

MEMORANDUM

TO: Loren Skinner
Vice President and Chief Administrative Officer, Provost Administration

David A. Brown, PT, PhD, FAPTA
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FROM: Mark E. Stacey, FCA, CIA, CISA
Interim Vice President, Audit Services

DATE: November 13, 2020

SUBJECT: Academic Enterprise Service Center and Schools' Operations
Engagement Number 2020-021

Attached is the final audit report regarding administrative operations within the Academic Enterprise Service Center, the School of Health Professions, and the School of Nursing. This audit will be presented at the next Institutional Audit Committee meeting.

Additionally, please find attached Audit Services audit recommendation follow up policy. Each of the recommendations is classified by type at the end of its identifying number: System Priority (SP), Risk Mitigation (R), or Process Improvement (P). As you will note in the policy, the classification of the recommendation determines the frequency of our follow up. All follow up results are reported quarterly to the Institutional Audit Committee.

Thank you for your cooperation and assistance during the course of this review. If you have any questions or comments regarding the audit or the follow-up process, please feel free to contact me at (409) 747-3277.

Attachment(s)

c: Charles P. Mouton, MD
Michelle Moreno
Rachelle D. Mainard



**The University of Texas Medical Branch
Audit Services**

Audit Report

Academic Enterprise Service Center and Schools' Operations

Engagement Number 2020-021

November 2020

**The University of Texas Medical Branch
Audit Services
301 University Boulevard, Suite 4.100
Galveston, Texas 77555-0150**

Academic Enterprise Service Center and Schools' Operations Engagement Engagement Number: 2020-021

Background

The School of Health Professions (SHP) and the School of Nursing (SON) have established an Administrative Service Group (ASG) to co-ordinate administrative, financial, and human capital planning processes for the Schools. Each School also has a Dean's Office and other departments which also perform administrative functions. The intent of the ASG is to centralize these operations to achieve best practices and provide the expertise to execute the transactions efficiently, effectively, and in conformance with policy.

Further, in support of efficiency in the wider Academic Enterprise, a Service Center (AESC) has been implemented to provide centralized processing for select administrative transactions such as purchase orders (PO) and travel & entertainment (T&E) with the roll-out of additional services planned. The Provost Operations Web Enterprise Resource application (POWER) is used to process Service Center transactions which are then input to PeopleSoft (PS). As of this review the T&E module was operational.

Audit Objectives

The primary objective of this engagement was to review the administrative process and control activities supporting the SHP and the SON, assessing the centralized and decentralized functions including the ASG, the Dean's office, the AESC, and Schools' departments. Relevant T&E and purchasing transactions were audited from initiation to recording in the financial records.

Scope of Work and Methodology

The scope of work included current administrative operations within the Schools and in support of their operations. Our audit methodology included interviews with key personnel, review and analysis of pertinent documentation, and limited testing of Service Center transactions related to data and activity from T&E and PO transactions processed during the period of January 1, 2020 – May 31, 2020. Specifically, we focused on the following control areas:

1. General Administrative Functions - Evaluated organizational design, policy, and training. Assessed sufficiency and effectiveness of communications within the department and metrics.
2. POWER System Access - Assessed functionality and system access controls.
3. Application Reconciliation Controls - Reviewed input controls to ensure accuracy, evaluated application design to support proper approvals and operational segregation of duties.
4. Transaction Processing - Tested transactions to confirm centralization and timeliness of processing, adequate oversight and monitoring, policy compliance and adequate segregation of duties.

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

General Administrative

Organizational Structure

As described above within the Academic Enterprise (AE) there are a series of initiatives to centralize functions to leverage benefits afforded through economies of scale, centralized and increased compliance oversight, and subject matter expertise. Audit Services reviewed the organizational charts, workflow diagrams, systems and interviewed key personnel to understand the centralized and decentralized administrative activities occurring within each scope area. The development of the ASG for the Schools and the AESC support the centralization efforts, however, our analysis indicated additional centralization opportunities. For example, activities related to legal agreements may be consolidated to ensure consistency of terms, protections, services etc. along with overall contract management. Another opportunity may be commonality found in student-centric functions where known efficiencies and other controls are uniformly applied. Our audit focus is to assess whether controls are implemented appropriately, however our analysis is made available to management to assist with identifying further opportunities for synergies and possible re-design.

Recommendation 2020-021-001-PM:

The Senior Vice President and Dean of the School of Health Professions and the Senior Vice President and Dean of the School of Nursing should consider potential centralization of additional activities to gain benefits including, but not limited to, increased compliance, efficiencies and subject matter expertise. Areas for consideration include affiliate agreement management, student-based common activities and others as supported by analysis through surveys, metrics, and evaluations of compliance results.

Management's Response: The Administrator for SHP/SON will meet with the Senior Vice President and Dean of the School of Health Professions and the Senior Vice President and Dean of the School of Nursing to review and discuss areas for potential centralization of administrative functions such as affiliate agreement management, student-based common activities and others as supported by analysis through surveys, metrics, and evaluations of compliance results. The parties will determine which areas to centralize by assessing the benefits to the schools and end uses as well as the potential for increased compliance, efficiencies and subject matter expertise. The result of this meeting/s will be a determination of which areas have the potential for centralization, identification of additional information/tools/resources to successfully implement and communication centralization, and a timeline for implementation consistent with the strategic plans for each school. The action plan is initial meeting: by the end of Q2 FY21, Determination of which areas have the potential for centralization and identification of additional information/tools/resources to successfully implement and communication centralization: by the end of Q3 FY21, timeline for implementation consistent with the strategic plans for each school: by the end of Q4 FY21.

Implementation Date:

August 31, 2021

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Policies and Procedures

Policies and procedures are effective control activities that provide guidance to reasonably ensure that management's directives to mitigate risks are understood and performed. Policies should be clear and concise, communicated, and accessible. Audit Services interviews with key personnel indicated that each department is aware and references the UTMB institutional policies. Additional AE directives to further restrict expenditures are provided through internal communications, but they are not consistently centralized for ease of reference. For example, the AESC website provides guidance on travel restrictions, but does not for other AE mandates related to purchase order restrictions or other transactions processed through the POWER tool.

Recommendation 2020-021-002-PL:

The Chief of Staff, Provost Administration should ensure that any AE policies appropriate to POWER transactions are published to provide guidance on further expenditure restrictions and controls (e.g. purchase orders). Any changes thereto should be timely communicated to ensure awareness and foster compliance.

Management's Response: AE policies are currently communicated with all Administrators and Assistant Administrators on a routine basis and a copy of those guidelines are shared with them in PowerPoint presentation for distribution to their groups. Our action plan targets the end of Q2 FY21, a "living" document will be added to the AESC webpages for procurement and travel and entertainment where it can be referenced by AE faculty and staff members.

Implementation Date:

February 28, 2021

Key Performance Indicators

Oversight and monitoring of personnel, business processes and controls provides reasonable assurance that an entity is meeting its stated objectives. The AESC has established metrics to identify transaction volumes and developed customer satisfaction surveys to monitor services provided. The results of these are reported to AESC team members and to the Provost Office. However, there are no formal service levels established between the AESC and the Schools to set expectations (e.g. timelines and dependencies), or to assist the AESC with external dependencies e.g. Accounts Payable.

Recommendation 2020-021-003-RM:

The Chief of Staff, Provost Administration should consider the use of formal service levels to codify duties and other agreed-upon responsibilities amongst the departments, the ASG, the AESC, and other areas, taking into consideration cultural and resource constraints. Such agreements will outline measurement factors to determine achievement of objectives.

Management's Response: This has been taken into consideration. Our first steps are to roll-out monthly training opportunities so that we can continue to educate staff as to proper procedures. Once the Governor of Texas reopens travel opportunities, a refresher course will be provided to all users of the travel module. We are also "pushing" the prepared documentation about what a submitter must provide to the AESC (e.g., "agreed

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upon responsibility” to ensure one-touch processing that aligns with the efficiencies gained in the standing up of the AE Service Center (12/2/19). Our action plan includes rollout starting November 18 – 20th, 2020 for T&E (non-PO vouchers and employee reimbursement) followed by Procurement on December 2 – 4th 2020.

Implementation Date:
December 4, 2020

Application Data Integrity and Reconciliation Controls

Application data integrity controls are paramount to ensuring inputs are accurate and complete. Reconciliation controls are necessary to ensure data transmissions between systems are complete. The T&E POWER module was user tested prior to implementation. Audit Services performed a review and confirmed the adequacy of input controls. Proper segregation of duties was confirmed through transaction review evidencing that the programmed workflow supports adequate segregation. With respect to data transmission between POWER and PS there is not an automated process. A review of sampled transactions revealed they were accurately input from POWER to PS; however, an automated transmission would improve efficiency and accuracy of data transfer.

Recommendation 2020-021-004-RM:

The Chief of Staff, Provost Administration should prioritize plans to ensure that the POWER system is further developed to interface data directly with PS to gain efficiency and accuracy.

Management's Response: This remains a priority for the Academic Enterprise and will remain top of mind as we continue to engage with IS partners. Implementation dates will be identified based upon feasibility planning with partners outside of the Academic Enterprise.

Implementation Date:
Follow-up on feasibility by February 28, 2021.

Transaction Processing

UTMB Health's Institutional Handbook of Operating Procedures Policy 4.3.1- Travel Policy, 4.4.2 - Official Function Expenditures and the supporting guides establish the expectations of management with regard to PO and T&E expenditures. There are AE policies that provide additional guidance. Audit Services tested a sample of transactions (10 POs, 10 travel and 5 entertainment) from the SHP and SON departments occurring during the period of January 2020 – May 2020. These were centrally processed in a timely manner through the AESC in accordance with management's objective to centralize these transactions. Additionally, controls are in place to limit duplicate reimbursement by assigning service representatives to specific departments. A high-level review of large transactions confirmed there were no duplicate reimbursements. However, there remain opportunities to improve oversight as indicated below.

Purchase Orders

Accounting records capture transactions in an organized manner to ensure uniformity and clarity to support analyzation and reporting. Oversight is required to ensure reliability of the records. A review of the 600+ transactions which encompassed 500+ different products

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resulted in 11 items that were recorded to different accounts instead of one account appropriate for the product type. Notably, these accounts consolidate to the same category, but the difference at the account level was not identified in the monitoring and oversight process.

Recommendation 2020-021-005-RM:

The Senior Vice President and Dean of the School of Health Professions and the Senior Vice President and Dean of the School of Nursing should provide guidance on the usage of accounts and perform oversight for accuracy during the budget and reconciliation control process.

Management's Response: The Administrator for SHP/SON will meet with the ASG VII staff and determine the best modality and frequency to communicate guidance on the usage of accounts and subsequently draft and disseminate an appropriate communication to SON/SHP staff. The Administrator for SHP/SON will meet with the ASG VII staff to define and document best process for performing oversight of purchasing transactions to ensure accuracy during the budget and reconciliation control process. Communication disseminated and process defined and documented by the end of Q2 FY21.

Implementation Date:

February 28, 2021

Recommendation 2020-021-006-RM:

The Chief of Staff, Provost Administration should perform oversight to ensure transactions are processed to the correct account.

Management's Response: We will work to address this in a two-prong fashion. The first is that the Administrator Group reviews and approves all non-PO vouchers and employee reimbursement expenses requests in the POWER module and we will reiterate that part of their review and approval is to ensure that the correct account codes are being used. Second, every quarter, the Chief of Staff, Provost Administration, will pull a sample of 10 transactions from each School and validate account appropriateness. A summary of the findings will be shared with the Chief Administrative Officer for the AE and the Administrator. Our plan entails quarterly reviews by the Chief of Staff, Provost Administration that will be in place by the 3rd quarter FY21.

Implementation Date:

May 31, 2021

Travel & Entertainment Reimbursement

The tested entertainment transactions conformed to policy, but for the travel transactions we found opportunities for increased oversight and monitoring:

- Reimbursement was provided on a receipt that was not in the name of the traveler (\$586).
- A last-minute ticket was purchased without justification to explain why the ticket was not purchased in advance to limit costs (\$523).

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- A reimbursement was granted based upon a receipt that exceeded the 60-day policy limitation (\$1,550).

Additionally, the AESC does not have a tracking mechanism to trend non-compliance and report to the Schools' for training purposes.

Recommendation 2020-021-007-RM:

The Chief of Staff, Provost Administration should develop a process to provide oversight of transactions to ensure compliance with institutional and AE policies. Additionally, non-compliance should be tracked and communicated to the ASG and School's departments to provide training and increased compliance.

Management's Response: A formal process will be developed for transaction oversight aligned with institutional and AE policy compliance and non-compliance. Our action plan includes quarterly reviews by the Chief of Staff, Provost Administration by the 3rd quarter FY21. Review outcomes will be shared with the appropriate Administrator along with recommended training and/or oversight.

Implementation Date:

May 31, 2021

Other Areas

Expense Approval Authority

An expected control related to expense approval is that a conflict of interest is not created by inappropriate delegation of authority allowing a subordinate to approve their supervisor's expense. While not prevented by the systems, upon investigation current and planned compensating controls were identified to mitigate this risk. These include the AESC providing an independent review of relevant T&E. Also, the Accounts Payable department reviews each expense reimbursement request for policy compliance.

Training

Training on policies and procedures fosters uniformity in processing and compliance with management directives. Those interviewed indicated they received both formal and on-the-job training for administrative functions. Further the AESC provided training, developed reference guides and videos for use of the POWER tool. The trainings and materials appeared comprehensive in scope and depth and are available for future reference. Training must be completed prior to receiving access and processing transactions in POWER.

POWER System Access

System access should be designed to protect data, support the processing of transactions, and only be provided to those whose job function requires access. Information Services manages the profiles and the AESC manages the data modules. Active Directory is used to ensure that users are removed once they separate from UTMB. An additional control to ensure proper usage of the system is the requirement to complete training before gaining access. Audit Services confirmed that only current employees had access and all elevated users' access rights in the Schools' were commensurate with job functions. However, there was not an access management oversight function to review and certify that access is commensurate with job responsibilities. This was already reported within another audit and an action is in progress where The Office of Provost

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and the POWER Development Team, working with Information Services Access Management, are establishing an institutional user access provisioning and access review process.

Conclusion

Audit Services reviewed and assessed the administrative process and control activities supporting the School of Health Professions and the School of Nursing. Overall, areas for improvement included further centralization based upon analysis, strengthening current processes related to publishing policies and procedures, establishing appropriate service levels, developing system interfaces, and transaction oversight and monitoring.

We greatly appreciate the assistance provided by the School of Health Professions, and the School of Nursing including the Administrative Services Group, Deans Office, and the Academic Enterprise Services Center, and Schools' departments staff and hope that the information presented in our report is beneficial.



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