UT Southwestern
Medical Center

Institutional Advancement –
Office of Communications, Marketing,
& Public Affairs
Internal Audit Report 19:08

December 20, 2019

Executive Summary

Background

The Office of Communications, Marketing, and Public Affairs (CMPA) advances UT Southwestern Medical Center's reputation as a leading academic medical center, research institution, and patient-care provider. CMPA includes four teams: (1) Communications and Public Affairs, (2) Advancement Operations, (3) Marketing, and (4) Digital and Interactive, all of which report to the Executive Vice President for Institutional Advancement. These four groups are responsible for institutional advertising, strategic communications, publications, social media and UT Southwestern's three websites. In fiscal year 2019 (FY2019), CMPA spent approximately ten million dollars for marketing, public relations, and other promotional activities. The top five vendors make up $7.6 million of the total spent.

Scope and Objectives

The Office of Internal Audit has completed its audit of the Office of Communications, Marketing, and Public Affairs. This was a risk-based audit and part of the FY2019 Audit Plan. Audit procedures included data analytics; interviews with stakeholders; and reviews of policies, procedures, and other relevant documents. The audit scope included approved contracts and payments processed in FY2019.

The overall audit objectives were to assess the effectiveness and efficiency of financial and procurement processes and controls in the following areas:

- Compliance with vendor selection process
- Appropriate approvals for invoices and payments
- Compliance with procurement and financial policies

We conducted our examination according to guidelines set forth by the *Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing*.

Conclusion

Overall, CMPA complies with all financial and procurement policies and procedures and meets key operational and financial metrics. However, there are opportunities to enhance controls in the areas of invoice approval and reconciliation processes.

Executive Summary

The following table summarizes of the observations, along with the respective disposition of these observations within UT Southwestern internal audit risk definition and classification process. See Appendix A for Risk Rating Classifications and Definitions.

Key improvement opportunities are summarized below.

Priority (0)	High (0)	Medium (2)	Low (0)	Total (2)

- 1. **Improve Invoice Review and Approval Processes and Controls** – Invoices paid without documented approvals or approvals by authorized personnel may result in payment of services not rendered/not accepted.

- 2. **Establish a Continuous/Periodic Reconciliation Process for Primary/Major Vendor Invoices** – Vendor invoices do not provide enough details to sufficiently reconcile on an ongoing basis against the *Statement of Work* or *Authorization to Buy* and may result in overbilling and/or delay in validating accuracy of credits.

Management has implemented or is implementing corrective action. Management responses are presented in the Detailed Observations and Action Plans Matrix section of this report.

We would like to take the opportunity to thank the various departments and individuals included in this audit for the courtesies extended to us and for their cooperation during our audit.

Sincerely,

Valla F. Wilson, Vice President for Office of Internal Audit and Chief Audit Executive

Executive Summary

Audit Team:
Melinda Lokey, Director
Robin Irvin, Manager
Mushtari Nagpurwala, Senior Auditor

Cc: Deepika Bhatia, Assistant Director, Compliance, Office of Compliance
       Dorothea Bonds, Associate Vice President, Marketing
       Charles Cobb, Associate Vice President, Supply Chain Management
       Arnim Dontes, Executive Vice President, Business Affairs
       Audrey Huang, Ph.D., Associate Vice President, Communications and Public Affairs
       Joel Johnson, Assistant Vice President, Digital & Interactive
       Kenneth Kellough, Assistant Vice President, Budget & Resource Planning
       Diane McGhee, Director, Advancement Operations
       Marc Nivet, Ed. D., Executive Vice President, Institutional Advancement
       Natalie Ramello J.D., Vice President for Institutional Compliance and Chief Compliance Officer
       Brian Rasmus, Associate Vice President, Faculty Practice Plan Finance
       Michael Serber, Vice President, Finance and Institutional Chief Financial Officer
       Stephanie Swanson, Director, Medical Group Finance Administration
       John Warner, M.D., Executive Vice President, Health System Affairs

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
Risk Rating: Medium 🟡 **1. Improve Invoice Review and Approval Processes and Controls** Seventeen invoices had inadequate approval documentation. This may result in inappropriate payments. In addition, CMPA used a manual invoice approval process to overcome current system limitations, which increases the opportunity for error. Best practices require the person receiving services and accepting the related work product to review and approve invoices. The following issues were identified: a) 25% (10 of 40) invoices were approved by an Administrative Assistant without documented approval from the person who used the services/accepted the work product. b) 10% (3 of 30) PO invoices for services did not have documented approval. c) 13% (4 of 30) PO invoices were not sent directly to Accounts Payable for processing, as a system control is not in place for invoices related to services performed by CMPA vendors but posted to the ledger of another department (Medical Group).	1. Create a departmental approval matrix for all service invoices based on end users (i.e., person who use the services) and dollar amounts of the requested services. 2. Forward vouchered invoices routed to CMPA Operations to the department requester for validation and approval before payment processing. 3. Establish a method in the Medical Group project funding process to allow CMPA to accrue expenses against CMPA department ID, thereby ensuring that invoices are routed to CMPA approvers for review and service receipt confirmation.	**Management Action Plans:** 1. CMPA will create an internal approval matrix that defines who is permitted to accept services and the dollar limit of that authority. Updates will be made annually and within 30 days of any leadership change. 2. In Q4-FY2019, CMPA implemented an invoice processing system requiring all invoices to be approved by both CMPA finance operations and the service recipient. 3. CMPA and Medical Group Finance Administration implemented a project funding process change to allow CMPA to accrue expenses in CMPA. All invoices are now sent directly to Accounts Payable for processing and are automatically routed to CMPA approvers for review and service receipt confirmation. Those expenses would then be transferred to the correct clinical department to ensure accurate financial reporting. **Action Plan Owners:** Director Advancement Operations Manager Marketing and Communications Operations Director Medical Group Finance Administration

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		Target Completion Dates: 1. January 31, 2020 2. Completed 3. Completed
Risk Rating: Medium ● **2. Establish a Continuous/Periodic Reconciliation Process for Primary/Major Vendor Invoices** Primary vendor invoices identify the purchase order and job number (and by extension, the governing *Statement of Work* and/or *Authorization to Buy*), however, the invoices are not sufficiently detailed to aid in completing an ongoing reconciliation of all campaign costs. Without additional detail needed to perform continuous reconciliation, there is an increased risk of overpayment, delays in credit issuance, and misallocation of credits received.	1. Require vendors to provide detailed invoices for all services provided, including service costs and any mark-ups. 2. Perform monthly reconciliations of all invoices against campaign budgets to ensure invoice accuracy and correct application of credits due.	**Management Action Plans:** 1. In Q1-FY2020, CMPA began requiring primary vendors to produce detailed, periodic reports of all invoices and associated cost breakdowns by campaign. 2. CMPA will create a standard operating procedure (SOP) defining the process used to perform monthly validation of all invoices for accuracy and to ensure credits are applied accurately. **Action Plan Owners:** Director Advancement Operations Manager Marketing and Communications Operations **Target Completion Date:** 1. Completed 2. February 28, 2020

Appendix A – Risk Classifications and Definitions

As you review each observation within the Detailed Observations and Action Plans Matrix of this report, please note that we have included a color-coded depiction as to the perceived degree of risk represented by each of the observations identified during our audit. The following chart is intended to provide information with respect to the applicable definitions and terms utilized as part of our risk ranking process:

	Degree of Risk and Priority of Action	
Risk Definition- The degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management.	**Priority**	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 a UT institution or the UT System as a whole.
	High	A finding identified by Internal Audit that is considered to have a high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level. As such, immediate action is required by management in order to address the noted concern and reduce risks to the organization.
	Medium	A finding identified by Internal Audit that is considered to have a medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action is needed by management in order to address the noted concern and reduce the risk to a more desirable level.
	Low	A finding identified by Internal Audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action should be taken by management to address the noted concern and reduce risks to the organization.

It is important to note that considerable professional judgment is required in determining the overall ratings presented on the above-mentioned pages of this report. Accordingly, others could evaluate the results differently and draw different conclusions. It is also important to note that this report provides management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.