The University of Texas Southwestern Medical Center

Internal Audit Report 12:09
Accounting Change in Management

August 9, 2013

Office of Internal Audit
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The University of Texas Southwestern Medical Center
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FY 2013

AUDIT REPORT
August 9, 2013

Daniel K. Podolsky, M.D., President
The University of Texas Southwestern Medical Center
5323 Harry Hines Boulevard, MC 9002
Dallas, Texas 75390-9002

Dear Dr. Podolsky:

The University of Texas Southwestern Medical Center (Medical Center) Office of Internal Audit has completed its 12:09 Accounting Change in Management Audit. The audit covered the period of March 1, 2012 to March 15, 2013.

Executive Summary
A change in management audit is utilized to help incoming management assess the current operations of the department they are becoming responsible for in their new role. Recommendations are made to assist management in promoting an environment that is compliant with Medical Center and UT System policies and procedures. Based on the procedures performed to evaluate 1) operating procedures (inclusive of business continuity plan); 2) training; 3) staff performance assessments; 4) PeopleSoft access; 5) confidential information procedures; 6) safeguarding of assets; and 7) expenditure segregation of duties, we found that the environment for which the Assistant Vice President for Accounting (AVP for Accounting) is taking responsibility for is well developed and generally in compliance with Medical Center and UT System policies and procedures.

As a result of this audit, the following observations and recommendations are made to help the new AVP for Accounting enhance current operations:

Business Continuity Plan

1. The department does not have an updated business continuity plan. The submission and maintenance of a current and complete business continuity plan is a requirement of every department. We recommend the department update and submit a business continuity plan to the Office of Business Continuity for approval.

Expense Approval

2. The AVP for Accounting has obtained documented upward approval for the majority of her reimbursement requests. However, we did identify two expense reports where reimbursements were approved by individuals under the AVP’s responsibility. Given how current policy is written, this practice is similar to what has been seen in other travel and entertainment expense reviews. The AVP is aware of the necessity of upward approvals with these types of expenses and has recently established procedures to help ensure they are obtained manually until the leveraging of PeopleSoft technology can be utilized to perform this function.
The AVP for Accounting is also in process of re-writing current policy to address this upward approval for reimbursements issue and enhance the control environment of the whole Medical Center.

Safeguarding of Departmental Assets

3. The AVP for Accounting brought to our attention that not all inventories under her office’s responsibility had been updated in PeopleSoft to reflect the correct responsible party. The AVP for Accounting Administration is proactively addressing this issue and collaborating with Inventory Control to assign correct responsible party information to her office’s assets. We commend the AVP on her efforts and recommend the continuance of this activity until all assets have the correct responsible party in PeopleSoft. Further, based on our review we also recommend the Institution consider the relevance for changing practices to assign assets to those responsible versus those who purchase on behalf of others.

Management has reviewed and commented on the recommendations made. We appreciate the courtesy and cooperation of the Office of Accounting in assisting us with our audit.

Detailed Results

Individual results and recommendations are discussed below:

1. Business Continuity Plan

The Medical Center requires each department to develop a business continuity plan and update it annually. Through discussions with the Medical Center’s Business Continuity Department, we found that the Office of Accounting Administration had not had an updated plan since 2011. A business continuity plan details the actions to be taken to minimize the impact potentially disruptive events and emergencies could have on our employees and/or the business.

Recommendation
The department should refresh its plan and submit a completed business continuity plan to the Office of Business Continuity for approval.

Management Response
The business continuity plan has not been updated since the change to PeopleSoft (PS). The AVP for Accounting has reviewed the current business continuity plan and found that it was not sufficient. Each division is developing a plan to better address the significant differences between the units. These plans are in development and once completed we will submit them to the Office of Business Continuity for review and approval.

Implementation Status: In-process
Implementation Date: October 31, 2013

Responsible Party:
Assistant Vice President for Accounting

2. Utilizing PeopleSoft for Expense Approvals

We reviewed the AVP for Accounting’s travel and entertainment expenses reimbursements and found that the majority had upward approval obtained. However, on two of the AVP for Accounting’s expense
reimbursements, we found that individuals under her supervision had approved the transactions. This is similar to what has been seen in other expense reviews and is attributed to how current policy is written. The AVP for Accounting has implemented corrective action to obtain upward approval for her expense reimbursements and is actively addressing the issue with current policy to help enhance the control environment of the entire Medical Center.

Recommendation
After discussion with the AVP for Accounting, it was brought to our attention that the Office for Administrative Systems has a substantial number of items that are to be addressed within the PeopleSoft system. Several of these items have a higher priority to the Medical Center than constructing a workflow for systematically ensuring upward approvals are obtained systematically. Therefore, we recommend that the AVP for Accounting continue to obtain manual approval from the Vice President for Financial Affairs for her travel and entertainment expense reimbursements until the leveraging of PeopleSoft technology can be utilized to perform this function institution-wide.

Management Response
UT Southwestern policies were followed, including the approval process, for all reimbursements. There is no PS approval process based on hierarchy at this time. We will continue to submit all AVP reimbursements to the VP for Financial Affairs for his manual approval until such time the PS process is able to be changed.

Implementation Status: Implemented
Target Implementation Date: April 11, 2013

Responsible Party:
Assistant Vice President for Accounting

3. Safeguarding of Departmental Assets

Both State law and Medical Center policy require accountability for the safeguarding of fixed assets by users at the Medical Center. Further, it is ultimately the responsibility of each department head to safeguard all Medical Center property that is purchased by or provided to the department.

While conducting audit procedures it was brought to our attention by the AVP for Accounting that the responsible party was not updated in PeopleSoft for a majority of the assets under her office’s responsibility. The AVP is also currently taking action by working with Inventory Control to address this issue. After performing our audit steps, we verified this statement and found that inventory items were assigned to either an incorrect or no responsible party. For example, items such as electrosurgical generators, defibrillators, laparoscopy instruments and an argon plasma coagulation system were found under the responsibility of the Office of Accounting Administration’s Senior Administrative Associate. (This is a typical practice utilized by the Institution.)

Recommendation
We recommend that the AVP for Accounting continue her collaborative efforts with Inventory Control until fully implemented. Further, the Institution should consider relevance for changing practices to assign assets to those responsible versus those purchased on behalf of others.

Management Response
Due to our financial reporting duties, Accounting is responsible for approximately 2900 tagged items totaling $1.5 billion. The vast majority of university buildings and improvements are assigned, with a tag, to the Accounting Department. Assigning each asset to a person is not
feasible or needed for the majority of the items. We will review the list and items such as computer related equipment will be assigned to the person who is responsible for the item.

Implementation Status: In-process
Target Implementation Date: August 30, 2013

Responsible Party:
Office of Accounting Asset Manager
Assistant Vice President for Accounting

Finally, as noted in similar audits, Internal Control Training is not required per policy. However, a suggestion is made for the Medical Center to consider the requirement with the Policy Office. Before and during the audit, the AVP of Accounting had directed her team to take the training and all had done so.

Conclusion
We applaud the AVP for Accounting for proactively taking the initiative to enhance her office’s environment to better promote compliance with UT System and Medical Center policies and procedures. We have seen this demonstrated through the course of the past year on several occasions. Recommendations for 1) updating Office of Accounting Administration’s business continuity plan; 2) developing policies and procedures to obtain upward approval for travel and entertainment expenditures; and 3) continuing efforts with Inventory Control to update the Office’s inventory listing to include responsible party information have been made to better enhance the control environment. The AVP for Accounting has concurred with our recommendations and has already implemented corrective actions for one issue while the remaining two are currently being addressed.

Sincerely,

Jarrett Cocharo, CPA (on leave) - Internal Auditor II
Eva Narten, CPA, CISA, CIA (resigned) - Assistant Director of Internal Audit
Aaron Munoz, CPA, CIA, CGAP, (finalized and reviewed) - Senior Internal Auditor
Debra McKibber - Internal Audit Services
PricewaterhouseCoopers LLP

Cc: Arnim E. Donales, MBA, Executive Vice President for Business Affairs
Michael Serber, MBA, Vice President for Financial Affairs
Sharon Leary, CPA, Assistant Vice President for Accounting and Post Awards Administration
Appendix

Background
The Assistant Vice President for Accounting (AVP for Accounting) reports to the Vice President for Financial Affairs and is responsible for providing accounting services and financial support to the Medical Center. These services are provided to the Medical Center by the following divisions under the AVP for Accounting’s responsibility:

- Payroll
- Cash Management
- Fiscal Reports & Accounting Operations
- General Accounting

Each division reports to the AVP for Accounting and performs specific functions that enable the AVP to direct these accounting services provided to the Medical Center. With the AVP for Accounting’s own office (Office of Accounting Administration) and the six divisions, she is responsible for a total of 74 Medical Center employees.

Audit Objectives
Given a change in management, standard procedures were performed to evaluate 1) operating procedures; 2) training; 3) staff performance assessments; 4) PeopleSoft access; 5) confidential information procedures; 6) safeguarding of assets; and 7) expenditure segregation of duties to ensure key responsibilities are understood. The nature of the review is consultative.

Scope and Methodology
Our audit covered Office of Accounting Administration departmental operations during the period of March 1, 2012 through March 15, 2013. The inherent risks of transition associated with a change in management resulted in this area being on the 2013 audit plan. Our examination was conducted according to guidelines set forth by the University of Texas Systems Administration Policy UTS129 “Internal Audit Activities”, the Regents’ Rules and Regulations, and the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing.

Procedures conducted to satisfy the audit objective included the following:
- Reviewed the Office of Accounting Administration mission statement, goals, objectives, organizational chart, risk assessment and business continuity plan for consistency.
- Reviewed the Office of Accounting Administration operating manual specific to their daily operations.
- Determined if staff had completed their required trainings.
- Determined if employee performance evaluations had been completed in accordance with Medical Center requirements.
- Reviewed employee access levels within the PeopleSoft applications and ensured access levels were consistent with job responsibilities.
- Reviewed confidential information security procedures.
- Performed walkthroughs of expenditure procedures to ensure adequate segregation of duties.
- Reviewed Office of Accounting Administration office procedures for safeguarding of Medical Center assets.
- Reviewed the AVP transition process and reporting procedures.

Final day of fieldwork for Accounting Change in Management was April 24, 2013.