



The University of Texas Medical Branch
Audit Services

Audit Report

Purchasing – Conflicts of Interest

Engagement Number 2024-016

September 2024

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

Purchasing – Conflicts of Interest

Engagement Number: 2024-016

Background

The Purchasing – Conflicts of Interest audit was included in Audit Services Fiscal Year 2024 Audit Plan, with an objective to assess internal controls related to monitoring and managing conflicts of interest.

At the University of Texas Medical Branch (UTMB Health), the Office of Institutional Compliance (OIC) ensures adherence to legal requirements and ethical standards by developing a comprehensive compliance program. The OIC provides training and guidance to employees and faculty, manages conflicts of interest, and ensures the institution remains compliant with laws and regulations, as specified in the Texas Board of Regents' Rules.

As part of the comprehensive compliance program, current practices require employees to disclose their potential or actual conflicts of interest through The University of Texas System (UT System) Disclosure Portal for review and determination of conflicts of interest by the OIC and review and determination of conflicts of commitment by the respective employee's supervisor.

Objective, Scope and Methodology

Objective

The objective of the engagement was to evaluate internal controls related to monitoring and managing conflicts of interest.

Scope of Work and Methodology

The scope of work included the following:

- Policies in place related to conflicts of interest.
- Training materials and tools used by the OIC to educate employees on required conflict of interest reporting.
- Employee training completion data for Fiscal Year 2023.
- Fiscal Year 2024 disclosure and outside activity reports from UT System COI web portal.

The methodology for assessing the effectiveness of internal controls involved inquiry-based process walkthroughs, reviewing policies and procedures, and evaluating current disclosures for consistency of reviews.

Executive Summary

UTMB Health's Office of Institutional Compliance (OIC) has established strong measures to manage conflicts of interest (COI), including mandatory compliance training and monitoring disclosures. However, there are opportunities to strengthen the control environment and lower the institution's risk of unmanaged conflicts of interest.

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Detailed Results

Conflicts of Interest Training

The OIC includes conflicts of interest training in mandatory annual compliance training and enforces completion through measures in the Institutional Compliance Plan, which states that failure to meet training requirements may lead to disciplinary action, including termination. Failure to timely complete annual compliance training requirements results in suspension of the employee without pay until such time as the training is completed. This approach resulted in a 100% completion rate for Fiscal Year 2023.

Disclosure Reporting

Currently, when an employee discloses a potential conflict of interest utilizing the UT System Disclosure Portal, it is reviewed and communicated to the OIC and the employee’s direct supervisor. This process, however, excludes reporting to Vice Presidents and Executive Vice Presidents which could allow for unacknowledged risks at higher levels of management. The below diagram illustrates a complete process allowing all parties to be fully informed of potential conflicts of interest and outside activities reported by employees.



Recommendation 001 Medium – Disclosure Reporting

The Office of Institutional Compliance, with the assistance of Information Technology and UT System, should attempt to develop a reporting module for notifying Vice Presidents and Executive Vice Presidents of employee reported disclosures and outside activities within their respective departments.

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Management’s Response:

The Office of Institutional Compliance will meet with Information Technology with UT System to determine the viability of the development of a reporting module for UTMB leadership.

Responsible Party: The Office of Institutional Compliance.

Implementation Date: December 31, 2024

Conflicts of Interest Committee Review

The Conflicts of Interest Committee primarily evaluates complex conflicts of interest, focusing on research-related issues and select non-research conflicts flagged by the OIC. Criteria for escalation include potential media scrutiny, implications for institutional policies, and risk of noncompliance with laws or regulations. While research-related conflicts often have clear criteria for committee review, there is limited guidance on when non-research conflicts require formal review, in part due to the complex nature and lack of uniformity in conflicts of interest matters.

Recommendation 002 Medium – Committee Review

The Office of Institutional Compliance should establish clear criteria for determining which non-research conflicts of interest must be submitted to the committee for review.

Management’s Response:

The Office of Institutional Compliance will formulate or establish more concrete criteria for when non-research conflicts of interest should be submitted to the committee for review, and conversely when such conflicts can be administratively determined.

Responsible Party: The Office of Institutional Compliance.

Implementation Date: December 31, 2024

Internal Review of Conflicts of Interest - Purchasing

A review of how conflicts of interest are identified in vendor management and purchasing within Supply Chain was performed. Interviews with Supply Chain personnel revealed they diligently ensure employees disclose any conflicts of interest during the purchasing process. However, disclosed issues are then referred to the OIC for further review, which can lead to unmanaged oversight and decreased efficiency in the purchasing process. OIC has provided training and education directly to Supply Chain regarding conflicts of interest matters and has instructed Supply Chain to forward any suspected and/or identified conflicts of interest to the COI Office in OIC for proper review and determination of next steps. OIC has also provided Supply Chain with questions for individuals on their forms to properly identify conflicts of interest, which should then be reported promptly to OIC.

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Recommendation 003 – Medium Purchasing Conflicts

Supply Chain should forward suspected and/or identified conflicts of interest to the Office of Institutional Compliance as Supply Chain becomes aware of them.

Management’s Response:

The OIC will revisit the above-described process with Supply Chain leadership to ensure that Supply Chain staff are aware of and properly following this process.

Responsible Party: The Office of Institutional Compliance and Supply Chain Operations.

Implementation Date: October 31, 2024

Conclusion

We greatly appreciate the assistance provided by the Office of Institutional Compliance and hope that the information presented in our report is beneficial.

This audit was conducted in conformance with The Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions on our audit objectives.

Observation Ratings

Priority	An issue that, if not addressed timely, has a high probability to directly impact achievement of a strategic or important operational objective of the University or the UT System as a whole.
High	An issue considered to have a medium to high probability of adverse effects to a significant office or business process or to the University as a whole.
Medium	An issue considered to have a low to medium probability of adverse effects to an office or business process or to the University as a whole.
Low	An issue considered to have minimal probability of adverse effects to an office or business process or to the University as a whole.

Report Date:
September 17, 2024

Report Distribution:
To: Tobin Boenig, JD
Cc: Dr. Jochen Reiser, MD, PhD
Carolanda Woodgett, JD
UTMB Health Institutional Audit Committee