

17-110 MSRDP Assignment of Collections

We have completed our audit of MSRDP Assignment of Collections. This audit was performed at the request of the UTHealth Audit Committee and was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

BACKGROUND

The Medical Service, Research, and Development Plan (MSRDP) was created by The University of Texas Board of Regents to manage and hold in trust the professional income of McGovern Medical School faculty and staff physicians (Members) at UTHealth.

MSRDP bylaws require the execution of both a Memorandum of Appointment and Agreement of Participation annually between each Member and UTHealth. Additionally, pursuant to the Memorandum of Appointment and Agreement of Participation, each Member shall assign all professional income (including any technical component) to the UTHealth Trust Fund.

During fiscal year 2017, an MSRDP Agreement of Participation was added as an addendum to staff physician offer letters.

OBJECTIVES

The objective of this audit was to determine whether the process involved in obtaining and maintaining documentation for the assignment of physician collections to UTHealth is adequate and functioning as intended.

SCOPE PERIOD

The scope period was September 1, 2016 - August 31, 2017. Additionally, a small sample was selected to validate processes prior to September 1, 2016.

METHODOLOGY

The following procedures were performed:

- Selected a sample of 25 Members (15 staff physicians and 10 faculty) and obtained documentation to confirm an Agreement of Participation assigning professional income to MSRDP was executed and retained.
- Selected a sample of 20 Members (10 staff physicians and 10 faculty) and obtained documentation to confirm a Memorandum of Appointment assigning professional income to MSRDP was executed and retained.

AUDIT RESULTS

A&AS identified areas of improvement related to the assignment of physician collections to UTHealth:

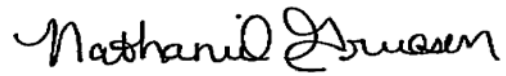
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- An Agreement of Participation was not executed and/or retained for 13 of 25 selected Members (nine faculty hired during fiscal year 2017 and four staff physicians hired before fiscal year 2017).
- A Memorandum of Appointment was not executed and/or retained for 12 of 20 Members (eight selected faculty and four selected staff physicians).

NUMBER OF PRIORITY & HIGH FINDINGS REPORTED TO UT SYSTEM

None

We would like to thank the staff and management within each MSRDP department, McGovern Medical School Administrative Services, Faculty Affairs, System Data Resources, and the Office of Legal Affairs who assisted us during our review.



Nathaniel Gruesen, MBA, CIA, CISA, CFE
Senior Audit Manager

MAPPING TO FY 2017 RISK ASSESSMENT

Risk (Rating)	Assessment of compliance with MSRDP Bylaws as required by UTS 155.
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DATA ANALYTICS UTILIZED

Data Analytic #1	None
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AUDITING & ADVISORY SERVICES ENGAGEMENT TEAM

Audit Manager	Nathaniel Gruesen, MBA, CIA, CISA, CFE
Auditor Assigned	Brittney Alexander, CISA
End of Fieldwork Date	October 16, 2017
Issue Date	November 8, 2017

Copies to:

- Audit Committee
- Dr. Barbara Stoll
- Dr. Nancy McNeil
- Dr. Kevin Morano
- Melissa Pifko
- Karen Broussard
- Meredith Mills
- Candice Mitchell

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<p>Issue #1</p>	<p>MSRDP Bylaws state: “a Memorandum of Appointment and Agreement of Participation shall be executed annually between each Member and the Institution...Pursuant to the Member’s Memorandum of Appointment and Agreement of Participation in the Plan, each Member shall assign all professional income (including any technical component) to the Institutional Trust Fund”.</p> <p>Additionally, <i>Texas Education Code</i> Section 51.943 and <i>Regents’ Rules and Regulations</i> Rule 31001 specify that faculty members who are to be reappointed shall be offered a written contract at least 30 days prior to the beginning of the academic year. The statute also outlines the steps an institution of the System must take if it is unable to provide a written contract within the specified time frame.</p> <p>A&AS selected a sample of 25 Members (15 staff physicians and 10 faculty) and confirmed an Agreement of Participation assigning professional income to MSRDP was executed and retained. We noted the following:</p> <ul style="list-style-type: none"> • 9 of 10 (90%) faculty did not have an executed Agreement of Participation on file. All nine faculty were hired during FY17. • 4 of 15 (27%) staff physicians did not have an executed Agreement of Participation on file. All four staff physicians were hired prior to FY17. <p>A&AS also selected a sample of 20 Members (10 staff physicians and 10 faculty) and confirmed a Memorandum of Appointment assigning professional income to MSRDP is executed and retained. We noted the following:</p> <ul style="list-style-type: none"> • 8 of 10 (80%) faculty did not have an executed Memorandum of Appointment on file. • 4 of 10 (40%) staff physicians did not have an executed Memorandum of Appointment on file.
<p>Recommendation #1a</p>	<p>We recommend System Data Resources work with the Office of Legal Affairs to develop and implement a process to ensure a Memorandum of Appointment (including language assigning professional income to UTHealth) is executed between each Member and UTHealth and follows the parameters as outlined in <i>Texas Education Code</i>.</p>
<p>Rating</p>	<p>Medium</p>
<p>Management Response #1a</p>	<p>In response to <i>Texas Education Code</i> Sec 51.943, the mandate to renew or offer an MOA 30 days prior to the beginning of the academic year, SDR acknowledges that we have been out of compliance. Due to our current reappointment process, budgets and final salaries are not final 30 days prior to the fiscal year. Rather than generate inaccurate appointment letters, the letters are executed after 9/1 reappointments are finalized. In order to become compliant, SDR has agreed to draft a written notification via email to be distributed to faculty members. The email will state that the university is unable to distribute the MOA prior to 9/1 reappointments due to the universities budget and 9/1 reappointment process. The letter</p>

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	<p>will also include the date that the MOAs will be distributed, with the date not exceeding the 61st day of the fiscal year.</p> <p>In response to the annual reaffirmation of the MSRDP agreement, SDR has determined that the McGovern Medical School has 81% return rate on signed MOAs. According the MSRDP bylaws, Article 3.2, any delay, error of failure to execute these documents does not relieve a member of the requirement that all of his or her professional income shall be assigned to the plan. Per Legal recommendation, SDR will add the language from section 3.2, and a statement that continued employment even without signature is acceptance to adhering to the guidelines described in the MSRDP agreement to the Medical School MOAs. The language will also be added to the reappointment notification.</p> <p>Since appointment letters have already been generated and distributed for this fiscal year, the changes in response to this recommendation will not be implemented until the beginning of the next fiscal year, effective 9/1/18 with notifications being distributed no later than 30 days prior to 9/1/2018.</p>
Responsible Party	Candice Mitchell, Assistant Director of Human Capital Management
Implementation Date	September, 1, 2018
Recommendation #1b	<p>We recommend Medical School Administrative Affairs work with the Office of Legal Affairs to develop and implement a process to ensure an Agreement of Participation is executed between each new Member and UTHealth. Additionally, we recommend Medical School Administrative Affairs work with the Office of Legal Affairs to determine if annual execution of an Agreement of Participation is required between each existing Member and UTHealth and that MSRDP Bylaws be updated to reflect current business processes, if applicable.</p>
Rating	Medium
Management Response #1b	<p>During FY17 a process was implemented to ensure collection of signed MSRDP Agreements of Participation for all staff physicians. The medical school departments are responsible for issuing staff physician offer letters and including the MSRDP Agreement of Participation. At the time the medical school department collects the signed offer letter, the department also collects the signed MSRDP Agreement of Participation and maintains both in their departmental files. The audit did not identify any staff physicians hired in FY17 without a signed MSRDP Agreement of Participation.</p> <p>To ensure compliance for faculty to sign and return the MSRDP Agreement of Participation, the medical school will implement a similar process to that for staff physicians. The new applicant tracking system, Taleo, will generate the MSRDP Agreement of Participation when it generates the faculty offer letter. The medical school departments will be responsible for issuing both documents and ensuring they are signed and</p>

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	returned. The departments will maintain both in their departmental files. Further, the medical school will develop a plan to complete MSRDP Agreements of Participation for all current faculty and staff physicians. The target implementation date for all measures is January 1, 2018.
Responsible Party	Nancy McNiel, Senior Associate Dean for Administrative Affairs at the Medical School
Implementation Date	January, 1, 2018