The University of Texas Medical Branch
Audit Services

Audit Report
Office of the Provost Change in Management
Audit Control Number 2013-014
July 2013
Office of the Provost Change of Management Audit
Audit Control Number: 2013-014

Background
The current Executive Vice President and Provost, and Dean of the School of Medicine joined the University of Texas Medical Branch (UTMB Health) on October 1, 2012. In addition to providing resources and leadership to all four schools, this position oversees five administrative departments within the Office of the Provost and four administrative departments within the School of Medicine.

The Office of the Provost (Provost’s Office) oversees, advances, and supports the interests of students, residents, faculty, and staff across the entire Academic Enterprise. The four schools supported by the Provost’s Office include the School of Medicine, School of Nursing, School of Health Professions, and the Graduate School of Biomedical Sciences. The five administrative divisions with the Provost’s Office include:

- Provost Operations and Fiscal Affairs
- Institutional Research
- Library Services
- Regulatory and Scientific Affairs
- Regulatory Operations

The Provost Operations and Fiscal Affairs (POFA) group is primarily responsible for the overall administrative, fiscal, operational, and strategic functions within the Academic Enterprise and Faculty Group Practice at UTMB Health. With nearly 200 employees and a fiscal year (FY) 2012 budget of approximately $15 million, these teams assist in operationalizing the Academic Enterprise budget and partnering with departments on developing strategic and operational goals. The Executive Vice President and Provost, and Dean of the School of Medicine requested a change in management audit. Change of management audits primarily focus on organizational structure, policy and procedures, internal financial controls such as account reconciliations, and on operational controls such as proper segregation of duties.

Audit Objectives
The objectives of this audit are to:

- Determine whether financial internal controls are adequate and effective to ensure compliance with applicable program and UTMB Health policies and procedures
- Determine if the supervision and monitoring of personnel, processes, and controls are in place and functioning as intended.

Scope of Work and Methodology
As a change of management audit primarily focuses on financial and operational controls, after consideration of the Academic Enterprise organizational structure delineations of responsibilities, the scope of the audit was limited to the activities of Provost Operations and Fiscal Affairs. Our audit work includes a review of current operations, analysis and limited testing of fiscal year (FY) 2012 and FY 2013 financial transactions, employee time keeping, and asset management.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing as promulgated by the Institute of Internal Auditors.
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Audit Results
Organizational Structure
The Provost Operations and Fiscal Affairs (POFA) group consists of a Vice President and Chief Operating Officer and six division heads overseeing activities that include faculty relations, business operations, strategic planning, academic and business systems, process improvement and productivity management. Based on interviews with key personnel, overall the POFA organizational structure appears sufficient and appropriate for the current size and scope of responsibilities.

POFA leadership noted recent changes in reporting lines, such as the transition of Physician Billing Services from the Academic Enterprise to Institutional Support, are not yet reflected on the POFA organizational chart in anticipation of additional Provost Office organizational changes planned in the coming months. POFA leadership indicated the organizational chart will be updated once these changes are implemented.

Policies and Procedures
Detailed policies and procedures are effective control activities that provide guidance to staff, provide reasonable assurance a department is in compliance with applicable laws and regulations and help ensure management directives are followed. Leading practices indicate policies and procedures should be formally reviewed at least every three years unless a change with internal operations or regulatory requirements necessitate an earlier review.

Discussion with key personnel indicated that some divisions within POFA do not maintain documented policies and procedures supporting each of their specific primary activities or enterprise expectations. Several managers indicated they plan to develop such documentation in the future.

Recommendation 2013-014-01-P:
The Vice President and Chief Operating Officer, Academic Enterprise, should ensure that Provost Administration key policies and procedures are appropriately documented and communicated.

Management's Response:
The Vice President and Chief Operating Officer, Academic Enterprise, is in the process of producing appropriately documented and communicated key policies and procedures for Provost Administration in the form of standard operating procedures (SOP) manuals. Plans are to create key policies and procedures around the following areas:
- Dress Code
- Proper Communications (email, telephone, facsimile, face-to-face)
- Financial activities (office supplies ordering for entire Provost Administration, account usage training for creating requisitions, POs and submitting reimbursement requests)
- Signature log processing
- Time management and expectations of Provost Administration staff

Implementation Date: All areas listed above will have SOP manuals implemented by December 31, 2013.
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**Monthly Account Reconciliations**
UTMB Health's *Financial Controls, Monthly Review and Reconciliation Policy* states department management should ensure financial activity is reconciled on a regular basis. Additionally, expenditures should be managed in conformity with the budget for an activity and deviations should be clearly explained.

Audit Services interviews with POFA personnel indicated departmental account reconciliations were not performed for the period under review. Additionally during this period, numerous changes occurred related to the specific accounts where expenditures were recorded inhibiting the use of a potential mitigating control through the performance of variance analyses. POFA leadership indicated they are currently training someone to perform account reconciliations.

**Recommendation 2013-014-02-R:**
The Vice President and Chief Operating Officer, Academic Enterprise, should ensure that monthly account reconciliations are completed in a timely manner as required by institutional policy.

**Management’s Response:**
As stated above, POFA leadership will ensure timely reconciliation of accounts on a monthly basis.

**Implementation Date:** Process will begin by the end of July 2013.

**Expenditure Testing**
UTMB Health's Institutional Handbook of Operating Procedures (IHOP) Policy 4.4.2 *Official Function Expenditures* provides guidance and documentation requirements for reimbursement or payment of official function expenditures. Audit Services tested a sample of 100 non-payroll expenditures totaling $1,080,367.51. Our review indicated all expenditures tested appeared allowable, mathematically accurate, and adequately supported; however, 12 (12%) transactions had incorrect expenditure account codes. Additionally, we noted inconsistent coding among similar transactions.

**Recommendation 2013-014-03-R:**
The Vice President and Chief Operating Officer, Academic Enterprise, should ensure POFA personnel are sufficiently trained to code expenditures to the appropriate expense accounts.

**Management’s Response:**
In unison with the Monthly Account Reconciliation action plan above, training will take place explaining the process for selecting specific accounts to be utilized for specific expenditures. With any changes related to specific accounts or any changes in staffing, training and monthly updates will be communicated to all pertinent personnel.

**Implementation Date:** Training of POFA personnel regarding expenditures will begin August 2013 and will be ongoing as changes occur.
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Expenditure Approval Process
Audit Services reviewed expenditure approval levels in PeopleSoft Financial Management System for Provost Administration identifying only one approver for the department. In addition to other operational responsibilities, this individual is responsible for approving higher dollar expenditures occurring within the Academic Enterprise. Having only one approver may not allow for appropriate review of expenditure requests particularly given the overall annual volume of transactions processed.

Recommendation 2013-014-04-R:
The Vice President and Chief Operating Officer, Academic Enterprise, should consider additional approval authority levels within POFA.

Management’s Response:
Two (2) additional approval authority levels within POFA have been identified. Each will be trained regarding what to look for when approving a request. This will allow for the proper checks and balances process to be in place for the approval process.

Implementation Date: Effective immediately, these two individuals will be trained and will begin approving requests September 1, 2013.

Time Reporting
UTMB Health policy and Texas State Government Code state all employees must complete leave request forms whenever leave time is taken. The leave forms must be properly completed and approved prior to the submission to the person responsible for inputting the approved time. The Office of the Provost utilizes the “Shared Administrative Services” (SAS) system to submit and approve leave requests electronically. Audit Services selected a sample of 47 leave occurrences and reviewed associated departmental employee files to ensure leave requests were completed, approved, and maintained. Audit Services noted that 6, or 35%, of the items tested were not approved by the employee’s supervisor in the SAS system; however, 4 requests contained comments that the employee received verbal approval from his/her supervisor.

In addition to these exceptions, Audit Services noted a discrepancy between the time reporting procedures explained verbally by department personnel and the current procedures based upon the documentation provided. Department personnel explained that directors should be approving time for employees of their respective areas; however, some areas had assistant supervisors approving time and, as noted above, some leave request forms were being approved by administrative assistants after receiving an email from the approver.

Recommendation 2013-014-05-R:
The Vice President and Chief Operating Officer, Academic Enterprise, should clarify, document and communicate the POFA time reporting and approval policy ensuring conformance with institutional policy.

Management’s Response:
• All POFA managers will be given approval authority in SAS for their respective team-members.
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- A policy will be put into place and communicated identifying an approval authority for team-members if their immediate supervisor is absent and unable to approve a request.
- An all-staff meeting will take place to go over the leave policy verbally and in written text.

Implementation Date: The three items above will be completed by August 31, 2013.

Asset Management – Custodian Designation
Audit Services review of the PeopleSoft Asset Management module indicated the department has two Asset Custodians; however, only one of the two custodians is involved in the asset management process.

Recommendation 2013-014-06-R:
The Vice President and Chief Operating Officer, Academic Enterprise, should assess the current asset custodian designations and modify, as needed, the responsibilities to meet the needs of the department.

Management’s Response:
The VP and COO has designated two (2) asset custodians and made both aware. Furthermore, proper training for both identified parties will take place.

Implementation Date: Both asset custodians have already been identified and notified. Training will be completed by August 31, 2013.

Asset Management – Inventory Testing
Audit Services selected a random sample of 28 assets from the departmental PeopleSoft asset listing to assess the accuracy of the inventory listing. Although fourteen (50%) of the 28 assets were purchased with Provost Administration funds, the assets were located in the custody of and used by other Academic Enterprise departments. Discussions with Asset Management personnel indicated these items should have been formally transferred in PeopleSoft from POFA to the department using and maintaining the asset. During the course of this engagement, POFA began an initiative to appropriately transfer purchased assets to the custodial department.

Additionally, Audit Services noted 6 assets (21%) could not be readily located and two assets (7%) in use remotely did not have properly completed loan forms.

Recommendation 2013-014-07-R:
The Vice President and Chief Operating Officer, Academic Enterprise, should ensure the POFA asset custodian understands and complies with institutional policies and procedures related to safeguarding of assets.

Management’s Response:
Part of the training that will take place under the Management’s Response of the Asset Management – Custodian Designation above will be how to properly transfer assets both out and in departments. Furthermore, loan forms for identified assets will be properly
completed or the items will be located and physically moved to their properly designated area.

**Implementation Date:** By August 31, 2013, all items will be located, properly reconciled in PeopleSoft and physically located in the proper place or have the proper loan forms completed.

**Business Continuity/Disaster Recovery Plans**
Audit Services reviewed the Academic Enterprise and Faculty Relations division’s Business Continuity/Disaster Recovery Plans and noted although the Faculty Relations plan had been updated for FY 2013, the Academic Enterprise plan has not been recently updated.

**Recommendation 2013-014-08-R:**
The Vice President and Chief Operating Officer, Academic Enterprise should ensure Disaster Recovery/Business Continuity Plans are reviewed and regularly updated in a timely manner.

**Management’s Response:**
The Academic Enterprise Disaster Recovery/Business Continuity Plans will be reviewed and updated accordingly.

**Implementation Date:** By August 31, 2013, the plans will be updated and communicated accordingly.

**Oversight and Monitoring**
Oversight and monitoring of personnel, business processes and controls provide reasonable assurance that an entity is meeting its stated objectives. Audit Services interviews with key personnel indicated the Provost and Chief Operating Officer (COO) of the Academic Enterprise review various monitoring reports and other documentation, and the COO meets with POFA division leaders regularly to discuss current goals and objectives.

**Conclusion**
Audit Services completed a change in management audit of the Provost Operations and Fiscal Affairs department which is primarily responsible for the overall administrative, fiscal, operational, and strategic functions within the Academic Enterprise and Faculty Group Practice at UTMB Health.

Overall, opportunities exist to enhance departmental processes and activities to ensure internal controls are in place and functioning as intended. We encourage management to review the current organization structure and enhance its internal control environment by developing appropriate policies and procedures, and strengthening controls related to reconciliations, expenditures, timekeeping, and asset management.
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We greatly appreciate the assistance provided by the Provost Operations and Fiscal Affairs staff, and hope that the information presented in our report is beneficial.

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