



OBJECTIVE: Determine the reliability and integrity of key financial information reported on the Joint Admission Medical Program (“JAMP”) Financial Statement, and review access to the database systems used to administer and manage the program.

CONCLUSION

The JAMP financial statement fairly represents, in all material respects, JAMP activity for the two fiscal year period ended August 31, 2020.

More frequent financial statement preparation will provide assurance that reliable financial information is available timely as budget and other program decisions are made, communication with the granting agency on use of appropriated funding is fully transparent, and the JAMP Office is less reliant on the biennial audit performed by the System Audit Office. In addition, periodic review of system access permissions will help ensure ongoing protection of student records for medical school applicants and JAMP program participants.

OBSERVATION RATINGS

Priority
High
Medium
Low

There are no Priority or High rated audit observations.

The engagement methodology can be found at the end of this report.

OBSERVATIONS

The audited financial statement and corresponding opinion letter are included as Appendix A.

- 1 Coordination with the granting agency when funding will not be fully expended is necessary to ensure transparency and appropriate use or return of excess funds. As stewards of these appropriated funds, the JAMP Office and JAMP Council should seek guidance from the Texas Higher Education Coordinating Board on how these surplus funds are to be used.
- 2 Periodic review of user accounts is a key control to ensure the risk of exposure of confidential records is minimized. Although access using an unneeded account would expose student records only for the user’s institution rather than all records in the database, the JAMP Office is entrusted with protecting these records on their behalf.
- 3 Accurate and timely financial statements provide a clear indication of financial stability and assist in JAMP program budgeting. Annual preparation of the financial statement, following formally documented procedures and with a separation of duties between preparation and review, would improve the accuracy and timeliness of financial statements.

Management developed action plans to address these observations and anticipates implementation by November 15, 2021.



Surplus Funds

Coordination with the granting agency when funding will not be fully expended is necessary to ensure transparency and appropriate use or return of excess funds. As stewards of these appropriated funds, the JAMP Office and JAMP Council should seek guidance from the Texas Higher Education Coordinating Board on how these surplus funds are to be used.

The JAMP Office receives appropriated funds passed-through from the Texas Higher Education Coordinating Board (“Coordinating Board”) on a biennial basis. For fiscal years (“FY”) 2020-2021, appropriated funding for the JAMP program totaled \$10,206,794. Program funds are intended to be fully expended during the biennium in which they are granted. In past biennia, unexpended funds were minimal and were not required to be returned to the granting agency.

Due to program limitations during the current pandemic and other factors, a significant funding surplus of approximately \$1.75 million (or 17% of appropriated funding) is anticipated by the end of the current biennium. To ensure full transparency of the program, as intended in JAMP agreements between the Coordinating Board, the JAMP governing council and UT System Administration, the JAMP

Office should advise and consult with the Coordinating Board regarding the use or return of the funding surplus. If the funding surplus is not addressed and continues in future biennia, JAMP program funding may be negatively impacted, as the legislature could presume the program can achieve its objectives with a lesser amount of appropriated funding.

MANAGEMENT ACTION PLAN

In previous biennia, the Coordinating Board allowed any unspent funds to be carried forward. However, as noted in the audit the ending balance is expected to be far more significant this year than in prior years. Detailed analyses to describe the reasons for the surplus will be prepared for the Budget Committee of the JAMP Council, who will then make recommendations on budget changes for the current year and potential uses of surplus funds carried forward to the next biennium. Although we expect to request that remaining funds be carried forward in their entirety to cover anticipated cuts in future appropriations, recommendations of the Budget Committee will be provided to the Coordinating Board and will describe the impact on future JAMP services under various scenarios if some or all surplus funds are required to be returned.

We anticipate analysis and recommendations of the Budget Committee will be provided to the Coordinating Board by June 15, 2021.



User Access Reviews

Periodic review of user accounts is a key control to ensure the risk of exposure of confidential records is minimized. Although access using an unneeded account would expose student records only for the user's institution rather than all records in the database, the JAMP Office is entrusted with protecting these records on their behalf.

The JAMP program uses a custom database application, developed and supported by the Applications Group in the Office of the Chief Information Officer, to facilitate administering the program. Web-enabled portals provide access to functions including but not limited to student submission of medical school applications, collection of application materials including transcripts and recommendation letters, medical school evaluation of applications and subsequent evaluation of students in their programs, and submission of expense information by participating institutions to the JAMP Office.

A student self-registers him/herself for system access and is automatically assigned permissions that provide access to only that individual's data. The JAMP Office controls all other access to these portals by assigning a role to each administrative or

institutional user. The assigned role determines the level of access allowed, and school designations further restrict access to only information relevant to a specific institution and its students. Currently, access is removed only if the JAMP Office is notified that it is no longer necessary or if the user's account has not been used in 18 months.

Over one third of all active user accounts assigned the Institution role (101 of 293 active accounts) have not been used in over a year, and inappropriate access using an individual's account is unlikely to be detected. These accounts have access to student educational records protected under the Family Educational Rights and Privacy Act ("FERPA"). A FERPA violation would occur at the point an individual no longer has a legitimate need to access the record. In addition, Texas Administration Code section 202.76, Security Control Standards Catalog, requires under Standard AC-2: Account Management that accounts are disabled or removed timely when access is no longer needed. Although work performed at institutions may be cyclical, and likely annual, a more frequent and formalized user access review would ensure access is removed timely for individuals who no longer have "legitimate educational interests" as defined under FERPA. Confirmation of user accounts by a responsible individual at each institution after an application or program cycle closes would help ensure the JAMP Office can appropriately protect the student records it holds.

MANAGEMENT ACTION PLAN

Going forward, we will provide user access lists to each medical school coordinator at least twice each year, in February and July, to follow the close of the annual application review cycle and the summer program evaluations, respectively. The medical school coordinator will be asked to confirm whether each user for the institution still requires access. The JAMP Office will disable access immediately upon notification by a medical school coordinator that access is no longer needed.

We anticipate the first user access lists will be distributed to the medical schools for review by February 15, 2021.



Financial Statement Preparation

Accurate and timely financial statements provide a clear indication of financial stability and assist in JAMP program budgeting. Annual preparation of the financial statement, following formally documented procedures and with a separation of duties between preparation and review, would improve the accuracy and timeliness of financial statements.

JAMP program financial statements are prepared in even-numbered years after the close of the fiscal year. The current preparation process entails the account reconciler providing revenues and expenses to the JAMP Director, who then prepares the financial statement. The statement is then turned over to the System Audit Office for this required audit. An internal review of the financial statement for completeness and accuracy is not performed prior to submission for audit.

As has been observed in prior JAMP audits, recurring preparation errors resulted in corrections to the JAMP financial statements during the audit. The corrected statement for FYs 2019 and 2020 is included as Appendix A. Details of the errors and subsequent corrections have been discussed with JAMP management. These

errors were related to determining beginning balances and use of sources other than accounting detail from PeopleSoft to compile the financial statement.

Because financial statements have been prepared only on a two-year cycle, with reliance on the audit performed by the System Audit Office to ensure accuracy, some errors may be caused by the length of time between statement preparation, with no opportunity to reinforce lessons learned from prior errors. To assist in reducing errors in the future, the financial statement could be prepared annually from accounting detail by the individual normally responsible for account reconciliations, with review by the JAMP Director. In addition, annual financial statement preparation may help identify funding surpluses (or deficits) earlier for consideration during the budgeting process. The System Audit Office is available to provide training to staff on financial statement preparation.

MANAGEMENT ACTION PLAN

We agree that annual preparation of the financial statement will be helpful for budgeting purposes and to provide needed financial information as program decisions are made. Before the next annual statement is prepared (in fall 2021), staff will request additional training on the use of PeopleSoft queries and draft procedures will be developed to guide staff through preparation of the financial statement. We may request assistance by the System Audit Office in developing these procedures and review of the FY 2021 financial statement.

We anticipate that development of procedures and completion of a FY 2021 financial statement will occur by November 15, 2021.



This engagement was conducted in accordance with the guidelines set forth in the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*.

BACKGROUND

Joint Admission Medical Program (“JAMP”) was created by Senate Bill 940 of the 77th Texas Legislature in May 2001 to provide funding and services that support and encourage highly qualified, economically disadvantaged students to pursue a medical education. JAMP is governed by the JAMP Council (“Council”) which consists of representatives from each medical school in Texas and is administratively managed by The University of Texas (“UT”) System Administration.

Biennially, the Texas Legislature provides state appropriations for JAMP to the Texas Higher Education Coordinating Board (“Coordinating Board”). The Coordinating Board entered into an agreement with the Council to outline terms and conditions for the transfer of appropriated funds. The Council then entered into an agreement with UT System Administration to establish the terms and conditions for the use and distribution of the funds, and to distribute funds to participating schools. The agreement between the Coordinating Board and the Council further requires that the Council provide the Coordinating Board, “not later than December 31 of each even-numbered year, a financial statement detailing Fiscal Year revenues and expenditures by purposes and amounts, along with an internal or independent auditor’s opinion.” JAMP’s Statement of Revenues, Expenses, and Fund Balance (financial statement) for fiscal years (“FY”) 2019 and 2020, the subject of this audit, is included as Appendix A.

SCOPE AND PROCEDURES

The scope of this engagement included activities of JAMP accounts for FY 2019 and FY 2020 (September 1, 2018 – August 31, 2020) and control practices currently in place. Procedures performed included gaining an understanding of any changes to the JAMP program since prior audits, validating key financial information reported on the JAMP financial statement, and reviewing account management and access permissions for the JAMP database application. Audit procedures were conducted between October and November 2020.

The System Audit Office will follow up on management action plans in this report to determine their implementation status. Any requests for extension to the implementation dates for observations rated Priority or High require approval from the System Administration Internal Audit Committee. This process will help enhance accountability and ensure that timely action is taken to address the observations.

OBSERVATION RATINGS

Priority	An issue that, if not addressed timely, has a high probability to directly impact achievement of a strategic or important operational objective of System Administration or the UT System as a whole.
High	An issue considered to have a medium to high probability of adverse effects to a significant office or business process or to System Administration as a whole.
Medium	An issue considered to have a low to medium probability of adverse effects to an office or business process or to System Administration as a whole.
Low	An issue considered to have minimal probability of adverse effects to an office or business process or to System Administration as a whole.

CRITERIA

- Family Educational Rights and Privacy Act (20 U.S.C. §1232g; 34 CFR Part 99)
- Texas Administrative Code §202.76: Security Control Standards Catalog, Standard AC-2 Account Management

REPORT DATE

December 15, 2020

REPORT DISTRIBUTION

To: Matthew Meeks, Executive Director, Texas Health Education Service
Cc: John Zerwas, M.D., Executive Vice Chancellor for Health Affairs
David Lakey, M.D., Vice Chancellor for Health Affairs and Chief Medical Officer
UT System Administration Internal Audit Committee
External Agencies (State Auditor, Legislative Budget Board, Governor’s Office)



THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE
Joint Admission Medical Program (JAMP) Audit
Fiscal Year 2021

APPENDIX A



THE UNIVERSITY of TEXAS SYSTEM
FOURTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.

System Audit Office
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December 7, 2020

Matthew Meeks
Executive Director, Texas Health Education Service
The University of Texas System Administration
P.O. Box 2175
Austin, Texas 78768

Dear Mr. Meeks:

The University of Texas (UT) System Audit Office has reviewed the Joint Admission Medical Program (JAMP) Statement of Revenues, Expenses, and Fund Balance (financial statement), prepared on a cash basis, for the two fiscal year period ended August 31, 2020.

Our engagement consisted of verifying that revenues and expenses were compiled and classified accurately in the financial statement. Our work relied on the accuracy of expenditure reports submitted by participating institutions and did not include testing for appropriateness. Per their agreements with the JAMP Council, participating institutions were required to provide an auditor's opinion on the appropriateness of their expenditures on a risk basis, as determined by your office.

In our opinion, the accompanying JAMP financial statement fairly represents, in all material respects, JAMP activity for the two fiscal year period ended August 31, 2020.

Our examination was conducted in accordance with the guidelines set forth in The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

We appreciate the assistance provided by you and your staff.

Sincerely,

J. Michael Peppers, CPA, CIA, QIAL, CRMA
Chief Audit Executive

cc: John M. Zerwas, M.D., Executive Vice Chancellor for Health Affairs
David L. Lakey, M.D., Vice Chancellor for Health Affairs and Chief Medical Officer
Benjamin N. Nguyen, M.D., JAMP Council Chair
Felix Morales, M.D., JAMP Council Chair-Elect



**JOINT ADMISSION MEDICAL PROGRAM
FINANCIAL REPORT
FISCAL YEARS 2019 and 2020**

	FY 2019	FY 2020
INCOME		
BEGINNING BALANCE	\$6,577,170	\$1,500,219
THECB PROGRAM DISTRIBUTION	\$0	\$10,206,794
RETURNED FUNDS FROM PRIOR PERIOD	\$232,869	\$216,586
TOTAL FUNDS AVAILABLE	\$6,810,039	\$11,923,599
EXPENSES		
UNDERGRADUATE STUDENT SUMMER STIPENDS	\$289,500	\$300,000
UNDERGRADUATE STUDENT SCHOLARSHIPS	\$295,201	\$288,000
MEDICAL SCHOOL SCHOLARSHIPS	\$1,100,000	\$1,180,000
MEDICAL SCHOOL INTERVIEW STIPENDS	\$242,000	\$49,500
UNDERGRADUATE SCHOOLS PROGRAM COSTS	\$501,000	\$512,980
MEDICAL SCHOOLS PROGRAM COSTS	\$540,000	\$660,000
MEDICAL SCHOOLS SUMMER INTERNSHIP PROGRAM COSTS	\$1,354,250	\$578,150
PRE-JAMP OUTREACH PROGRAM COSTS	\$200,000	\$200,000
GRADUATE MEDICAL EDUCATION PROGRAM COSTS	\$204,000	\$174,000
EVALUATION, ACCOUNTABILITY & DEVELOPMENT	\$100,000	\$100,000
ADMINISTRATIVE COSTS	\$483,869	\$427,007
TOTAL EXPENSES	\$5,309,820	\$4,469,637
ENDING BALANCE	\$1,500,219	\$7,453,962