<i>UT System Requested</i>	
External Audit of Financial Statements – Year-end 2005	Completed
External Audit of Financial Statements – Interim 2006	Completed
Time and Effort Reporting	Completed
Practice Plans Financial Review/Receivables & Allowance	Completed
UPG Financial Reporting	Completed
<i>Externally Required</i>	
Family Practice Residency Program	Completed
TAC 202 Program Compliance	Completed
Inventory of Data Center Services	Completed
<i>Risk Based: Institutional</i>	
Faculty Recruitment	Completed
VP for Research	Completed
Decentralized Grant Administration	Carry-forward to FY 2007
Space Allocation	Canceled
<i>Management established Executive Space Committee to address issues.</i>	
Student Services Program	Carry-forward to FY 2007
Records Retention	Canceled
<i>Compliance program still in progress.</i>	
<i>Risk Based: Auditable Areas</i>	
MSRDP Front End Billing Follow-Up	Completed
MSRDP Charge Capture	Carry-forward to FY 2007
HIPAA Security at UPG	Completed
IT Personnel Management	Rescheduled to FY 2007
IT Planning and Financial Mgmt	Carry-forward to FY 2007
Consulting: PeopleSoft Human Capital Management (HCM) Upgrade	In progress. More work in FY2007
Consulting: Electronic Medical Records Implementation	In progress. More work in FY2007
Carry-forward from FY2005: SAO-IT Research Security Follow-Up	Completed
<i>Consulting</i> – General, Compliance, Financial, Information Technology	Completed
<i>Change in Management</i> - Updated Management Responsibilities Handbook	In progress. More work in FY2007
<i>Follow-Up</i> - Institutional Follow-up	Completed
<i>Audit Projects and Special Request Audits</i>	
Carryforward audits from FY 2005 audit plan:	
PeopleSoft Student Admin	Completed
MSRDP Collections	Completed
Dept of Medicine Financial Review	Completed
President's Office Expenditures	Completed
State Auditor's Office – FY06 A-133 Research Expenditures	Completed
<i>Other Projects</i>	
Annual Internal Audit Report	Completed
Annual Audit Plan	Completed
Training provided by IA	Completed
Internal Audit Committee	Completed
TeamMate Implementation & Training	Completed
Investigations	Completed
Reserve for other Special Requests:	
Institutional Follow-up Project	Completed
Investigations	Completed

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II. External Quality Assurance Review

Please see attached .pdf file for Executive Summary of External Quality Assurance Review dated July 7, 2005.

QAR cover letter.pdf

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III. List of Audits Completed

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status	Fiscal Impact/ Other Impact
05-08	Sept 28, 2005	Dept of Medicine Financial Review	To determine if internal controls within the Department of Medicine were adequate and effective over financial monitoring and account reconciliations.	The department needed to improve the account reconciliation processes in the divisions, including timely completion and review by management and, if necessary, Principal Investigators. Also, segregation of duties over cash receipts and expenditures need to be improved. Furthermore, the department should ensure adequate cross-training on essential accounting functions.	In progress	Reduce the risk of loss, errors, irregularities, and fraud to due to inadequate controls.
				Recommended consolidating the account reconciliation process for the entire department.	In progress	
			To test appropriateness of selected departmental expenditures.	The department had hired new clinical faculty. However, the new faculty had not sufficiently increased clinical revenue to cover their salary expenses.	Management implemented faculty incentive plan.	

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Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status	Fiscal Impact/ Other Impact
05-12	Nov 14, 2005	MSRDP Collections	<p>To determine whether:</p> <p>Internal controls over the processes related to medical collections were adequate.</p> <p>Outstanding claims were followed up on in a timely manner.</p> <p>Write-offs were properly supported, approved, and submitted to the collection agency in a timely manner.</p> <p>Cash receipts were appropriately handled and accounted for.</p> <p>Credits were properly researched, and refunds were supported, approved, and processed in a timely manner.</p>	<p>All non-physician staff involved in collection activities should be accountable to UT Medicine.</p> <p>Policies and procedures over the collection activities and cash management should be routinely updated, including how management monitors these activities.</p> <p>Procedures utilized to monitor collection agency activity should be documented. Also, management should evaluate sending self-pay accounts to the collection agency earlier.</p> <p>Performance measures for the collectors should be established and how management monitors performance.</p>	<p>Implemented</p> <p>In progress</p> <p>Implemented</p> <p>In progress</p>	<p>Reduce the risk of loss, errors, irregularities, and fraud to due to inadequate controls.</p> <p>Improve efficiency and effectiveness of the collection activities.</p>
05-14	Nov 29, 2005	SAO Protection of Research Data Follow-Up	<p>To determine if the IT action plan developed as a result of the Texas State Auditor's Office (SAO) 2004 vulnerability assessment of the protection of research data at the institution had been implemented.</p>	<p>Management had fully implemented 29 of 33 control issues. The following areas were still in progress:</p> <ul style="list-style-type: none"> • Move all public services into a demilitarized server zone. • Expand the ongoing information security awareness training program for all students and other temporary users. • Have students and temporary staff sign security agreements. 	<p>In progress</p> <p>Implemented</p> <p>Implemented</p>	<p>Reduce the risk of loss of data due to inadequate IT security measures.</p> <p>Increase compliance with federal and state regulations.</p>

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Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status	Fiscal Impact/ Other Impact
06-01	Dec 5, 2005	MSRDP Front-End Billing Follow-Up	To determine if correction actions on 14 recommendations from the MSRDP Front-End Billing Audit (03-14) were fully implemented.	<p>Front-end billing policies and procedures needed additional revisions.</p> <p>Quality improvement reviews of the clinics still needed to be implemented.</p> <p>Segregation of duties over cash receipts in the clinics needed improvement.</p> <p>IT position descriptions needed updating and timely completion of performance evaluations.</p>	<p>Implemented</p> <p>In progress</p> <p>Implemented</p> <p>Implemented</p>	<p>Reduce the risk of loss, errors, irregularities, and fraud to due to inadequate controls.</p> <p>Improve efficiency and effectiveness of the front-end billing activities.</p>
06-02	Sept 27, 2005	Time and Effort Reporting	To evaluate progress towards implementation of the UT System Time and Effort Reporting Principles.	<p>The Office of Sponsored Programs had made significant progress. The following areas were still in progress.</p> <ul style="list-style-type: none"> • Conduct periodic reviews of faculty and staff required to complete effort reports. • Improve timely communication of monitoring results. • Assist in developing online training module and implement institutional training plan. • Work on modifying the online reporting system to allow Principal Investigators to certify effort for individuals who work on their grants. 	<p>In progress</p> <p>Implemented</p> <p>In progress</p> <p>In progress</p>	<p>Reduce the risk of loss, errors, irregularities, and fraud to due to inadequate controls.</p> <p>Reduce risk of non-compliance with grant requirements.</p>

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Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status	Fiscal Impact/ Other Impact
06-03	Feb 10, 2006	HIPAA Security at UPG	To evaluate the University Physicians Group (UPG)'s compliance with the HIPAA Security Standards as of December 2005.	UPG had implemented written policies for 44 of 47 applicable security standards. Also, of the 44 policies implemented, 6 required one or more additional provisions to be in full compliance with the legislation.	In progress	Reduce the risk of loss of data due to inadequate IT security measures. Increase compliance with federal and state regulations.
06-04	Aug 31, 2006	UT Medicine Financial Reporting	To evaluate UT Medicine's implementation of the "Spirit" of Sarbanes-Oxley, including entity-level controls and internal controls over financial reporting.	<p>For entity-level controls, management implemented 67% of the UT System required criteria and 83% of the UT System recommended best practices. The remaining criteria were partially in place and full implementation was in progress.</p> <p>In addition, management prepared a risk assessment of key financial processes, including a mapping to significant financial statement accounts.</p> <p>Finally, management completed accounts payable process documentation, controls identification, and controls testing. During the testing of accounts payable controls, opportunities were noted to improve controls over contract monitoring and timely execution of contracts.</p>	<p>In progress</p> <p>In progress – management is improving identification of specific risks.</p> <p>In progress</p>	<p>Reduce the risk of loss, errors, irregularities, and fraud to due to inadequate controls.</p> <p>Improve governance over UT Medicine.</p>

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Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status	Fiscal Impact/ Other Impact
06-05	Mar 31, 2006	Practice Plans Financial Review	To determine whether the financial condition of the practice plans were fairly presented in the Annual Financial Report, and if the plans complied with UT System policies.	<p>The practice plans were materially presented on the AFR and maintained the required minimum fund balances.</p> <p>The medical practice plan should continue to improve the accuracy of the net accounts receivable and ensure all required ratios are presented to the Budget & Finance Committee.</p> <p>The dental practice plan should ensure its current and non-current accounts receivable are accurately reported on the AFR.</p>	<p>In progress</p> <p>Implemented</p>	Maintain solvency of the practice plans.
06-06	Feb 6, 2006	Vice President for Research	To determine if internal controls within department reporting to the Vice President for Research were adequate and effective over financial monitoring and account reconciliations.	<p>Recommendations included:</p> <ul style="list-style-type: none"> • Implement a formal monitoring process to ensure all account reconciliations are completed accurately and timely. • Where possible, separate the responsibilities of preparing requisitions, approving expenditures, and reconciling accounts. • Develop written procedures and cross training for completion of account reconciliations. 	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	Reduce the risk of loss, errors, irregularities, and fraud due to inadequate internal controls.
06-07	Dec 20, 2005	Family Practice Residency Program	To determine whether revenues and expenditures were properly presented in the Annual Financial Report and expenditures were made in accordance with Coordinating Board guidelines.	No discrepancies noted. Expenditures appeared allowable.	N/A	Reduce risk of non-compliance with Texas Higher Education Coordinating Board requirements.

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Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status	Fiscal Impact/ Other Impact
06-08	July 28, 2006	TAC 202 Compliance	To evaluate compliance with the Texas Administrative Code (TAC 202) which contains information systems security requirements for all Texas State agencies, including institutions of higher education.	<p>UTHSCSA had established a viable information security program, and had implemented security policies to address 41 of 42 TAC 202 requirements. The institution had also implemented, or was in the process of implementing, business processes to support the 41 completed policies.</p> <p>The institution needed to revise its existing Business Continuity Planning (BCP) process.</p>	<p>In progress</p> <p>In progress</p>	Increase compliance with state requirements.
06-09	June 21, 2006	Faculty Recruitment	To evaluate the faculty recruitment processes within each school for effectiveness and identification of best practices.	<p>Recommendations for faculty recruitment enhancement are as follows:</p> <ul style="list-style-type: none"> • Develop a Faculty Recruitment Guide • Implement New Faculty Orientation within each school • Expedite administrative processes for newly hired faculty • Offer a central repository of available faculty positions 	Planned	Improve efficiency and effectiveness of faculty recruitment activities.
06-10	Apr 4, 2006	Inventory of Data Centers	To determine whether the inventory of data center services required by the state was accurate.	The inventory appeared complete.	N/A	Increase compliance with state requirements.
06-11	June 23, 2006	Institutional Follow-Up	To follow-up on prior audit issues as required by IIA Standards.	<p>Adequate corrective action was 63 out of 98 recommendations had been fully implemented.</p> <p>Corrective action on 35 outstanding recommendations was partially implemented.</p>	In progress	

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Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status	Fiscal Impact/ Other Impact
06-12	May 8, 2006	President's Office Expenditures	To determine if expenditures incurred by and for the President were related and necessary to the institution's operations and made in accordance with UT System and institutional guidelines.	<p>No discrepancies noted. Expenditures appeared appropriate.</p> <p>While no exceptions were noted, it was recommended the Executive Vice President of Business Affairs/Chief Financial Officer be the final approver on all travel and entertainment expenditures incurred by the President.</p>	Implemented	Reduce the risk of loss, errors, irregularities, and fraud due to inadequate internal controls.
06-14	June 15, 2006	Infection Control	To evaluate and test the compliance program for infection control activities.	The Department of Environmental Health and Safety (EHS) had sufficient mechanisms in place to identify the population requiring infection control training and to monitor that employees completed the training.	N/A	Reduce risk of non-compliance with federal and state regulations.

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IV. List of Consulting Engagements and Non-audit Services Completed

Report No.	Report Date	Name of Report	High-Level Objective(s)	Observations/ Results and Recommendations	Current Status	Fiscal Impact/ Other Impact
06-C-20		Rapid Email Account Creation	To provide advice in improving the length of time to establish an email account for a new employee.	A task force was organized to review the new employee on-boarding process and improve the related administrative tasks. Several steps were streamlined to improve the on-boarding processes for new employees.	Implemented.	Improve the efficiency in hiring new employees.

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V. Organizational Chart

Click on .pdf document below to view the University of Texas Health Science Center at San Antonio's organization chart.

The university has an Audit/Compliance Committee that is chaired by the President and meets every quarter.

<http://www.uthscsa.edu/op/orgchartmay06.pdf>

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VI. Report on Other Internal Audit Activities

Activity	Impact
Special Projects	<p>Internal Audit Director continued to assist in implementing the spirit of Sarbanes-Oxley at UTHSCSA and our affiliate, UT Medicine.</p> <p>Internal Audit Director participated in UTHSCSA Virtual Training workgroup to assist in developing a more comprehensive strategy for training employees.</p> <p>Internal Audit implemented electronic workpapers to improve the efficiency and effectiveness of the audit function.</p>
UT Medicine Audit Committee	Internal Audit Director served on the UT Medicine Audit Committee as a resource related to audit issues.
Management Responsibilities Handbook	Internal Audit collaborated with Human Resources in updating the institution's Management Responsibilities Handbook.
Institutional Compliance Committee	Internal Audit Director served on the Audit/Compliance Committee to assist in ensuring institutional compliance programs are developed to address institutionally identified risks.
Assistance with External Audits	Internal Audit assisted external auditors in conducting the following audits: UT System External Audit of Financial Statements conducted by Deloitte and SAO A-133 Audit of Federal Research Expenditures.
Information Technology consulting	<p>Internal Audit personnel participated on the institutional Information Security Council.</p> <p>Internal Audit provided advice on the PeopleSoft HR upgrade and implementation of EPIC electronic medical records.</p>
General Consulting & Training	Provided general consulting to various departments and senior management. Also, conducted quarterly training on risk assessment and internal controls for the campus community.
Professional & Networking	<p>Internal Audit Director participated on the external quality assurance review for UT Health Center at Tyler.</p> <p>Served as treasurer for the Texas Association of College & University Auditors (TACUA) and member of San Antonio Chief Audit Executives.</p>

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VII. Internal Audit Plan for Fiscal Year 2007

FY 2007 Audit Plan	2007	%
Audit/Project	Budgeted Hours	of Total
<i>UT System Requested</i>		
<i>Audits</i>		
Financial: External Audit of Financial Statements - 2006	350	
Financial: External Audit of Financial Statements - 2007	150	
IT: Protection of Social Security Numbers	260	
IT and Research: Protection of Digital Research Data	320	
Research: Effort Reporting	370	
Patient Care: Medical Billing Compliance Program	160	
Research: Research Compliance Program	310	
Financial: President Expenditures	210	
Financial: UT Medicine Financial Reporting	500	
IT: Payment Card Industry Data Security Standards	300	
UT System Requested Subtotal	2930	35%
<i>Externally Required</i>		
<i>Audits</i>		
Financial: Practice Plans Financial Review/Receivables & Allowance	360	
Financial: Family Practice Residency Program	120	
Research: SAO FY 2006 A-133 Research and Development	200	
Financial: Joint Admission Medical Program	50	
Externally Required Subtotal	730	9%
<i>Risk Based: Institutional</i>		
<i>Audits</i>		
Education and Financial: RAHC Funds Management	360	
<i>Consulting</i>	60	
<i>Carry forward</i>		
Education: Student Services Program Audit	60	
Research: Decentralized Grant Administration	30	
Risk Based: Institutional Subtotal	510	6%
<i>Risk Based: Auditable Area</i>		
<i>Patient Care</i>		
<i>Audits</i>		
Patient Care: Patient Scheduling & Registration	420	
Patient Care: MSRDP Charge Capture	320	
<i>Carry forward</i>		
Patient Care: MSRDP Charge Capture-Medicine & Pediatrics	320	

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FY 2007 Audit Plan	2007	%
Audit/Project	Budgeted Hours	of Total
Information Technology		
<i>Audits</i>		
IT: IT Infrastructure - Central Computing Facility	365	
IT: IT Security - Risk Assessment Process	160	
IT Planning & Organization: Manage IT Human Resources	410	
<i>Consulting</i>		
IT: PeopleSoft Human Capital Management (HCM) Upgrade	120	
IT: Patient Billing System (EPIC) Implementation	180	
<i>Carry forward</i>		
Planning & Organization: IT Planning and Financial Mgmt	30	
<i>Consulting</i>		
	60	
Risk Based: Tier Two Subtotal	2385	29%
Management Review		
<i>Change in Management Audits</i>	320	
Change in Management Subtotal	320	4%
Follow-up		
<i>Institutional Follow-up</i>	320	
Follow-up Subtotal	320	4%
Audit Projects		
U. T. System Requests	100	
IA Annual Report	40	
Special Requests - Audits	400	
Audit Projects Subtotal	540	
Other Projects		
Annual Audit Plan	150	
Training provided by IA	40	
Internal Audit Committee	60	
External Quality Assurance Follow-up	45	
Investigations	200	
Reserve for other Special Requests	100	
Projects Subtotal	595	
Projects Total	1135	14%
Total Hours	8330	100%

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VIII. External Audit Services Procured in Fiscal Year 2006

In Fiscal Year 2006, UT System Board of Regents hired Deloitte and Touché to conduct an external audit of System-wide financial statements, including UTHSCSA. Internal Audit provided over 500 audit hours in assistance for the audit.