To: Giuseppe Colasurdo, M.D., President
UTHealth

Re: Report on THECB Nursing Shortage Reduction Program - Over 70- #14-412

We have completed our audit of the Texas Higher Education Coordinating Board (THECB) Professional Nursing Shortage Reduction Program (NSRP)- Institutions with Over 70% Nursing Graduation Rate (Over 70) Annual Financial Report (AFR) for fiscal years 2011, 2012, and 2013. This audit is required by the THECB. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

BACKGROUND

THECB provides state appropriated funds to help institutions increase the total number of nursing graduates. We received funds for two NSRP programs, a "Regular Program" and an "Over 70 Program". The funds appropriated to the THECB are divided among eligible institutions based on the number of graduates the institution has each fiscal year. The Regular Program is open to all institutions of higher education, while the Over 70 Program is only open to institutions of higher education with over 70% graduation rate in the preceding fiscal year. The intent of these funds is to assist the institution with enrolling a sufficient number of students to meet the state's need for registered nurses. The funds can be used for costs related to: enrolling additional students; nursing faculty enhancement; encouraging innovation in the recruitment and retention of students; and identifying, developing, or implementing innovative methods to make the most effective use of limited professional nursing program resources.

OBJECTIVE

The objective of this review was to determine whether revenues and expenditures related to THECB funds expended during fiscal years 2011, 2012, and 2013 were accurately stated on the associated AFR, and whether the expenditures were in accordance with the THECB program guidelines.

SCOPE AND METHODOLOGY

Audit procedures included review of the THECB agreements and tests of transactions. The audit period was September 1, 2010 through August 31, 2013.

AUDIT RESULTS

Auditing and Advisory Services (A&AS) reviewed the program announcements for fiscal years 2011 through 2013. The guidelines require any award under this program be accounted for separately by NSRP program and by year. We determined that all of the funds were recorded in
the same account, regardless of program or fiscal year. As a result, we were unable to tie the individual Over 70 NSRP AFR directly to the UTHHealth accounting system.

Since UTHHealth received funds from more than one NSRP program from multiple years, which were recorded in one account, we performed work to tie program expenditures to both NSRP programs' AFR's. For FY2011, there were only expenditures for the Over 70 NSRP program and those expenditures reported tied directly to the accounting system. For both FY2012 and FY2013 there were expenditures reported for both NSRP programs. Expenditures reported on the AFR for fiscal year 2012 were $10,867 less than the UTHHealth accounting system records for both programs combined. Expenditures on the fiscal year 2013 AFR were $13,788 more than what is in the UTHHealth accounting system. In aggregate, there is a $2,920 difference between the AFR's and the UTHHealth accounting system for the two programs across all three fiscal years we reviewed. These differences may be attributed to a timing difference caused when the AFR's were issued prior to the fiscal year-end, but, because the amounts were comingle,d we could not separate the charges by AFR date.

Recommendation 1: We recommend that future years' program awards be separated by NSRP program and by award year as required by the program guidelines.

Management's Response: We will work with necessary departments to separate new NSRP funding awards in fiscal year 2014 going forward by award and fiscal year. If it is not possible to create separate accounts, we will keep all expenditures separated and clearly document which award is used for each expenditure.

Responsible Party: Susan Perez
Due Date: September 1, 2014

The program announcement states the awards are to be expended on costs such as:

Nursing faculty enhancements to assist the programs in the education, recruitment, and retention of a sufficient number of faculty members to enable the programs to enroll a sufficient number of students to meet the state's need for registered nurses.

All expenditures recorded in the accounting system were for salaries. We identified all individuals paid on program funds, and confirmed each of these individuals were nursing school faculty members.

CONCLUSION

In our opinion, fund expenditures were used exclusively for school of nursing faculty salaries, which is an allowable expenditure. In the aggregate, total expenditures for the NSRP program funds reported on the AFR in fiscal years 2011, 2012 and 2013 is supported by the UTHHealth accounting system except for a variance of $2,920. Since program guidelines state that funds
should be segregated by individual NSRP program and by year, a recommendation was made that the currently comingled funds be separated for future years.

We would like to take this opportunity to express our appreciation for the courtesy and cooperation extended to us by the employees of the School of Nursing and Post-Award Finance.

Daniel G. Sherman, MBA, CPA, CIA
Assistant Vice President

cc: Audit Committee
    Kevin Dillon
    Dr. Patricia Starck
    Susan Perez
    Michael Tramonte
    Ed Buchanan, THECB

Auditor Assigned: Cara Saldivar

Issue Date: February 28, 2014