UT Southwestern Medical Center

Office of Institutional Compliance and Audit Services

SPA Non-Industry Contracts Audit

Internal Audit Report 26-AS-0025

July 31, 2026

Executive Summary

At UT Southwestern Medical Center (UT Southwestern), the Sponsored Programs Administration (SPA) serves as the centralized authority for the review, negotiation, and execution of non-industry research contracts, ensuring compliance with federal research requirements, University of Texas System (UTS) policy, and institutional governance standards. Contracts are processed through controlled workflows within enterprise systems and are executed only by authorized signatories in accordance with delegated authority. The SPA process is collaborative and requires coordination with principal investigators (PIs) and departments, which initiate agreements and provide required documentation such as statements of work, funding information, and compliance approvals. Contract analysts manage the intake, review, and negotiation lifecycle while facilitating communication across stakeholders. This structure supports alignment with institutional requirements and regulatory expectations for research activities at UT Southwestern, where operational, legal, and compliance considerations may intersect.

A key control within this framework is the ancillary review process, which engages specialized internal groups including Legal Affairs, Information Security, Export Control, Technology Development, and the Institutional Review Board. SPA analysts are responsible for identifying contractual risk indicators and initiating review by appropriate subject matter experts to evaluate legal, regulatory, and operational considerations prior to execution. This process helps ensure that risks are appropriately assessed and addressed before agreements are finalized.

Engagement Results

The Office of Institutional Compliance and Audit Services (OICAS) conducted an audit of non-industry contracting processes within SPA to assess controls over contract review, risk evaluation, and execution. While foundational processes and system workflows are in place, opportunities exist to improve consistency, transparency, and control reliability across the contract lifecycle. SPA leadership had also begun implementing enhanced controls and process improvements prior to the audit, reflecting awareness of certain control gaps and partially addressing areas identified in this review.

The most significant risks relate to ancillary review execution and the governance of risk acceptance. Variability in how reviews are initiated, documented, and retained reduces assurance that contracts consistently undergo appropriate evaluation prior to execution and may increase exposure to legal, regulatory, and financial risks. In addition, risk acceptance practices, documentation standards, and timeliness of contract processing are not consistently applied. Strengthening these areas will enhance control effectiveness, improve auditability, and better align operations with state, federal, and research compliance expectations applicable to an academic medical center in Texas.

A summary of observations is outlined below:

AREA	OPPORTUNITIES	RISK RATING
Management & Documentation of Ancillary Reviews	• Risk Acceptance Process • Ancillary Review Process	**MEDIUM**
Documentation Consistency & Timeliness	• Standardization in Documentation Uploads • Timely Initiation of Contract Review	**LOW**

Further details are outlined in the Detailed Observations section. Less significant issues were communicated to management.

Management Summary Response

Management agrees with the observations and Recommendations and has developed action plans to be implemented on or before July 31, 2027.

Appendix A outlines the objectives, scope, methodology, stakeholder list, and audit team for the engagement.

Appendix B outlines the Risk Rating Classifications and Definitions.

The courtesy and cooperation extended by the personnel in SPA, Information Security, Legal Affairs and Office of Technology Development are appreciated.

Natalie A. Ramello

Natalie A. Ramello, JD, CIA, CHC, CHPC, CHRC, CHIAP
Vice President, Chief Compliance and Audit Officer
Office of Institutional Compliance & Audit Services
July 31, 2026

DETAILED OBSERVATIONS

1. Management and Documentation of Ancillary Reviews

Governance over the evaluation and acceptance of non-industry research contract risk is inconsistently applied and insufficiently documented across the lifecycle. Key control gaps exist in both the execution of ancillary reviews and the formalization of risk acceptance decisions, resulting in limited transparency, inconsistent practices, and the potential for inappropriate override or bypass of established controls.

MEDIUM

1.1 Risk Acceptance Processes	Recommendations	Management Action Plan

Contracts containing non-standard or non-conforming terms should undergo a formal, documented risk acceptance process, with clearly defined authority and sufficient evidence demonstrating that appropriate leadership has reviewed and approved the decision to accept associated risks.
 	
The current approach is largely ad hoc, with unclear expectations regarding documentation of risk acceptance. While Form G is used by analysts to obtain SPA leadership approval, it requires only a single signature and does not clearly define decision-making authority or demonstrate that the appropriate level of leadership has evaluated and approved the acceptance of risk. As a result, there is limited transparency and consistency in how risk acceptance decisions are made.
 	
2 of 20 contracts (10%) reviewed lacked sufficient support for risk assessment and
	Management should:
	• Establish a formal risk acceptance framework that defines when risk acceptance is required for non-standard contract terms and outlines required documentation.
	• Clearly define and document decision-making authority levels (e.g., SPA leadership, department leadership, PI) based on the nature and severity of contractual risk.
	• Enhance Form G (or replacement) to require:
	  ○ multiple approvals, as appropriate, aligned to risk level.
	  ○ Rationale supporting the business decision to proceed.
	• Implement a standardized risk acknowledgment process (e.g.,
		Action Plan Owners:
		Susan Mammarella
		Nicholas Miller
		
		Action Plan Executives:
		Megan Marks
		Melody Bell
		
		Due Date: 11/30/2026
		
		Management will review the current process for evaluating and accepting risks associated with non-conforming agreement terms. Working collaboratively with Legal Affairs, SPA, and institutional leadership, management will develop and implement a standardized framework for risk assessment, escalation, approval, and documentation of risk acceptance decisions.

leadership involvement in approval of risk acceptance. Management noted that a more structured department / Principal Investigator (PI) risk acknowledgment process is being implemented to strengthen accountability and documentation.	department/PI attestation) to ensure accountability for accepting contractual risks.	*The review will establish clear criteria for evaluating risk, define appropriate approval authorities based on risk levels, and ensure that risk acceptance decisions are consistently documented and supported.* *Following the assessment, management will update applicable procedures, guidance, and supporting tools or systems as necessary to strengthen governance, promote consistency, and enhance oversight of contract-related risk acceptance across the organization.*
1.2 Ancillary Review Process	**Recommendations**	**Management Action Plan**
Contracts containing non-standard or non-conforming terms (e.g., legal jurisdiction, indemnification, or other risk indicators) must trigger and undergo required ancillary review prior to execution to ensure appropriate risk evaluation and compliance with established internal control requirements. 5 of 20 (25%) contracts reviewed had exceptions to processes including: • 1 contract did not have an ancillary review when there were non-confirming terms related to legal jurisdiction location. • 2 instances of ancillary reviews being removed from eAgreements when the	Management should: • Enhance system functionality to include additional response options (beyond "Yes/No") to accurately capture reviewer intent and required actions and prevent a hard stop when the reviewer does not agree to the proposed terms but provides alternatives and recommendations. • Establish clear, standardized procedures and roles for managing ancillary reviews, including handling adverse responses and escalation requirements.	Action Plan Owners: Jeff Camino Shiby Antony Susan Mammarella Action Plan Executives: Megan Marks Melody Bell Due Date: 7/31/2027 *Management will partner with the IR team to evaluate current system functionality and identify enhancement opportunities that support appropriate segregation of*

reviewer responded "No" to acceptance of the proposed contract. • 2 instances where ancillary review response was changed from N to Y by analyst to allow for progression of contract. Additionally, inconsistencies were observed between SPA and reviewing parties in how ancillary reviews are managed and documented. Stakeholders noted that the system's binary response options ("Yes/No") contribute to misinterpretation and inconsistent handling of review outcomes. Failure to consistently apply and document ancillary reviews increases the risk of executing contracts with unfavorable or non-compliant terms, leading to potential legal, regulatory, and financial exposure. Furthermore, the ability to alter or remove review evidence undermines control integrity and reduces reliance on eAgreements as a system of record.	• Provide targeted training and guidance to ensure consistent understanding and application of ancillary review requirements across SPA and reviewers. • Implement ongoing monitoring and quality reviews to ensure completeness, consistency, and integrity of ancillary review documentation prior to contract execution.	*duties and review controls. As part of this effort, management will assess mechanisms to prevent analysts from independently overriding ancillary determinations while also providing a controlled process for exceptions when justified by documented rational, supporting evidence, and an appropriate assessment of risk.* *Management will establish standardized procedures for documenting ancillary recommendations, exception requests, approvals, and escalations to ensure that all communications, supporting documentation, and decision-making rational are transparent and readily available for review. Once the appropriate system enhancements and process requirements have been defined, management will update applicable procedures, provide training to affected staff, and implement ongoing monitoring activities to verify compliance and promote consistent and complete reviews.* *A formal project plan will be developed following completion of the system assessment to outline enhancement requirements,*

		implementation timelines, training activities and post-implementation monitoring responsibilities.

2. Documentation Consistency & Timeliness

Contracting operations reflect opportunities to strengthen consistency and discipline in documentation practices and workflow timeliness. Inconsistent retention and organization of supporting documentation, combined with delays in initiating contract review after assignment, reduce transparency and limit effective monitoring and quality review. As a result, these gaps may lead to inefficiencies, increased processing times, and constrained oversight, while also limiting the organization's ability to scale or leverage future enhancements such as automated or AI-enabled review capabilities.

LOW

2.1 Standardization in Documentation Uploads	Recommendations	Management Action Plan
Contracting processes require consistent retention and standardized organization of supporting documentation within the system of record to ensure transparency, facilitate monitoring, and support auditability. It was noted that supporting documentation is not consistently uploaded to eAgreements to evidence key contracting decisions, and where documentation is uploaded, there is no standardized file naming convention. This limits the ability to efficiently perform quality assurance (QA), monitoring, and downstream review activities. While this did not result in issues in the contracts reviewed, the absence of standardized practices introduces variability in documentation quality and accessibility.	Management should: • Establish and enforce standard documentation requirements and naming conventions for all files uploaded to eAgreements to ensure consistency, improve traceability, and support efficient QA and monitoring activities. • Enhance system guidance and oversight by implementing periodic reviews and user training. • Align documentation practices to support future automation/AI-enabled review capabilities that rely on structured, consistently labeled data.	Action Plan Owners: Jeff Camino Shiby Antony Susan Mammarella Action Plan Executives: Megan Marks Melody Bell Due Date: 4/30/2027 *Management is currently conducting a comprehensive review of agreement types, associated documentation requirements, and existing file naming practices to develop standardized nomenclature and document management recommendations. Prior*

The lack of standardized documentation and naming conventions also constrains the organization's ability to implement future system enhancements, including automated or AI-enabled review capabilities, which rely on structured and consistently labeled data.		*to implementing any changes, management will evaluate potential downstream impacts across integrated systems and business processes to ensure that modifications do not create unintended operational, reporting, or system-related consequences.* *Once proposed standards have been finalized, management will coordinate with applicable stakeholders and Information Resources teams to assess technical requirements, perform appropriate testing, and validate that updates function as intended prior to deployment.* *Following implementation, management will update applicable guidance and procedures, provide training to affected users, and establish ongoing monitoring activities to assess compliance with documentation standards and identify opportunities for continuous improvement.*
2.2 Timely Initiation of Contract Review	**Recommendations**	**Management Action Plan**
Contracts should be promptly triaged, assigned, and initiated following intake, with defined turnaround expectations, active monitoring of timelines, and escalation protocols to address	Management should: • Clearly define and communicate standard expectations for documentation practices and agreement initiation timelines to	Action Plan Owner: Susan Mammarella Action Plan Executive: Megan Marks

delays and maintain efficient processing across the contract lifecycle. 3 of 20 contracts (15%) reviewed had greater than 14 days between assignment to an analyst and the first recorded activity in eAgreements. While work could have been initiated external to eAgreements, there is no documentation to support the delay. These delays indicate gaps in timely triage and initiation practices, as well as a lack of clearly defined expectations for turnaround times and monitoring of analyst workloads.	promote consistency, transparency, and effective oversight. • Reinforce expectations through targeted re-education, updated guidance, and ongoing monitoring to drive adherence and support continuous process improvement.	Due Date: 9/30/2026 *Management has been actively addressing performance, workload management, and process adherence within the Non-Industry Contracting function following leadership changes implemented in December 2025. As part of these efforts, management has provided coaching, mentoring, and performance management to staff regarding expectations for timely review initiation, documentation of activities, and maintenance of accurate contract records. These efforts will continue to ensure that staff consistently meet established performance and operational expectations.* *In addition, management will further evaluate opportunities to enhance monitoring and reporting capabilities within existing systems and processes to improve visibility into contract activity, identify items that may not be progressing as expected, and facilitate timely intervention when delays occur. Management will also review current procedures and guidance to reinforce expectations regarding contract initiation*

		timelines, documentation requirements, workload management, and escalation procedures when staffing availability or other operational factors may impact timely review. *Where appropriate, management will implement additional monitoring controls, training, and reporting mechanisms to support proactive oversight and ensure agreements continue to move forward as efficiently as possible. These actions are intended to strengthen accountability, improve transparency of review activities, and promote consistent adherence to established service expectations.*

Appendix A

Objective, Scope, and Methodology

The objective of the engagement was to assess the design and operating effectiveness of internal controls governing the intake, review, approval, and execution of Sponsored Programs Administration (SPA) non-industry contracts. This included evaluating whether contracts were appropriately classified, reviewed for legal and regulatory compliance, executed by authorized individuals, and supported by complete and accurate documentation in accordance with institutional policies and applicable UT System requirements.

The engagement scope period included activities of Sponsored Programs Administration from January 1, 2025 through June 30, 2026. The review focused on agreement intake, processing timelines, documentation practices, approval and execution controls, ancillary reviews and handling of non-conforming terms. The review did not include industry-sponsored contracts, clinical trial agreements processed outside of non-industry pathways, or post-award financial administration activities.

Our procedures included but were not limited to the following:

- Interviewed SPA personnel and ancillary stakeholders, including Information Security, Legal Affairs, and the Office of Technology Development, and reviewed relevant policies, procedures, and system workflows.
- Tested a sample of 20 agreements to assess classification, linkage to funding records, and compliance with system and documentation requirements.
- Evaluated agreement lifecycle activities, including timeliness of assignment and initiation, and completeness of documentation retained in eAgreements.
- Assessed key control areas including ancillary reviews, handling of non-conforming terms, signatory authority, indirect cost compliance, and subrecipient risk assessments.

We conducted our engagement in conformance with the Institute of Internal Auditors' Global Internal Audit Standards™. This report was prepared by the audit team, with some use of AI-assisted tools to support grammar and wording; all content, conclusions, and judgments reflect the work and review of the auditors.

Executive Sponsor:

Matthew Rosamond, Vice President and Chief Financial Officer

Key Stakeholders:

Shiby Antony, Director, Research Technology
Melody Bell, Associate Vice President, Research and Academic Systems (IR)
Jeff Camino, Manager, Information Resources, Research and Academic Systems
Isamu Hartman, Director, Technology Commercialization
Jamie Maiden, Director, Pre Award Sponsored Program Administration
Susan Mammarella, Director, SPA Clinical Research Finance
Megan Marks, Assistant Vice President, Sponsored Program Administration
Nicholas Miller, Manager, Non-Industry Contracts
Megan Mead, Financial Analysis Manager, Sponsored Program Administration
Tiffany Peart, Manager, Governance, Risk & Compliance, Information Security
Erin Sine, Vice President & General Counsel
Jessica Spaniol, Director / Managing Attorney - General Legal Services
Manmohan Singh, Assistant Vice President, Information Security
Jonathan Tyler, Senior Director, Technology Development
Carol Walters, Associate Director, Sponsored Program Administration, Compliance Audit & Operations

Audit Team:

Natalie Ramello, Vice President, Chief Compliance and Audit Officer
Philippa Krauss, Assistant Director, Internal Audit
Megan Bultongez, Project Manager, Internal Audit

Appendix B

Risk Classifications & Definitions

Each observation has been assigned a risk rating according to the perceived degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management. The following chart is intended to provide information with respect to the applicable definitions, color-coded depictions, and terms utilized as part of our risk ranking process:

Degree of Risk & Priority of Action	
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 UT Southwestern 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 UT Southwestern either as a whole or to a significant college / school / unit level. As such, immediate action is required by management 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 UT Southwestern either as a whole or to a college / school / unit level. As such, action is needed by management 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 UT Southwestern 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. 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 on these risks and controls in ways that this report did not and cannot anticipate.