

The University of Texas Medical Branch

Internal Audit Program Annual Report Fiscal Year Ending August 31, 2004

Program Executive Summary

UTMB Audit Services has overall responsibility for providing assurance and consulting services to management. These are performed in all areas including the academic, clinical, and research enterprises. A staff of 17 professionals (when all positions are filled) provides diverse and experienced team to perform work in operational, financial, and information technology engagements.

University management continues to be extremely supportive of the internal auditing activity. The Institutional Audit Committee is very engaged and recently adopted an updated, more specific charter for itself that will result in continued and improved oversight of the internal auditing activity.

Significant Accomplishments and Activities

- Of particular significance in FY 04, Audit Services underwent a comprehensive Quality Assessment Review (QAR). The QAR team was led by an audit director from the University of California System and included others from nationally recognized universities. The team concluded that Audit Services was in full compliance with *Standards for the Professional Practice of Internal Auditing*. Numerous recommendations were made for further enhancement of the internal auditing activity. Some of the recommendations have been implemented and all others are in the process of being implemented.
- Audit Services made a significant investment of time in FY 04 to enhance its annual risk assessment process for the FY 05. The modified approach uses elements of enterprise risk management (ERM). The assessment methodology will be used on most FY 05 audits and projects in an attempt to more accurately identify the most appropriate scope and objectives for each engagement. All staff was trained to use this new process.
- Audit Services staff continued its tradition of “giving back to the profession of internal auditing” by filling leadership and service roles in organizations including the Association of College and University Auditors, Association of Healthcare Internal Auditors, Institute of Internal Auditors, and Healthcare Financial Management Association.
- After an extended period of difficulty in recruiting, Audit Services was successful in attracting three excellent additions to the staff in March through July 2004. Experiences of these three include financial auditing at a “Big Four” firm,

operational and compliance auditing at a health insurance entity, and specific UTMB finance/accounting/PeopleSoft knowledge.

- The Director made a presentation to UT System Regents at the Audit, Compliance, and Management Review Committee. He also participated in that Committee's first-ever private executive briefing session.

Audit Plan Activities

Audit Services continued its use of a web-based survey process to obtain feedback on the quality of services provided. Responses from key members of management are solicited after each engagement. The surveys yielded a 48 percent response rate.

The following percentages of respondents indicated that they "strongly agreed" or "agreed" with the following statements:

<i>Business concerns were solicited and considered</i>	96%
<i>Focused on areas of significant risk</i>	86%
<i>Objectives and scope were clearly communicated</i>	100%
<i>Business disruptions were minimized</i>	91%
<i>Audit was a "value added" endeavor</i>	86%
<i>Management was informed of progress</i>	96%
<i>Timeframe was acceptable</i>	91%

Given the "normal" perception of an audit process, we believe these results reflect great success well above average reception in the substantive aspects of the projects evaluated.

Several unanticipated events affected Audit Service's total hours available for planned activities. These included the sudden death of an Audit Manager, the extended leave of a senior auditor, two staff on family leave, and initial challenges in attracting sufficient pools of candidates for open positions. By mid-year it became apparent that completion of the original priority work plan would be unrealistic. The Audit Committee approved a revision to that plan from 36 to 33 projects. Audit Services subsequently completed a net 30 of the 33 revised plan projects. One of the three projects not completed was originally a request from UT System which was later cancelled. A second of the three projects not completed was ultimately postponed because management development of the area to be reviewed did not occur as planned. Given all the unusual staffing circumstances of FY 04, both Audit Services and the UTMB Institutional Audit Committee believe the level of plan accomplishment is remarkable and the staff of the department is to be commended for their efforts. For FY 04 planning, Audit Services attempted to project available hours as accurately as could be determined, using the FY 04 experience as a guideline.

	FY04 Original Plan	FY04 Revised Plan	FY04 Actual
Audits			
Audit Hours	11402	9090	10866
Number of Completed Projects	12	12	11
Advisory Services			
Advisory Services Hours	2500	2370	1354
Number of Completed Projects	16	16	13
Investigations			
Investigation Hours	700	200	21
Number of Completed Investigations			
Hours by Area			
Key Financial and Operating Information	3942	2964	3132
Institutional Compliance Audits	1650	1376	1912
Information Technology Audits	2510	2730	1986
Core Business Processes	2150	818	498
Change in Management	600	512	828
Follow-up	700	700	930
Projects	3050	2560	2955

Staffing Activities

This section should provide information on the departmental staffing during the year including the following statistical data:

Positions

Number Budgeted:	17
Average Number Filled:	11
Average Years Experience:	13.5

Certifications

Number of CPAs:	8
Number of CIAs:	6
Number of CISAs:	3
Other Certifications:	2
Percent of Staff with a cert:	86%

Average Training Hrs per Auditor: 51

