

### BACKGROUND INFORMATION

Urology is a department in the School of Medicine with activities related to clinical, research and education. Clinical activities in the department are divided into four divisions; Urologic Oncology, Endo-Urology, Neuro-Urology, and Pediatric Urology. Research focuses primarily on improving care for patients with Urologic diseases. Urologic education is provided to medical students, residents, and fellows at UT Health Science Center. In addition, the department manages a clinical trial program named the SABOR study with clinic locations in San Antonio, Laredo and McAllen which is free to all participants.

The Chair of Urology reports to the Dean of School of Medicine. Urology faculty is composed of 15 clinical and research faculty including the Chair. The department has 73 funded positions.

The two major sources of revenues for the department are MSRDP Practice Plan funds and Federal & State grants. In fiscal year 2013, 50.11% of revenues were from MSRDP funds and 46.35% from federal & state grant funds. MSRDP funds declined 6.59% and .047% in fiscal years 2012 and 2013, respectively.

### OBJECTIVE AND SCOPE

The objectives of the audit were to determine that the department was in compliance with the Health Science Center (HSC) policies and procedures, had adequate internal controls to safeguard assets and that the departmental processes were effective in providing reliable information to management. Internal Audit performs change in management audits when there is a change in key leadership positions. For the Urology Department, the Chair started in January 2013 and the Associate Director of Finance and Administration in February 2013. In addition, the audit was requested by Urology management to provide assurance that there was proper segregation of duties for major processes.

The scope of the audit included operational and financial processes and financial transactions in the Department of Urology for FY 2013 through December 2013. The audit excluded a review of referral, scheduling and credentialing processes due to scope limitations and other audits scheduled to be conducted later in the fiscal year.

We conducted our audit in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

### SUMMARY OF RESULTS

To achieve the audit objectives, Internal Audit reviewed internal controls in place for segregation of duties, tested a selected sample of revenues and expenses for compliance, assessed the adequacy of the financial monitoring, and tested operational and financial processes for effectiveness.

Based on the procedures performed, the following audit results and opportunities for improvement were noted:

**Segregation of Duties:** Duties were adequately segregated for electronic purchases, billings and collections, cash handling, participant reimbursements and time and leave approval.

**Financial Monitoring and Reporting:** Reconciliation and financial monitoring processes need to be further strengthened and departmental policies and procedures should be developed for handling overdrafts and expired contracts.

**Revenue and Related Receivables:** Revenue should be reconciled and supporting documentation maintained to ensure completeness and accuracy of the revenue received.

**Payroll and Related Expenditures:** Incentives were awarded only to eligible faculty and were properly approved. Time and leave records were not always maintained to support hours worked or leave used by exempt and non-exempt employees in accordance with HSC policies.

**Non-Payroll Expenditures:** Stipend reimbursements to residents were tracked appropriately but some procedures for travel and entertainment were not consistently performed.

These items, along with recommendations and management action plans, are detailed in the attached table of Issues and Recommendations. We would like to thank management for the support and assistance provided during this audit.

### SUMMARY OF SIGNIFICANT FINDINGS

**This audit identified no findings considered significant to the institution.** According to the UT System Policy 129 – Internal Audit Activities, an audit finding identified as significant is one that is material to the operation, financial reporting, or legal compliance of the institution. The UT System Audit Office receives and tracks significant audit findings on a quarterly basis. It also provides a summary report to the UT System Internal Audit Committee and the Audit, Compliance, and Management Review Committee of the UT System Board of Regents.

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Mr. J. Michael Peppers, Chief Audit Executive, UT System

An "\*" preceding your name indicates you are required to respond to recommendations contained in this report; an adequate response describing the action taken or planned and target date must be sent to the Institutional Chief Audit Executive *ad Interim*.

APPROVED  
FOR RELEASE

Chief Audit Executive, INTERNAL AUDIT & CONSULTING SERVICES *ad Interim*

*Paul Brown 4/18/14*

### AUDITORS

Dora Ann Verde, Senior Audit Manager  
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Jennifer McGowan, Internal Audit Associate  
Anujani Aluwihare, Internal Controls Analyst

## Issues and Recommendations

|   | Observation/Condition  | Business Implication  | Recommendation   | Management Action Plan  | Due Date  | Responsible Party  |
|---|--|---|--|---|-----------|--|
| <b>FINANCIAL MONITORING AND REPORTING</b> |  |   |  |   |           |  |
| 1.  | <p><b>Reconciliation of Project Accounts</b></p> <p>Internal Audit tested six project accounts for the month of October 2013 and determined the accounts were not properly reconciled, reviewed, and approved. Faculty members were not timely informed of the balances.</p> <p>In addition, one project account is managed by another department with no oversight by the Urology department.</p> <p>Best practices recommend that all project accounts be reconciled and reviewed within forty-five days of month end to facilitate the quarterly sub-certification.</p> | <p>All project IDs with transactions may not be reconciled accurately and timely.</p> <p>Unauthorized and unapproved transactions may be posted to project IDs.</p> <p>Project IDs that are funded through extramural funding could be overdrawn.</p> | <p>Management should implement procedures to ensure:</p> <ul style="list-style-type: none"> <li>All project accounts with transactions are reconciled accurately and timely.</li> <li>Preparer and the Reviewer of accounts sign and date the reconciliation.</li> <li>The reconciliation is completed and results communicated to faculty within 45 days of month end.</li> </ul> | <p>The Department has conducted reconciliation of projects. Going forward, and as recommended, the Department's reconciliation process will include a summary sheet noting areas to review. In addition, PIs will be informed of their reconciliations within 45 days of month end.</p> <p>Further review of projects managed by a center and housed under Urology is necessary to ascertain the appropriate reconciliation procedure. Department will meet with the Center to determine if they are currently reconciling any of these projects and to split the responsibility of reconciliation. The project has funding for administrative staff.</p> | 7/31/2014 | Administrator, Business Administrator, Research Operations Manager |
| 2.  | <p><b>Reconciliation of Cash Deposits</b></p> <p>Internal Audit interviewed departmental personnel and reviewed the check log to determine if checks logged were reconciled to deposits. Checks logged were not reconciled to the deposits recorded in the ledgers.</p>  | <p>All checks logged may not be deposited.</p>  | <p>Management should develop procedures to ensure deposits are not only reconciled to the cash receipts but also to the check log.</p>   | <p>The Department currently utilizes a spreadsheet to record the checks logged. The Business Administrator utilizes the spreadsheet of checks logged and copies of the checks to reconcile against the ledger. The Department will change this process by eliminating the spreadsheet. The Business Administrator will reconcile the ledger with the check log and copies of checks.</p>  | 5/31/2014 | Business Administrator, Assistant to the Chair Senior              |

|    | <b>Observation/Condition</b>   | <b>Business Implication</b>   | <b>Recommendation</b>   | <b>Management Action Plan</b>  | <b>Due Date</b>                   | <b>Responsible Party</b>                  |
|----|--|---|---|--|-----------------------------------|---|
| 3. | <p><b>Reconciliation of Participant Reimbursements</b></p> <p>Internal Audit reviewed documents maintained for clinical trial participant payments and determined that a reconciliation of subjects log with vouchers issued and a comparison of budget-to-actual for participant payments was not performed.</p>  | <p>Vouchers could be issued to subjects that were not a part of the study.</p>  | <p>Departmental procedures should include a reconciliation of subjects log to vouchers prepared to ensure only the actual subjects are reimbursed. In addition, a comparison of budget-to-actual for participant reimbursements should be performed to ensure actual reimbursements do not exceed the budgeted amount.</p>  | <p>The Department will implement Internal Audit's recommendation.</p>  | 5/31/2014                         | Research Coordinator Senior               |
| 4. | <p><b>Departmental Procedures</b></p> <p>Written procedures were not available for handling expired clinical contracts which could result in account overdrafts.</p> <p>The department established procedures for discretionary funds to faculty members effective September, 1, 2013. Based on the testing of discretionary funds paid to seventeen faculty members and Physician Assistants some exceptions to the procedures were noted. Reports maintained to track discretionary fund balances contained duplicate entries and the grand totals were incorrect.</p> | <p>Departmental funds may be used to cover overdrafts instead of having funds available for strategic needs of the department.</p> <p>Department may not have sufficient funds to cover the overdrafts.</p> | <p>Management should establish departmental policies and procedures to resolve account overdrafts in a timely manner.</p> <p>Procedures should be in place for handling expired clinical contracts.</p> <p>Management should maintain accurate and reliable financial reports to track discretionary fund balances and ensure the discretionary fund policies are followed. Procedures for obtaining approval for exceptions to the policies should be described.</p> | <p>The Department will implement Internal Audit's recommendation regarding policies and procedures to resolve account overdrafts.</p> <p>The Department will revise the Discretionary Fund Policy to include approval for exceptions. The Chairman did approve the increase in allocation of discretionary funds for one faculty; the approval was provided to Internal Audit.</p> | <p>6/30/2014</p> <p>5/31/2014</p> | <p>Administrator</p> <p>Administrator</p> |

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|---|--|--|--|---|-----------|---------------------------------------|
| <b>REVENUE AND RELATED RECEIVABLES</b>  |  |  |  |   |           |                                       |
| 5.                                      | <p><b>VA Contract Revenue</b></p> <p>Internal Audit tested contract revenues received from the Veterans Administration in April 2013. It could not be determined if revenues were properly recognized, billed, collected, and recorded since the original source document listing the Physicians' daily procedures and related CPT codes was not available to agree to monthly totals.</p>   | <p>All revenues may not be recognized and recorded.</p>  | <p>Management should require that the biller or the preparer of invoices submit all necessary documentation to support amounts invoiced.</p> <p>Departmental procedures should be revised to include a reconciliation of daily procedures provided by Physicians to monthly totals. The reconciliation should be documented and include the relevant documentation to support a proper review.</p> | <p>On a monthly basis, the Department will reconcile a sample size from the supporting documentation to the amount invoiced to ensure the completeness and accuracy of the revenue. Summary will be included for the reviewer as part of the reconciliation.</p>  | 7/31/2014 | Business Administrator                |
| <b>PAYROLL AND RELATED EXPENDITURES</b> |  |  |  |   |           |                                       |
| 6.                                      | <p><b>Time And Leave Records</b></p> <p>Internal Audit tested 16 of 760 pay periods to determine if time sheets were available and leave taken was approved and recorded in accordance with HSC and departmental procedures.</p> <p>Time sheets and supporting leave request forms were not maintained for 6 of the transactions tested. The remaining ten transactions also had some exceptions. In addition, a system to track compensatory time has not been developed.</p> | <p>Time and leave taken by departmental personnel may not be properly approved. All leave taken may not be reported.</p> <p>Institutional funds may be utilized for non-accrued leave.</p> | <p>Management should develop procedures to ensure:</p> <ul style="list-style-type: none"> <li>• Complete records are maintained for hours worked and leave taken,</li> <li>• Advance supervisory approval is obtained for leave, and</li> <li>• Proper reconciliation of time and leave records to the Document Review System (DRS).</li> </ul>  | <p>The Department is currently implementing a time and leave software to track compensatory, vacation, sick, personal, administrative and other time. By utilizing this software, we have developed an approval process. In addition, the Department will develop a policy to outline the expectation of worked time. On a monthly basis, employees will receive a report of time taken with an expectation to review and report discrepancies. Finally, the reconciliation process will include the following: for faculty, the reconciliation will utilize the quarterly time study and time taken in the time-</p> | 7/31/2014 | Administrator, Business Administrator |

|                                 | Observation/Condition  | Business Implication   | Recommendation   | Management Action Plan   | Due Date  | Responsible Party   |
|---------------------------------|--|--|--|--|-----------|---|
|                                 | <p>HOP 10.1.2 - <i>Code of Ethics and Standards of Conduct</i>. Time Keeping states that "All employees eligible to earn vacation and sick leave must report vacation and sick leave taken in accordance with University procedures. All employees maintain complete records of worked time and specific leave records to account for hours worked; vacation, sick and personal leave; compensatory and equivalent time balance".</p>  |  |  | <p>off software/leave forms submitted and DRS. For staff, the reconciliation will include time taken in the time-off software, discrepancies reported, and DRS.</p>  |           |   |
| <b>NON-PAYROLL EXPENDITURES</b> |  |  |  |  |           |   |
| 7.                              | <p><b>Travel and Entertainment Reimbursements</b></p> <p>Internal audit tested 13 of 197 vouchers to determine if travel and entertainment reimbursements were properly recorded, approved, and appropriate. All transactions tested had an appropriate business purpose; however, procedures were not consistently performed for obtaining hierarchical approval, attaching required supporting documentation, properly calculating amounts reimbursed, and timely submitting vouchers for reimbursement.</p> | <p>Unapproved and unallowable expenses could be charged to departmental project IDs.</p> | <p>Management should strengthen the existing procedures to ensure all reimbursements are processed and approved in accordance with HOP requirements.</p> | <p>The Department Administrator approves all travel reimbursements with the exception of the Chairman's travel. Hierarchical approval is required by HOP 6.2.14 and in accordance with HOP the Department will develop a policy to delegate this authority from the chairman to the administrator.</p> | 5/31/2014 | <p>Administrator,<br/>Assistant to the Chair<br/>Senior</p> |