AUDIT REPORT

TO: Eileen T. Breslin, Ph.D., Dean, School of Nursing

FROM: Richard Dawson, CPA, CIA, CRMA; Interim Chief Audit Executive

DATE: February 22, 2017

SUBJECT: FY14 Nursing Shortage Award Audit (17-23)

Executive Summary

We have completed our audit of the Texas Higher Education Coordinating Board (THECB) Professional Nursing Shortage Reduction Program, specifically the Over 70 Program. UT Health received an award in the Over 70 Program during FY 2014 for $630,000. The objective of this review was to determine whether revenues and expenditures related to THECB funds for fiscal years 2014 - 2016 were accurately stated on the associated program reports and were in accordance with THECB requirements.

Based on the audit procedures performed, the expenditures in the annual program reports of the Nursing Shortage Reduction Program associated with the Over 70 Program award were materially accurate and in accordance with the award program's requirements. During the course of this review we noted one instance where wage expenses ($5,430) were reported as an "Administrative or Instructional Personnel" expense rather than the "Using Preceptors or Part-Time Faculty to Increase Enrollment" expense. Although an error was noted, it was considered an immaterial mis-classification. All funds were expended to allowable costs and no funds were required to be returned to THECB.

We appreciate the courtesy and cooperation we received from the School of Nursing and Business Affairs staff throughout the audit. If you have any questions please contact our office at extension 7-2370.
DETAILED AUDIT REPORT

Background Information

THECB provides state appropriated funds to help institutions increase the total number of nursing graduates. The School of Nursing at UT Health San Antonio (UT Health) received $630,000 for the FY 2014 for the Nursing Shortage Reduction Program, specifically the Over 70 Program.

The THECB distributes funds for the Over 70 Program to institutions with a graduation rate of 70% or greater in which the institution has four years after receipt of the award to expend all the funds. 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. Award recipients are required to file annual program reports as funds are expended.

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 Texas Higher Education Coordinating Board (THECB) funds for fiscal years 2014 - 2016 were accurately stated on the associated program reports and were in accordance with THECB requirements.

Scope and Methodology

The audit was performed in accordance with the Institute of Internal Auditors' International Standards for the Professional practice of Internal Auditing. This was a required audit in accordance with THECB since the amount of the award UT Health received was in excess of $500,000. Institutions that received an award of $500,000 or more must submit an independent audit report for that award to THECB within six months after the end of the fiscal year in which that award’s funds have completely been expended. All awarded funds by the THECB were expended by the end of FY 2016.

We reviewed Nursing Shortage Reduction Program accounting records and supporting documentation to determine compliance with program requirements. Specifically, we performed the following procedures:

- Verified the annual program reports that were submitted each year to THECB;
- Verified the award amount agreed to the award allocation for UT Health;
- Performed an analytical review on the award accounts and determined the accuracy of the annual program reports;
- Determined if there were any unspent and unearned funds returned to THECB;
- Verified whether salary expenditures were accurately reported by verifying employee salary payment's against appointments within PeopleSoft.

Conclusion

Based on the audit procedures performed, the expenditures in the annual program reports of the Nursing Shortage Reduction Program associated with the Over 70 Program award were materially accurate and in accordance with the award program's requirements. However we noted an immaterial coding discrepancy in which $5,430 was reported to the THECB as an “Administrative or Instructional Personnel” expense rather than the “Using Preceptors or Part-Time Faculty to Increase Enrollment” expense. This error was due to some of the wage expenses being coded in Human Capital Management as “Classified Wages” instead of “Faculty Wages” for the FY2014 Over 70 Awards Program. Although an error was
noted, no further action is needed as the mis-coded wages reported to the THECB were still considered to be an allowable expense under the Nursing Shortage Reduction Program. Management is aware and has since changed their procedures.

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This audit was performed by two staff members in the Internal Audit and Consulting Department:

Jeremy Sutton, CFE
Senior Internal Auditor

Kimberly Weber, CIA, CFE, CGAP CRMA
Audit Manager
Wage Classification

Opportunity for Improvement:

Issue Ranking - Low

Based on the audit procedures performed, the expenditures for the Nursing Shortage Reduction Program associated with the FY 2014 Over 70 Program were in accordance with the award program's requirements. However we noted a minor coding discrepancy in which $5,430 was reported to the THECB as an "Administrative or Instructional Personnel" expense rather than the "Using Preceptors or Part-Time Faculty to Increase Enrollment" expense.

This error was due to a portion of the wage expenses being coded in Human Capital Management as "Classified Wages" instead of "Faculty Wages" for the FY2014 Over 70 Awards Program. The impact of this error is minimal since the mis-coded wages reported to the THECB were still considered to be an allowable expense under the Nursing Shortage Reduction Program guidelines. All funds were expended to allowable costs and no funds were required to be returned to THECB.

Management is aware and has since changed their procedures, therefore no further action is required.
Appendix - Audit Issue Ranking Definitions

The audit issue was ranked according to the following University of Texas System Administration issue ranking guidelines:

- **Priority** – A Priority Finding is defined as an issue identified by internal audit that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of the Health Science Center or the UT System as a whole.

- **High** – A finding identified by internal audit that is considered to have a medium to high probability of adverse effects to the Health Science Center either as a whole or to a significant college/school/unit level.

- **Medium** – A finding identified by internal audit that is considered to have a low to medium probability of adverse effects to the Health Science Center either as a whole or to a college/school/unit level.

- **Low** – A finding identified by internal audit that is considered to have minimal probability of adverse effects to the Health Science Center either as a whole or to a college/school/unit level.