



**AUDIT SERVICES**  
**Annual Report for Fiscal Year 2003**

University of Texas Medical Branch at Galveston  
Audit Services FY 2003 Annual Report

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Fiscal Year 2003 Audit Plan(1)

As of 8/31/03

Audit Areas	Priority Budgeted Hours	% of Total	Actual Hours	Variance Hours	Variance %	Status of Plan
<b>Key Financial and Operating</b>						
<i>System-wide Audits</i>						
Accountable Property and Buildings Depreciation Calculation	300		283	(17)	-6%	Complete, report issued
Accounts Receivable Valuation and Allowance for Doubtful Accounts	250		309	59	24%	Complete, report issued
<i>Financial Audits</i>						
Pharmacy COGS Review	400		400	0	0%	Complete, report issued
Service Centers Review - Telecommunications	300		315	15	5%	In progress, est cml 9-29-03
Service Centers Review - Service Center Environmental Scan (2)	150		0	(150)	-100%	Replaced by Business Assurance/ACL Project
ARP/ATP Grants	300		243	(57)	-19%	Reporting, est cml 9-19-03
Family Practice Residency Programs & THECB Pilot Program	240		357	117	49%	Complete, report issued
<i>Financial Consulting</i>						
PeopleSoft - Operational	900		867	(33)	-4%	Ongoing
Consideration of Fraud in a Financial Statement Review	150		35	(115)	-77%	Folded into Internal Cntrl & Acct Proj. Report issued
<b>Subtotal</b>	<b>2,990</b>	<b>18%</b>	<b>2,809</b>	<b>(181)</b>	<b>-6%</b>	
<b>Institutional Compliance</b>						
<i>System-wide Audits</i>						
Environmental Health and Safety - Laboratory Safety	250		233	(17)	-7%	Complete, report issued
<i>Compliance Program Audits</i>						
High Risk Compliance Area Review: Research - Institutional Review Board (3)	300		12	(288)	-96%	Postponed at Management's Request
High Risk Compliance Area Review: Patient Billing - Credit Balances Review (4)	600		1,072	472	79%	Reporting, est cml 9-19-03
<i>Compliance Consulting</i>						
Health Insurance Portability and Accountability Act (HIPAA) - Operational	200		31	(169)	-85%	Complete, report issued
<i>Compliance Carryforward</i>						
Research Reporting (5)	30		29	(1)	-3%	Complete, report issued
<b>Subtotal</b>	<b>1,380</b>	<b>9%</b>	<b>1,377</b>	<b>(2)</b>	<b>0%</b>	
<b>Information Technology</b>						
<i>System-wide Audits &amp; IT Audits</i>						
General Controls Review Comprehensive Information System Operations Audits	500		413	(87)	-17%	In progress, est cml 9-23-03
Server Reviews	600		756	156	26%	Complete, report issued
Remote Access (5)	300		0	(300)	-100%	Replaced by Inventory & Vulnerability Assessment Projects
<i>Information Technology Consulting</i>						
Audit Services Computer Test Lab	300		191	(109)	-36%	Ongoing
Security Infrastructure Project - Phase I (5)	250		283	33	13%	Complete, report issued
Security Infrastructure Project - Phase II (5)	50		26	(24)	-48%	In progress, est cml 10-01-03
PeopleSoft - Information Technology	500		812	312	62%	Ongoing
HIPAA - Information Technology	300		58	(242)	-81%	Complete, report issued
System Wide Inventory and Vulnerability Assessment - Phase I (6)	50		23	(27)	-54%	Complete, report issued
System Wide Inventory and Vulnerability Assessment - Phase II (6)	250		19	(231)	-92%	In progress, est cml 10-01-03
Business Continuity - Departmental Level (7)	50		15	(35)	-70%	Reporting, est cml 9-19-03
<i>Information Technology Carryforward</i>						
Correctional Managed Care Information Systems Operations	50		108	58	116%	Complete, report issued
<b>Subtotal</b>	<b>3,200</b>	<b>20%</b>	<b>2,704</b>	<b>(496)</b>	<b>-16%</b>	

**Core Business Processes**

*System-wide Audits*

Research Issues - Research Environment Assessment 225 145 (80) -36% Complete, report issued

*Core Business Processes Audits*

ClinWeb Charge Capture and Processing (8) 600 20 (580) -97% Postponed due to resource constraints

Correctional Managed Care - Continuity of Care (3) 500 0 (500) -100% Postponed at management's request

501a Audits/Projects 900 511 (389) -43% Complete, reports issued

*Core Business Consulting*

Business Continuity - Institutional Level (7) 275 0 (275) -100% Review, Rptng, est cml 9-19-03

Business Continuity - Departmental/Process Level (7) 100 30 (70) -70% Reporting, est cml 9-19-03

J-Visas Review (9) 30 30 0 0% Complete, report issued

Delivery of Emergency Healthcare Services (10) 200 3 (197) -99% Replaced by Pulmonary Care Services Project

Pulmonary Care Services (10) 200 279 79 40% Complete, report issued

*Core Business Carryforward*

Delivery of Operating Room Services 300 349 49 16% Complete, report issued

Research Time and Effort Reporting 200 274 74 37% Reporting, est cml 9-12-03

Business Continuity Environment Scan 50 179 129 258% Complete, report issued

**Subtotal 3,580 22% 1,820 (1,760) -49%**

**Change in Management**

*Change in Management Audits*

Office of Student Affairs 325 473 148 46% Complete, report issued

501a Executive Management 300 300 0 0% Complete, report issued

Dean/Administrator School of Nursing 200 570 370 185% Complete, report issued

**Subtotal 825 5% 1,343 518 63%**

**Follow-up**

**800 5% 1,201 401 50%** Complete, reports issued

**Projects**

*U. T. System Requests*

Cost Savings Report 200 424 224 112% Complete, report issued

**Audit Projects Subtotal 200**

*Consulting Projects*

*Special Requests - Consulting*

Internal Control & Accountability/Training Phase I 400 229 (171) -43% Complete, report issued

Institutional Business Assurance (2) 150 95 (55) -37% Ongoing

Biocommunications Review (9) 200 229 29 15% Complete, report issued

Pharmacy - High Risk Drugs Inventory Controls 125 125 0 0% Reporting, est cml 9-29-03

**Consulting Projects Subtotal 875**

**Other Projects**

Investigations 700 814 114 16% Complete, reports issued

Quality Assurance Activities & Peer Review Preparation

- Internal Quality Assurance Activities 250 40 (210) -84% Ongoing

- Peer Review Preparation 200 100 (100) -50% Ongoing

Office/Audit Manual Revision 150 60 (90) -60% Ongoing

Service Delivery Support Activities 800 1,570 770 96% Ongoing

Institutional Risk Assessment and Work Plan Development 100 479 379 379% Complete

Liaison with External Auditors 100 127 27 27% Ongoing

Web Site Upgrade 44 15 (29) -66% Ongoing

**Other Projects Subtotal 2,344**

**Projects Total 3,419 21% 4,307 888 26%**

**Total Hours**

**16,194 100% 15,561 (632) -4%**

## II. External Quality Assurance Review

UTMB Audit Services conducts all its activities as well as the administration of the department in accordance with the *Standards for the Professional Practice of Internal Auditing (Standards)*, as promulgated by The Institute of Internal Auditors. The Texas Internal Auditing Act also requires that internal auditing functions at state agencies comply with various other promulgated standards (such as generally accepted government auditing standards) even if individual audit departments do not specifically cite work in accordance with those standards.

All standards require that a quality assurance review (QAR) – also known as a peer review – be conducted on a periodic basis. Until a recent revision, the IIA *Standards* did not specify a specific interval for such reviews. The *Standards* now require a peer review at least every five years. At this time, UTMB Audit Services remains in compliance with the *Standards* under which we conduct our work. Generally accepted government auditing standards (GAGAS), however, require a QAR every three years. Since the Texas Internal Auditing Act incorporates GAGAS by reference, Audit Services is not currently in compliance with the QAR requirement of those standards. To date, there has been no reliance for GAGAS-related work from UTMB Audit Services.

A QAR was scheduled for Audit Services in September 2003. Unanticipated scheduling conflicts forced the review to be postponed. It is currently scheduled for the week of January 12, 2004. A strong team of colleagues has been assembled to perform the comprehensive review. Ms. Stephanie Burke, Audit Director at the University of California – San Diego, has agreed to lead the QAR team. Other team members are audit directors Baylor College of Medicine and UT Health Science Center at San Antonio and the IT associate audit director from Georgia Institute of Technology.

The most recent QAR report follows.

**Quality Assurance Review  
For  
Department of Audit Services**

The University of Texas - Medical Branch at Galveston

**Performed by:**

Glen C. Mueller, Director of Audit Services  
UCSF-Stanford Health Care

Robert F. Rubel Jr., Associate Director of Internal Audit  
University of Texas- Southwestern Medical Center at Dallas

Craig B. Robertson, Audit Manager  
University of Texas - System Audit Office

December 2, 1997



UCSF STANFORD  
HEALTH CARE

December 2, 1997

Mr. E. J. Pederson  
Executive Vice President  
The University of Texas Medical Branch at Galveston

**Subject: Report of Quality Assurance Review for Internal Audit Department**

Dear Mr. Pederson:

At your request, we have conducted a quality assurance review of the work of your internal audit department. We reviewed for compliance with The Institute of Internal Auditors' *Standard for the Professional Practice of Internal Auditing* and based our review on the Association of College and University Auditor's *Quality Assurance Review Handbook*.

The review was performed by persons independent of your internal audit department and covered audit work performed during the period of August 1, 1996 through October 31, 1997. The scope of the review was restricted to reviewing selected documents, conducting a survey, reviewing the work papers of a sample of audit projects and interviewing key personnel.

Based on the scope of our review, we determined that, overall, the work of the internal audit department did comply with IIA *Standards* during the period under review. Additional information is provided in the attached report. We have included in the report several recommendations we believe will further enhance the efficiency and effectiveness of your internal audit function.

We appreciate the cooperation and assistance provided to us throughout the course of our review. All individuals interviewed offered candid and constructive comments. Please let us know if you would like us to review with you further details pertaining to any of the information in the attached report.

Sincerely,

Glen C. Mueller, C. P. A.  
Peer Review Team Leader

### III. List of Audits Completed

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2002-008	11/5/2002	Valuation of Net Accounts Receivable and the Allowance for Doubtful Accounts	Review methodology for valuing the net accounts receivable and determine the reasonableness of the allowance for doubtful accounts reported as of August 31, 2002	Having reviewed the methodology for valuing the group practice plan, hospital, and clinic net accounts receivable, with the scope limitations noted in the report, the reported allowance for doubtful accounts as of August 31, 2002 appeared reasonable.	No recommendations requiring action	Ensures accurate financial reporting to State and other users of financial information.
2002-201	2/5/2003	Correctional Managed Care Information Systems Operations Audit	<p>The purpose of this audit was to evaluate the reliability and integrity of key administrative processes within CMC Information Systems operations.</p> <p>Based on our risk assessment activities, our scope included but was not limited to the following key processes:</p> <ul style="list-style-type: none"> <li>• Access controls</li> <li>• Audit trails</li> <li>• Change control</li> <li>• System parameters</li> <li>• Backup and recovery</li> <li>• Policies and other administrative monitoring capabilities</li> </ul>	Due to the nature of the information that is contained in this Information Technology Audit report, we have elected to provide the details of the report to appropriate parties when requested.	In Progress	Minimizes the risk of business interruptions.
2002-203	1/13/2003	Baseline Server Reviews	The objective of the reviews was to measure compliance with the existing policies and procedures and with the industry-recognized leading best practices for security.	Due to the nature of the information that is contained in this Information Technology Audit report, we have elected to provide the details of the report to appropriate parties when requested	Completed	

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2002-301	5/21/2003	Operational Review – Delivery of Operating Room Services	Determine whether specific issues identified in prior consulting reports of the operating room were evidenced in current practices – particularly functions of scheduling, case start time, and turnover time.	<p>Scheduling: increase initiative to schedule cases farther in advance, increase accuracy of case duration estimates used in the scheduling process, and monitor numbers of add-on cases.</p> <p>Case start time: complete analysis of first-case delays and collect data to allow appropriate corrective action taken on other case delays.</p> <p>Turnover time: develop appropriate standards for turnover times then gather and monitor data to ensure standards are met.</p>	In progress	Provides information for continued improvement in patient care delivery and the related financial impact of postponing or canceling surgery services.
2003-003	August 21, 2003	Pharmacy Cost of Goods Review	The objective of this review was to assess the effectiveness of the process in place to capture cost of goods sold data.	<p>Pharmacy cost of goods sold information is not updated in a consistent and timely manner.</p> <p>The system used to update costs as items are purchased does not adequately match historical purchase costs to the items as they are dispensed.</p> <p>The system used to compensate for estimated inventory shrinkage throughout the year results in an estimated and potentially inaccurate year-end inventory variance amount.</p>	<p>In progress – Executive level discussions regarding the resolution of this issue are in progress. Final resolution may involve process changes and/or automation.</p> <p>In progress – Executive level discussions regarding the resolution of this issue are in progress. Final resolution may involve process changes and/or automation.</p> <p>In progress – Elements of this issue have been resolved, but the more complex aspects of this issue will require additional time to achieve their resolution.</p>	Resolution of the noted issues will improve the completeness and accuracy of reported financial and management information.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2003-007	2/18/2003	Family Practice Residency Program	Determine whether financial reports for the programs presented fairly the amounts for which program funds were expended and that funds were accounted for in accordance with specified guidelines and standards.	Concluded that program activities for the period were properly recorded, reported, and expended.	No recommendations requiring action	Ensures accurate financial and compliance reporting to the State and other users of the information.
2003-008	11/21/2002	Capitalized Asset Physical Inventory Observation	Provide assurance that a complete and accurate physical inventory of equipment was taken, recorded in the financial records, and reported to the State Comptroller.	Determined that the equipment inventory count and the related reports to the State Comptroller were complete and accurate in all material respects.	No recommendations requiring action	Ensures accurate financial reporting to State and other users of financial information.
2003-106	May 20 2003	Laboratory Safety Inspection Process Design Review	The purpose of this review was to assess the adequacy of the design of the institution's laboratory inspection process.	Our review revealed that the key elements of an effective laboratory inspection process had been incorporated into the design of the institution's process.	No recommendations requiring action	Management was provided reasonable assurance that the laboratory inspection process should facilitate efforts to protect resources from the effects of potentially harmful materials/agents.
2003-202	8/21/2003	Baseline Server Reviews	The objective of the reviews was to measure compliance with the existing policies and procedures and with the industry-recognized leading best practices for security.	Due to the nature of the information that is contained in this Information Technology Audit report, we have elected to provide the details of the report to appropriate parties when requested.	In Progress	Minimizes the risk of business interruptions.
2003-207 Phase I – Part A	4/8/2003	Assurance Memo - Regarding Information System Application Vulnerability Report Summary	The objective of this review was to evaluate management's assertion that The University of Texas Medical Branch at Galveston has conducted an accurate and complete inventory and vulnerability assessment of its mission critical and central information systems as of April 8, 2003.	In our opinion, management's assertion that The University of Texas Medical Branch at Galveston conducted a thorough inventory and vulnerability assessment of its mission critical and central information systems as of April 8, 2003, is fairly stated and management's report is reasonable in all material respects.	Completed	Minimizes the risk of business interruptions.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2003-207 Phase I – Part B	5/30/2003	Assurance Action Plan Memo - Regarding Phase I Information System Application Vulnerability Report Action Plan Summary	The objectives of our review were to: <ul style="list-style-type: none"> <li>• Determine whether the action plan addresses all high-risk vulnerabilities and includes sufficient contextual information such as timeframe, cost, and potential barriers to implementation.</li> <li>• Determine the overall reasonability of the Phase I Action Plan by comparing the plan to the vulnerability report, observations and supporting documentation.</li> </ul>	Due to the nature of the information that is contained in this Information Technology Audit report, we have elected to provide the details of the report to appropriate parties when requested.	In Progress	Minimizes the risk of business interruptions.
2003-207 Phase II – Part A	7/18/2003	Assurance Memo - Regarding Information System Application Vulnerability Report Summary Phase II - Departmental Systems	The objective of this review was to evaluate management's assertion that The University of Texas Medical Branch at Galveston has conducted an accurate and complete inventory and vulnerability assessment of decentralized managed information systems as of July 18, 2003.	In our opinion, management's assertion that The University of Texas Medical Branch at Galveston conducted a thorough inventory and vulnerability assessment of its non-mission critical and decentralized information systems as of July 18, 2003, is fairly stated and management's report is reasonable in all material respects.	Completed	Minimizes the risk of business interruptions.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2003-207 Phase II – Part B	9/26/2003	Assurance Action Plan Memo - Regarding Phase II Information System Application Vulnerability Report Action Plan Summary	<p>The objectives of our review were to:</p> <ul style="list-style-type: none"> <li>• Determine whether the action plan addresses all high-risk vulnerabilities and includes sufficient contextual information such as timeframe, cost, and potential barriers to implementation.</li> <li>• Determine the overall reasonability of the Phase II Action Plan by comparing the plan to the vulnerability report, observations and supporting documentation.</li> </ul>	Due to the nature of the information that is contained in this Information Technology Audit report, we have elected to provide the details of the report to appropriate parties when requested.	In Progress	Minimizes the risk of business interruptions.

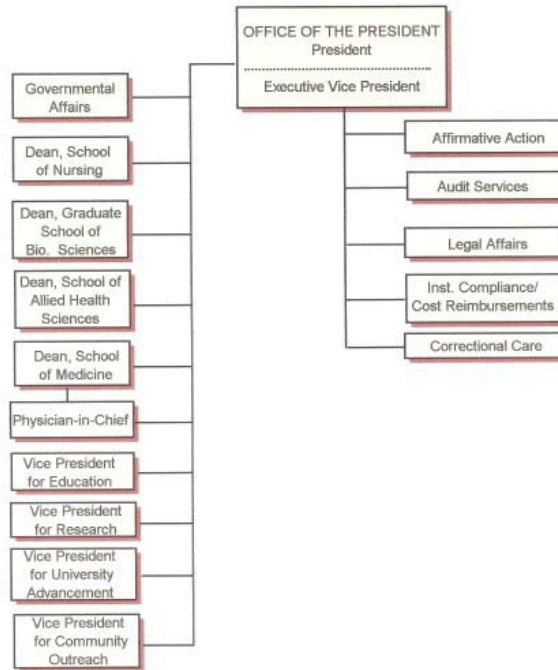
Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2003-401	August 21, 2003	School of Medicine – Office of Student Affairs Change of Management Review	The objective of this audit was to provide the Office of Student Affairs with a general assessment of administrative, fiscal, and operational controls.	<p>Opportunities exist to strengthen controls over the operations in the Office of Student Affairs.</p> <p>Specifically, management should:</p> <ul style="list-style-type: none"> <li>• Develop, approve, and disseminate key policies and procedures to all employees.</li> <li>• Perform monthly account reconciliations on all accounts.</li> <li>• Improve controls over computer inventory.</li> <li>• Maintain documentation to support the number of hours worked for “Pay By Letter” individuals.</li> <li>• Develop and implement controls to ensure that time and effort reports reflect the actual effort spent on the grant activities.</li> <li>• Implement controls to ensure that all sponsored programs are monitored by the Principal Investigator or her designee.</li> <li>• Implement controls to ensure that all matching expenditures are allowable, and documentation is maintained to substantiate the dollars used to meet the matching requirements.</li> <li>• Monitor grant expenditures and subrecipients, ensuring compliance with grant provisions.</li> <li>• Improve controls over the scholarship process, and monitor cash on hand.</li> </ul>	<p>In progress</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>In progress</p> <p>Implemented</p> <p>In progress</p> <p>In progress</p> <p>In progress</p>	<p>Reduce the risk for errors, irregularities, and fraud.</p> <p>Reduce the risk of noncompliance with federal regulations and the risk of losing federal grant funding or incurring federal sanctions.</p> <p>Maximize the use of scholarship dollars.</p>

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2003-405	May 20, 2003	School of Nursing Change of Management Review	The objective of this audit was to provide the Office of Student Affairs with a general assessment of administrative, fiscal, and operational controls.	<p>Opportunities exist to strengthen controls over the operations in the School of Nursing.</p> <p>Specifically, management should:</p> <ul style="list-style-type: none"> <li>• Develop, approve, and disseminate key policies and procedures to all employees.</li> <li>• Comply with policies regarding use of off-campus equipment.</li> <li>• Ensure appropriate separation of duties in the business office.</li> <li>• Reconcile accounts timely.</li> <li>• Implement controls to ensure accurate reporting of leave taken.</li> <li>• Maintain documentation to support the number of hours worked for "Pay By Letter" individuals.</li> <li>• Develop and implement controls to ensure that time and effort reports reflect the actual effort spent on the grant activities.</li> <li>• Implement controls to ensure that all sponsored programs are monitored by the Principal Investigator or her designee.</li> </ul>	<p>In progress</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>In progress</p>	<p>Reduce the risk for errors, irregularities, and fraud.</p> <p>Reduce the risk of noncompliance with federal regulations and the risk of losing federal grant funding or incurring federal sanctions.</p>
2003-602	11/25/2002	Review of Institutional Cost Savings Report	Provide assurance as to the reasonableness of the 11/25/2002 Institutional Cost Savings Report.	Reported realized savings for FYs 2001 and 2002 appeared reasonable and the projected savings for FYs 2003 and 2004 appeared reasonably achievable.	No recommendations requiring action	Ensures accurate cost-savings reporting to the UT System.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2003-703	5/5/2003	Pulmonary Care Services Departmental Review	Review financial and administrative activities supporting the department's mission and develop a risk assessment with recommendations to manage identified risks.	<p>Benchmark staffing levels in each key area to determine optimal staffing for patient statistics and expected service levels.</p> <p>Work with other specific departments to address and ensure timely posting of pulmonary charges.</p> <p>Other risks and considerations for management were provided in a detailed matrix.</p>	<p>In progress</p> <p>In progress</p> <p>In progress</p>	Provides information for continued improvement in patient care services.

**THE UNIVERSITY OF TEXAS MEDICAL BRANCH  
AT GALVESTON**

Institutional Organization Detail



## V. Report on Other Internal Audit Activities

Activity	Impact
Business Continuity - Management Advisory Review	This review was designed to provide a high-level assessment of the processes in place to manage and minimize the negative effects of a disruption in operations and/or disastrous event. Opportunities for continued improvement were noted, communicated to management, and are being addressed.
Quality Assurance Program Development and Implementation	This activity resulted in the continued development and implementation of a quality assurance program that will enable audit management's efforts to continue to improve compliance with applicable auditing standards.
Institutional Risk Assessment and Work Plan Development Project	The objective of this project was the development of an Audit Services work plan for FY 2004 that is aligned with the institution's goals and objectives and the significant risks to their achievement.
Follow-up audit activity was performed on approximately 100 previously identified significant audit issues	Institutional management was provided an update on the status of these outstanding audit issues. It was determined that 89% of these issues were either fully or partially resolved or closed based on current conditions.
Facilitation of Continuous Monitoring Activities/Controls	Facilitated discussions with management and a vendor to facilitate the implementation of continuous monitoring software in key business and research administration areas. Goal is to increase effectiveness of management control and accountability activities.
PeopleSoft Implementation	The objective of involvement in the project was to advise on control issues during development of the new system. Post-implementation reviews will occur during FY2004.
Health Insurance Portability and Accountability Act (HIPAA)	Participation in various aspects of the HIPAA readiness project included a role on the steering committee and conducting walk-through reviews to evaluate security related to patient privacy and HIPAA regulations.
Internal Controls and Accountability Project	The goal of the project was to work in conjunction with the Financial Services and Business Affairs departments to develop a program that will further establish responsibility and accountability for ensuring effective internal control systems are in place and functioning throughout the institution.
Institutional/UT System Committees	Continued participation by various Audit Services staff on the following committees, groups, or task forces: Institutional Compliance Committee, Quality of Care Committee, Health Information Committee, Physician Order Entry Issues Resolution Committee, Computer Standards Advisory Group, LAN Administrators' Group, UT System Sarbanes-Oxley Task Force, and UT System Information Security Council.
Commitment to Quality Assessment	Director served as team leader for the QAR of the UT Health Center at Tyler and an Audit Manager served as a team member for the QAR of the Texas Tech University System.

Consulting Services	During the year, Audit Services provided various activities in response to specific management requests or based upon other initiating circumstances. The impact of these activities was to give current, specialized, valuable information to management.
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Fiscal Year 2004 Work Plan  
The University of Texas Medical Branch at Galveston  
Office of Audit Services

FY 2004 Audit Plan		2004	%	A	
Audit/Project	Budgeted Hours	of	Total	Priority	Description
<b>Key Financial and Operating Information</b>					
<i>System-wide Audits</i>					
Sarbanes-Oxley & Internal Controls Assessment	1350		1000	✓	The objective of this project is to assist with the coordination and implementation of the UT System-determined elements of the Sarbanes-Oxley Act. This project's scope will include the performance of financial/internal control reviews and the expression of opinions on management's documentation of and the adequacy of controls in major financial recording and reporting systems. This will likely be the first of a multi-year effort.
Accounts Receivable and Allowance for Bad Debts <sup>1</sup>	225		225	✓	The objective of this audit is to review the methodology used for valuing the (net) accounts receivable, and to determine the reasonableness of the allowance for doubtful accounts balance as of August 31, 2003.
<i>Financial Audits</i>					
Financial Data Accumulation & Financial Reporting System Interfaces	550		550	✓	The objective of this project is to review and assess transaction flow and reconciliation processes between major subsidiary systems and the general ledger at 8/31/03 for the purposes of giving management assurances as to accuracy and gathering information which will assist in Sarbanes-Oxley-related control activities.
Post Implementation Review Clinical Cash Collections Process <sup>1</sup>	467		467	✓	The objective of this audit is to perform a post implementation review of the clinical cash collections/management system that was implemented two years ago. The review will extend to assessing asset security issues in the clinics (e.g., access to the cash drawers).
Construction Project Management/Capital Projects	400		400	✓	The objective of this audit is to perform an operational review of project management procedures and documentation for non-OFPC managed construction activity. May include selection processes, contracting, and monitoring of budgets and schedules.
MSRDP Financial Review <sup>1</sup>	300		300	✓	The objective of this review is to perform financial analysis of selected MSRDP revenues and expenditures in accordance with BPM 31.
Family Practice Residency Programs	200		200	✓	The objective of this audit is to ensure that Texas Higher Education Coordinating Board funds were expended in accordance with program guidelines.
<i>Financial Consulting</i>					
PeopleSoft - Operational <sup>2</sup>	700		700	✓	The objective of this review is to facilitate efforts to ensure that proper controls are in place to achieve the successful implementation of new business systems at UTMB. Our efforts will focus on performing continued post implementation reviews of Phase I Modules & control design consulting for Phase II Modules.
Reserve for Just-in-Time Auditing/Advisory Services - TBA	400				This reserve will be used to respond to management requests for audit/advisory assessments in emerging high-risk areas. If the requests received from institutional management do not exhaust this reserve, the remaining hours allocated will be expended addressing projects contained on our supplemental project listing. The goal of establishing this reserve and obtaining on-going risk input from institutional management is the provision of value-added services through the delivery of "Just-In-Time Auditing/Advisory Services." An element of this reserve is contained within several sections of our work plan. The aggregate of the individual elements of the reserve equals 7% of our total budgeted Audit and Project hours.
<i>Financial Carry Forward</i>					
PeopleSoft - Operational <sup>2</sup>	100		100	✓	The objective of this review is to continue our facilitation efforts to ensure that proper controls are in place to achieve the successful implementation of new business systems at UTMB.
<b>Key Financial and Operating Information Subtotal</b>	<b>4692</b>		<b>26%</b>	<b>3942</b>	<b>27%</b>

Fiscal Year 2004 Work Plan  
The University of Texas Medical Branch at Galveston  
Office of Audit Services

FY 2004 Audit Plan		2004	%	A	
Audit/Project		Budgeted Hours	of Total	Priority	Description
<b><i>Institutional Compliance</i></b>					
<i>System-wide Audits</i>					
Endowments		300	300	✓	The objective of this review is to assess the effectiveness of the processes in place to monitor the use of endowment funds, establish endowment agreements, ensure compliance with the gift agreements, and facilitate agreement modifications when appropriate.
<i>Compliance Program Audits</i>					
Research Office of Sponsored Programs		850	850	✓	The objective of this audit is to assess the effectiveness and efficiency of the processes in the Office of Sponsored Programs. In addition, our audit will include a review of several significant federal grants for compliance with general and specific compliance requirements, including but not limited to subrecipient monitoring, time and effort reporting, cash management, federal financial reporting, and allowability of costs.
Workers' Compensation Insurance Resource Allocation Programs		200	200	✓	The objective of this audit is to review completed WCI Resource Allocation Programs (RAPs) to ensure compliance with the applicable requirements for expenditure of these funds and ensure they are meeting program goals.
Review of High-Risk Compliance Areas		300			The objective of these audits is to assess the effectiveness of the institutional processes in place to manage high-risk compliance areas. The specific reviews will be determined in conjunction with the Institutional Compliance Program (ICP) following the completion of their FY 2004 Risk Plan.
<i>Compliance Consulting</i>					
Health Insurance Portability & Accountability Act - Operational <sup>2</sup>		100	100	✓	Audit Services will participate in various aspects of HIPAA readiness preparation. This may include design and implementation reviews of specific elements of the HIPAA privacy requirements.
Reserve for Just-in-Time Auditing/Advisory Services - TBA		300	200	✓	This reserve will be used to respond to management requests for audit/advisory assessments in emerging high-risk areas. If the requests received from institutional management do not exhaust this reserve, the remaining hours allocated will be expended addressing projects contained on our supplemental project listing. The goal of establishing this reserve and obtaining on-going risk input from institutional management is the provision of value-added services through the delivery of "Just-In-Time Auditing/Advisory Services." An element of this reserve is contained within several sections of our work plan. The aggregate of the individual elements of the reserve equals 7% of our total budgeted Audit and Project hours.
<b>Institutional Compliance Subtotal</b>		<b>2050</b>	<b>11%</b>	<b>1650</b>	<b>11%</b>

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FY 2004 Audit Plan		2004	%	A	
Audit/Project		Budgeted Hours	of Total	Priority	Description
<b>Information Technology</b>					
<i>System-wide Information Technology Audits</i>					
IT Vulnerability Assurance Audit and Action Plan Follow-up		100	50	✓	The objective of the audit is to provide UT System with status updates on how UTMB is making progress on the action plans from the FY 2003 Inventory and Vulnerability Assessments. Audit Services will track and report status updates to the UT System Audit Office (UTSAO) on a quarterly basis or an alternative schedule as deemed by the UTSAO.
TAC 202 Information Security Audit		100	50	✓	Since UTMB Information Services has hired a firm to perform a review to comply with Texas Administrative Code (TAC) 202, Audit Services will perform a Follow-up on the action plans that address the issue in the review. If the review does not provide coverage that would have been done in a TAC 202 audit, Audit Services will then conduct an audit to determine whether UTMB complies with TAC 202.
<i>Information Technology Audits</i>					
Decentralized IT Operations Audits		750	750	✓	The objective of this audit is to determine if the following is being performed in compliance with UTMB Information Resource Policies and Practice Standards for the selected areas that will be reviewed: <ul style="list-style-type: none"> <li>Existing system security parameters are configured appropriately.</li> <li>System is configured to prevent unauthorized access to critical application, data and system resources.</li> <li>Adequate controls are place over the configuration of user profiles.</li> <li>System level security is configured to protect critical data files and to protect production programs.</li> <li>Security events are logged and monitored.</li> <li>Backup and Recovery Procedures exist and address the risk of the area supported.</li> <li>Physical and Logical Access to the computer resources is appropriate.</li> <li>Environmental Conditions surrounding the servers are controlled.</li> <li>Staffing, Training, and Separations of Responsibilities are appropriateness.</li> <li>Change Management operations represent a proper control environment.</li> </ul>
Server Reviews		700	700	✓	The objective of this audit is to determine if the following is performed in compliance with UTMB Information Resource Policies and Practice Standards for the selected servers that will be reviewed: <ul style="list-style-type: none"> <li>Existing system security parameters are configured appropriately.</li> <li>System is configured to prevent unauthorized access to critical application, data and system resources.</li> <li>Adequate controls are place over the configuration of user profiles.</li> <li>System level security is configured to protect critical data files and to protect production programs.</li> <li>Security events are logged and monitored.</li> </ul>
Remote Access & Perimeter Defense (Firewall)		450	350	✓	The objective of the audit is to determine that remote access to the campus in compliance with the UTMB Information Resource Policies and Guidelines, access is authorized, and modems, wireless devices, VPNs, and the firewall are properly configured and secured to allow only authorized users access to appropriate resources.
Software License Agreements		200			The objective of this audit will be to determine if the desktop, laptop, and server computers at UTMB only have authorized and valid licensed software loaded.
Follow-up Activities <sup>3</sup>		300	300	✓	The objective of these reviews is to perform follow-up activities on the significant audit issues reported in previous audit engagements.
Integration of IT Auditors on General Audits		100	100	✓	The objective of this audit is to integrate IT auditors into Non-IT audit engagements to address any IT audit concerns on the engagements.

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FY 2004 Audit Plan		2004	%	A	
Audit/Project		Budgeted Hours	of Total	Priority	Description
<i>Information Technology Consulting</i>					
Audit Services Computer Test Lab		300			The objective of this project is to review and develop tools to be used on Information Technology audits as well as continuously monitor and audit desired activity.
Electronic Medical Record Design and Implementation Initiative - Information Technology <sup>3</sup>		150	150	✓	The objective of this review is to facilitate efforts to ensure that proper controls are in place to achieve the successful implementation of new clinical systems at UTMB.
HIPAA - Information Technology <sup>3</sup>		50	50	✓	Audit Services will participate in various aspects of HIPAA readiness preparation. This may include design and implementation reviews of specific elements of the HIPAA requirements.
Business Continuity - Departmental Level <sup>3</sup>		50			The objective of this review is to provide the assurance/consulting services necessary to facilitate executive management's efforts to develop and implement an institutional business continuity plan. The specific scope of our review and our level of involvement will be determined in conjunction with management as risk areas are identified.
Information Services Infrastructure Projects - Phase III		50	50	✓	The objective of this project is to participate, gain knowledge, and provide advisory services during the role out of the Network Security Architecture. The role out will be done in three phases. Phase one is completed, Phase II is expected to be completed by October 31, 2003, and Phase III will be in November 2003.
Institutional Business Assurance/ACL Initiative <sup>3</sup>		50	50	✓	UTMB has contracted with ACL to provide continuous monitoring scripts that will assist management in monitoring activity within the PeopleSoft application. In addition to these standard reports, management has expressed the need to run ad-hoc reports, and Audit Services has assisted them in running ACL to retrieve specific data from our financial reporting system. We expect this to continue in FY 2004 until the processing departments are well-trained in the use of ACL.
Reserve for Just-in-Time Auditing/Advisory Services - TBD		230	150	✓	This reserve will be used to respond to management requests for audit/advisory assessments in emerging high-risk areas. If the requests received from institutional management do not exhaust this reserve, the remaining hours allocated will be expended addressing projects contained on our supplemental project listing. The goal of establishing this reserve and obtaining on-going risk input from institutional management is the provision of value-added services through the delivery of "Just-In-Time Auditing/Advisory Services." An element of this reserve is contained within several sections of our work plan. The aggregate of the individual elements of the reserve equals 7% of our total budgeted Audit and Project hours.
<i>Information Technology Carry Forward</i>					
PeopleSoft - Information Technology <sup>3</sup>		50	50	✓	The objective of this review is to continue our facilitation efforts to ensure that proper controls are in place to achieve the successful implementation of new business systems at UTMB.
Information Services Infrastructure Projects - Phase II		10	10	✓	The objective of this project is to participate, gain knowledge, and provide advisory services during the role out of the Network Security Architecture. The role out will be done in three phases. Phase II is expected to be completed by October 31, 2003.
<b>Information Technology Subtotal</b>		<b>3640</b>	<b>20%</b>	<b>2810</b>	<b>19%</b>

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FY 2004 Audit Plan		2004	%	A	
Audit/Project		Budgeted Hours	of Total	Priority	Description
<b>Core Business Processes</b>					
<i>System-wide Audits</i>					
Physical Security Initiative		400	200	✓	The objective of this review is to monitor institutional activities related to the UT System Campus Safety and Security Workgroup and perform inspection activities on practices and procedures implemented as a result of previous DHHS OIG reviews and federal and state security directives (e.g. USA Patriot Act of 2001).
Performance Measures		100	100	✓	The objective of this review is to assess the adequacy of the methodology employed to define, collect, calculate, support, and report performance measures information.
<i>Core Business Processes Audits</i>					
ClinWeb Charge Capture and Processing <sup>1</sup>		600	600	✓	The objective of this audit is to evaluate the effectiveness and efficiency of the ClinWeb application and its supporting processes for capturing and processing outpatient professional and technical fee charges. Scope considerations include, but are not limited to the completeness, accuracy, and timeliness of the current processes.
Hospital/Clinical Operations Revenue Enhancement/Cycle		400	400	✓	The objective of this review is to provide operational consulting and task force participation in an entity-wide assessment of major activities and systems that impact hospital/clinical revenue streams, i.e., charge capture, coding, charge description master, and hospital patient financial services.
Student Services Reorganization Post Imp Design Review		400			The objective of this review is to assess the effectiveness of controls, primarily as it relates to the awarding of student financial aid, within the new organizational structure that has been implemented.
Pre-certification/Authorization Obtainment <sup>1</sup>		350			The objective of this review is to assess the pre-certification obtainment process to determine if mechanisms are place to identify patient encounters for which pre-certifications are required. Additionally we will assess the effectiveness of these mechanisms and the role of healthcare providers and administrative personnel in obtainment process.
501a Audits/Projects TBA		300	300	✓	Audit Services has agreed to perform internal auditing services for UTMB HealthCare Systems, Inc., a nonprofit healthcare organization certified under Section 5.01(a) of the Texas Medical Practice Act. Our risk assessment for the 5.01(a) is continually updated with management and the 5.01(a) Audit Committee to consider changes in the business lines.

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FY 2004 Audit Plan		2004	%	A	
Audit/Project		Budgeted Hours	of Total	Priority	Description
<i>Core Business Consulting</i>					
Electronic Medical Record Design and Implementation Initiative <sup>2</sup>		250	250	✓	The purpose of this project is to provide consulting services to facilitate the transition from a paper medical record environment to an clinical enterprise electronic medical record system.
Business Continuity Planning & Design <sup>2</sup>		250			The objective of this project is to continue our efforts to provide the assurance/consulting services necessary to facilitate executive management's efforts to develop and implement business continuity plans for key institutional departments/processes. Our efforts will focus on testing validation and plan assessments. In addition we will continue to provide the assurance/consulting services necessary to facilitate executive management's efforts to develop and implement an institutional business continuity plan.
Reserve for Just-in-Time Auditing/Advisory Services - TBA		400	300	✓	This reserve will be used to respond to management requests for audit/advisory assessments in emerging high-risk areas. If the requests received from institutional management do not exhaust this reserve, the remaining hours allocated will be expended addressing projects contained on our supplemental project listing. The goal of establishing this reserve and obtaining on-going risk input from institutional management is the provision of value-added services through the delivery of "Just-In-Time Auditing/Advisory Services." An element of this reserve is contained within several sections of our work plan. The aggregate of the individual elements of the reserve equals 7% of our total budgeted Audit and Project hours.
<b>Core Business Processes Subtotal</b>		<b>3450</b>	<b>19%</b>	<b>2150</b>	<b>15%</b>
<i>Management Review</i>					
<i>Management Review Audits</i>					
Specific Areas TBA		600	600	✓	The objective of these audits is to provide a general assessment of the entity's financial, administrative, and compliance control environments. A major outcome of these reviews will be the documentation and identification of significant related risk areas for responsible management's continued consideration and mitigation efforts.
<b>Management Review Subtotal</b>		<b>600</b>	<b>3%</b>	<b>600</b>	<b>4%</b>
<i>Follow-up</i>					
Follow-up Activities <sup>2</sup>		600	400	✓	The objective of these reviews is to perform follow-up activities on the significant audit issues reported in previous audit engagements.
<b>Follow-up Subtotal</b>		<b>600</b>	<b>3%</b>	<b>400</b>	<b>3%</b>

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FY 2004 Audit Plan		2004	%	A	
Audit/Project	Budgeted Hours	of	Total	Priority	Description
<b>Projects</b>					
<b>Consulting Projects</b>					
Internal Control & Accountability/Training Phase II	400		300	✓	We will continue our efforts in conjunction with Financial Services and Business Affairs – to identify areas for special review and/or internal control accountability training. Targeted areas will be those that might not otherwise meet specific criteria for audit consideration.
Institutional Business Assurance/ACL Initiative <sup>2</sup>	200		200	✓	UTMB has contracted with ACL to provide continuous monitoring scripts that will assist management in monitoring activity within the PeopleSoft application. In addition to these standard reports, management has expressed the need to run ad-hoc reports, and Audit Services has assisted them in running ACL to retrieve specific data from our financial reporting system. We expect this to continue in FY 2004 until the processing departments are well-trained in the use of ACL.
<b>Consulting Projects Subtotal</b>	<b>600</b>				
<b>Other Projects</b>					
Investigations <sup>4</sup>	700		700	✓	
Internal Quality Assurance Activities <sup>4</sup>	250		250	✓	
Peer Review Preparation <sup>3</sup>	200		200	✓	
Office/Audit Manual Revision <sup>4</sup>	150		150	✓	
Service Delivery Support Activities <sup>4</sup>	800		800	✓	
Institutional Risk Assessment and Work Plan Development <sup>4</sup>	250		250	✓	
Liaison with External Auditors <sup>4</sup>	100		100	✓	
Audit Services' Web Site Upgrade <sup>4</sup>	100		100	✓	
<b>Other Projects Subtotal</b>	<b>2550</b>				
<b>Projects Total</b>		<b>3150</b>	<b>17%</b>	<b>3050</b>	<b>21%</b>
<b>Total Hours</b>		<b>18182</b>	<b>100%</b>	<b>14602</b>	<b>Total Hours for Priority Projects</b>
				<b>80%</b>	

**Notes**

- <sup>1</sup>Satisfies UT System requirement for MSRDP audits
- <sup>2</sup>Additional hours for this audit/project are included for IT audit personnel in the Information Technology (IT) segment of the work plan
- <sup>3</sup>Additional hours for this audit/project are included for non IT audit personnel in other segments of the work plan
- <sup>4</sup>Includes time for general audit and IT audit personnel