



The University of Texas Medical Branch
At Galveston

Audit Services

Annual Report for
Fiscal Year 2006

The University of Texas Medical Branch at Galveston
Audit Office
301 University Blvd, Suite 4.100
Galveston, TX 77555-0150

University of Texas Medical Branch at Galveston
Audit Services FY2006 Annual Report

Table of Contents

- I. Work Plan for Fiscal Year 2006
- II. External Quality Assurance Review
- III. List of Audits Completed
- IV. List of Consulting Engagements and Non-audit Services Completed
- V. Organizational Chart
- VI. Report on Other Internal Audit Activities
- VII. Internal Audit Plan for Fiscal year 2007
- VIII. External Audit Services

Work Plan for Fiscal Year 2006

**The University of Texas Medical Branch
Internal Audit Program
Annual Report
Fiscal Year Ending August 31, 2006**

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 discussed increasing its meetings from quarterly to bimonthly in order to improve oversight of the internal audit activity. The Committee also received internal audit committee training from the UT System Audit Office.

Significant Accomplishments and Activities

After an extended period of difficulty in recruiting, Audit Services was successful in attracting four excellent additions to the staff in February through June 2006. Experiences of these four include financial auditing at a “Big Four” firm, operational and compliance auditing at a space industry-related entity, consulting and operational management experience in the healthcare industry, and specific UTMB information security management knowledge. Four internal promotions also occurred – two senior auditors were promoted to managers, and two staff auditors were promoted to senior auditors.

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 Healthcare Internal Auditors, Institute of Internal Auditors, and Healthcare Financial Management Association.

Audit Plan Activities

Several unanticipated events affected Audit Service’s total hours available for planned activities. The department experienced significant turnover with the loss of a manager, two senior auditors, and one staff auditor. The extended leave of a senior auditor and a staff auditor, the involvement of another senior auditor in a research services management project, and continuing challenges in attracting sufficient pools of candidates for open positions also impacted the annual audit plan.

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 31 to 28 projects. Audit Services subsequently completed a net 20 of the 28 revised priority plan projects.

Given all the unusual staffing circumstances of FY 06, 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.

Staffing Activities

Positions

Number Budgeted:	17
Average Number Filled:	11
Average Years Experience:	8.5

Certifications (for the 11 professionals on staff as of 8-31-06; some have more than one certification)

Number of CPAs:	4
Number of CIAs:	4
Number of CISAs:	2
Other Certifications:	2
Percentage of Staff with a cert:	73%

Average Training Hrs per Auditor: 43

Fiscal Year 2006 Closing Audit Plan Status Report

FY 2006 Audit Plan	2006	%	2006	%	A	Over /	Variance	Status
Audit/Project	Budgeted	of	Actual	of	Priority	(Under)	%	Green - Complete in FY06
	Hours	Total	Hours	Total		Budget		Yellow - In progress
UT System Requested								
Audits								
Deloitte & Touche	450		726		✓	276	61%	Report issued
Just In Time	100					(100)	-100%	
Consulting								
UT System Requested Carryforward								
Un-sponsored Charity Care (Hospital)	140		436		✓	296	211%	In progress
UT System Requested Subtotal	690	5%	1162	8%		8%	0%	
Externally Required								
Audits								
MSRDP Financial Review	400		66		✓	(334)	-84%	In progress
Family Practice Residency Program	100		182		✓	82	82%	Report issued
GME (Graduate Medical Education)	40		180		✓	140	350%	Report issued
Correctional Managed Care	500		13		✓	(487)	-97%	
IT Systems Hardware Inventory	350		151		✓	(199)	-57%	Report issued
Just In Time - ARP/ATP Grants	200		69			(131)	-66%	Report issued
Carryforward								
CMC Allocation of Salaries and Time Capture	320		173		✓	(147)	-46%	Report issued
Externally Required Subtotal	1910	13%	834	6%		(1076)	-56%	
Risk Based: Institutional								
Audits								
Business Cointinuity Planning	200		173		✓	(27)	-14%	In progress
Laboratory Safety	250		149		✓	(101)	-40%	In progress
Research Services Project(s)	500		172		✓	(328)	-66%	Report issued
Construction Project Management / Capital Projects	300				✓	(300)	-100%	Outsourced
Revenue Cycle - Patient Care	720		4		✓	(716)	-99%	
Budgeting	300		156		✓	(144)	-48%	
Certified Not-for-Profit Health Corporation (CNPHC)	150		10		✓	(140)	-93%	
System Design Assessment - Major Conversion (PeopleSoft HCM)	750		885		✓	135	18%	
Just In Time	400					(400)	-100%	
Consulting								
Carryforward								
Human Resources			185			185	100%	Report issued

Fiscal Year 2006 Closing Audit Plan Status Report

FY 2006 Audit Plan	2006	%	2006	%	A	Over /	Variance	Status
Audit/Project	Budgeted	of	Actual	of	Priority	(Under)	%	Green - Complete in FY06
	Hours	Total	Hours	Total		Budget		Yellow - In progress
Risk Based: Institutional Subtotal	3570	25%	1734	12%		(1836)	-51%	
Risk Based: Auditable Area								
Information Technology								
Audits								
Decentralized IT Operations	800		725		✓	(75)	-9%	In progress
Application Reviews	300		151		✓	(149)	-50%	
Wireless Access	350		273		✓	(77)	-22%	In progress
Active Directory	400		389		✓	(11)	-3%	In progress
Electronic Medical Record (EPIC)	300		185		✓	(115)	-38%	
Consulting								
IT Standing Committees	100		108		✓	8	8%	
Reserve for Just In Time Auditing/Advisory Services - TBD	250					(250)	-100%	
Carryforward								
Matrix Management	350					(350)	-100%	
Patient Care								
Audits								
Communication of Critical Results	350				✓	(350)	-100%	
Manageing Patient Information	300		326		✓	26	9%	In progress
Building Security (Hospitals, Clinics)	240					(240)	-100%	
Just In Time	100					(100)	-100%	
Consulting								
Carryforward								
Risk Based: Tier Two Subtotal	3840	27%	2157	15%		(1683)	-44%	
Management Review								
Change in Management Audits	700		246		✓	(454)	-65%	
Office of the Executive Vice President			246					In progress
Change in Management Carryforward								
Chg of Mgmt Neuro & Cell Biology			3					
Change in Management Subtotal	700	5%	249	2%		(451)	-64%	
Follow-up	650	4%	670	5%	✓	20	3%	

Fiscal Year 2006 Closing Audit Plan Status Report

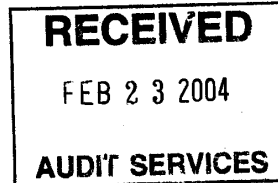
FY 2006 Audit Plan	2006	%	2006	%	A	Over /	Variance	Status
Audit/Project	Budgeted	of	Actual	of	Priority	(Under)	%	Green - Complete in FY06
	Hours	Total	Hours	Total		Budget		Yellow - In progress
Audit Projects								
U. T. System Requests - President Travel & Entertainment	400		396		✓	(4)	-1%	Report issued
Conflict of Interest	200		397		✓	197	99%	In progress
Special Requests - Audits								
Primary Care Residency Program			173			173	100%	Report issued
Pathology Grants Project			390			390	100%	In progress
Willed Body Program			207			207	100%	Report issued
Audit Projects Subtotal	600		1563			963	161%	
Consulting Projects								
Special Requests - Consulting	470		86		✓	(384)	-82%	
Sentigy / Phase II			16			16	100%	
Consulting Projects Subtotal	470		102			(368)	-78%	
Other Projects								
Facilitated Self Assessments of Management - Conrolled Moderate Risk Areas	300							
Investigations	500		1230		✓	730	146%	Completed
Quality Assurance Review	250		16		✓	(234)	-94%	
Institutional Risk Assessment and Work Plan Development	500		353		✓	(147)	-29%	
Liason with External Auditors	100		331		✓	231	231%	
Audit Services Website Upgrad	40		3			(37)	-93%	
On the Job Training	120		122		✓	2	2%	
Training provided by IA	60		20		✓	(40)	-67%	
Internal Audit Committee	60		31		✓	(29)	-48%	
Just In Time	100							
Projects Subtotal	2030		2106			76	4%	
Projects Total	3100	21%	3771	26%		671	22%	
Total Hours	14460	100%	10577	73%		(3883)	-27%	

External Quality Assurance Review



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February 4, 2004

John D. Stobo, M.D., President
University of Texas Medical Branch
301 University Blvd.
Galveston, TX 77555-0129

Dear Dr. Stobo:

As requested by the Director of Audit Services, we conducted a quality assessment review (QAR) of the Office of Audit Services at the University of Texas Medical Branch (UTMB). The principal objectives of the QAR were to assess the Office of Audit Services' conformity to The Institute of Internal Auditors (IIA) *Standards for the Professional Practice of Internal Auditing (Standards)*, evaluate the department's effectiveness in carrying out its mission (as set forth in its charter and expressed in the expectations of UTMB management), and identify opportunities to enhance its management and work processes as well as its value to the UTMB. The review covered the period of September 1, 2002 through December 31, 2003 and followed the steps outlined in the "Quality Assessment Manual" (fourth edition) published by the IIA.

As part of the preparation for the QAR, the Office of Audit Services conducted a self-study, with detailed documentation, and sent out surveys to its staff and to a representative sample of UTMB management. During the review, the QAR team interviewed UTMB executive management, selected directors of audited entities, and Office of Audit Services staff. We also reviewed the department's risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes, and a representative sample of working papers and reports.

It is our opinion that the Office of Audit Services at UTMB generally conforms to the IIA *Standards*. In our lexicon, "generally conforms" means that an internal audit activity has a charter, policies, and processes that are judged to be in accordance with the *Standards*. There may be opportunities for improvement, but none so significant as to impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

During the last several years, audit management has made significant positive changes in the operation of the internal auditing activity. Audit Services staff members are highly professional and provide a variety of value-added assurance and consulting services to UTMB management. Audit Services has set a course for continuous improvement to enhance its effectiveness. As this occurs,



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the audit function will be even better positioned to improve its assistance to UTMB in demonstrating stewardship to the public and in mitigating risk associated with UTMB's complex organizational structure and diverse operations.

Because one of our stated objectives was to identify areas in which further enhancement may be possible, we identified opportunities for further improvement in areas such as organizational alignment and audit mission and focus. The details of those recommendations have been communicated separately.

We appreciate this opportunity to be of service to UTMB. We will be pleased to respond to any questions concerning this report and to furnish any desired information.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie H. Burke".

Stephanie H. Burke, CPA, CFE
Director, Audit & Management Advisory Services
University of California, San Diego
UTMB QAR Team Leader

Team Members:
Paul Fitch, CPA
Phillip Hurd, CISA
Andrea Marks, CPA

cc: J. Michael Peppers, Director of Auditing Services
E. J. Pederson
Charles G. Chaffin

List of Audits Completed

for

Fiscal Year 2006

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) <ul style="list-style-type: none"> • Implemented • Planned • In Progress • Factors delay implementation • Agency does not plan to implement recommendation 	Fiscal Impact / Other Impact
2005-223	October 2006	Pathology Laboratory Information Systems	To determine if access to the system and security files, production programs and production data were appropriate.	Access to the system security files, production programs and production data appears to be appropriate.	Implemented	Reduce risk of inappropriate access to information systems
2006-003	February 2006	Family Practice Residency Program	To determine whether the FY05 Annual Financial Report (AFR) to the THECB present fairly the amounts for which program funds were expended.	AFR presented fairly the amounts expended. Funds provided were expended in accordance with applicable state regulations and standards	Implemented	Reduce risk of noncompliance with grant guidelines, loss of funding, or sanctions
2006-004	January 2006	Graduate Medical Education Program	To determine whether the FY04 Annual Financial Report (AFR) of the Coordinating Board-Graduate Medical Education Program presents fairly the amounts <i>for</i> which program funds were expended.	AFR presented fairly the amounts expended. Funds provided were expended in accordance with applicable state regulations and standards	Implemented	Reduce risk of noncompliance with grant guidelines, loss of funding, or sanctions
2006-004	January 2006	Graduate Medical Education Program	To determine whether the FY05 Annual Financial Report (AFR) of the Coordinating Board-Graduate Medical Education Program presents fairly the amounts <i>for</i> which program funds were expended.	AFR presented fairly the amounts expended. Funds provided were expended in accordance with applicable state regulations and standards	Implemented	Reduce risk of noncompliance with grant guidelines, loss of funding, or sanctions
2006-006	May 2006	IT Systems and Hardware	To determine whether IT inventory data reported to the DIR captures the	The inventory represents the size, scope, and cost of	Implemented	Reduce risk of inaccurate

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		Inventory	full size, scope, and cost of data center services based on the format and level of detail determined by DIR.	services required by the DIR.		reporting to DIR
2006-201B	September 2006	Biochemistry and Molecular Biology Decentralized Information Technology Operations Review	To ensure management practices had been established to control the information resources environment.	Servers were not effectively managed. Opportunities for improvements identified for physical access, disaster recovery/business continuity plans, backup and restore process, resource planning, written departmental procedures, and system assurance	Management 's response pending	Reduce risk of ineffective management of server environment
2006-201D	September 2006	Bioinformatics Program Decentralized Information Technology Operations Review	To ensure management practices had been established to control the information resources environment.	Servers were not effectively managed. Opportunities for improvement were identified for human resources, physical security and access, and environmental security	Management's response pending	Reduce risk of ineffective management of server environment

Audits Completed

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2006-201H	September 2006	Sealy Center for Vaccine Development	To ensure management practices had been established to control the information resources environment.	Management of server meets minimum baseline industry standards and best practices. Server is maintained in accordance with applicable UTMB policies and practice standards.	Implemented	Reduce risk of ineffective management of server environment
2006-611	February 2006	Primary Care Residency Program	To determine whether the FY04 and FY0505 Annual Financial Reports (AFR) to the THECB present fairly the amounts for which program funds were expended.	AFRs presented fairly the amounts expended. Funds provided were expended in accordance with applicable state regulations and standards. The AFRs were not provided timely to the THECB; procedures are not in place to ensure timely filing. Management should implement controls to ensure reports are submitted timely.	In Progress	Reduce risk of noncompliance with grant guidelines, loss of funding, or sanctions
2006-613	June 2006	President and Spousal Travel, Entertainment and Housing	To determine the reliability and integrity of executive travel, entertainment and housing expenses; and determine compliance with applicable policies, procedures, laws	(1) Based on a lack of existing supporting documentation, it was unclear whether working lunches charged to the President's office met the	Implemented (1) Management agrees with the recommendations. A review of the working lunch charges in	Prevent inappropriate expenditure of state funds and noncompliance

Audits Completed

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				<p>directly-related or associated test related to entertainment expenditures.</p> <p>Management should strengthen its procedures and documentation to ensure compliance with applicable rules, regulations and laws. Management should take steps to determine if all costs not properly supported by documentation are legitimate business-related entertainment expenditures.</p> <p>(2) We were unable to determine if the President's reimbursement to UTMB for housekeeping services, currently based upon a rate per square foot, should instead be equal to the actual salaries and benefits currently paid by SODEXHO to its employee</p>	<p>question has been completed by the President's Office. The President has reimbursed the institution for those in which documentation could not be presented to confirm that the nature of the lunch charge was for institutional business.</p> <p>In Progress</p> <p>(2) Management has begun discussions with UT System regarding the housekeeping agreement. An inventory will be maintained of all furnishing and artwork on loan.</p>	<p>with applicable rules and regulations</p> <p>Reduce risk of noncompliance with applicable rules and regulations; prevent loss of state property</p>

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				<p>who provides housekeeping services at the President's private residence. A table at the President's residence is not being tracked since it is not a capital or controlled asset.</p> <p>Management should work with UT System administration to ensure UTMB's housekeeping agreement with the President is consistent with the Board of Regents Rules & Regulations. Management should maintain an inventory of all furnishing and artwork on loan from the University.</p> <p>(3) Proper segregation of duties was not in place for entering and approving expense reports.</p> <p>Management should implement and monitor internal controls including segregation of duties.</p>	<p>In Progress</p> <p>(3) Management agrees to implement the recommendation.</p>	<p>Reduce risk for error, irregularities, and fraud</p>

Audits Completed

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2006-621	July 2006	Willed Body Program	<p>To determine whether adequate procedures are in place to effectively monitor and control the inflows and outflows of transfer cadavers and specimens processed by the Program.</p>	<p>(1) There has been little cross-training between the Autopsy Assistant and the Willed Body Program Coordinator which creates a potential work continuance issue when one or both are out of the office.</p> <p>The Program should consider adding additional staffing to provide day-to-day assistance within the Program.</p> <p>(2) Testing revealed instances of inaccurate and/or untimely documentation related to cadaver/specimen location.</p> <p>Program employees should utilize existing documents and forms and follow existing policies to provide for accuracy in transferring information.</p>	<p>In Progress</p> <p>(1) Management will evaluate staffing to determine if additional staffing can be justified.</p> <p>In Progress.</p> <p>(2) Management will establish a monitoring system to ensure policies are followed and database updates are handled in a timely manner.</p>	<p>Reduce risk for inaccurate or incomplete records</p> <p>Reduce risk for errors, irregularities and noncompliance with standards and regulations</p>

Audits Completed

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				<p>The Program database should be accurately and timely updated.</p> <p>(3) Lock combinations were being changed immediately prior to a new class instead of after the previous class ended as required by UTMB policy. Some cabinets housing security equipment were unlocked and accessible to students and others.</p> <p>The Program should conform to current policy or reflect the accepted practice in the policy. Program management should develop a process to ensure the following occurs: a) a regular change in the Lab security camera tapes; b) implementation of a process to store and maintain the tapes according to retention requirements; and c) a</p>	<p>In Progress.</p> <p>(3) Policy 7.01.04 will be modified to reflect the current practice The policy will be further modified or a new policy written to address: a) the regular change in the laboratory security camera tapes; b) the storage and maintenance of security camera tapes according to retention requirements; and c) securing the recording equipment from tampering.</p>	<p>Safeguard assets from inappropriate use or loss</p>

Audits Completed

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				<p>mechanism be put in place to secure the recording equipment to prevent tampering.</p> <p>(4) Several specimens that tested positive or inconclusive and were sent to the requesting department for use without further testing or rejection.</p> <p>Program personnel should follow current policy related to serological testing OR modify the policy to be consistent with accepted professional practice.</p> <p>(5) None of the embalmed specimens in our test sample were received with lab reports included as required by UTMB policy. Bodies were being used by the Program without first obtaining a lab result.</p>	<p>In Progress.</p> <p>(4) Management will re-evaluate current policies in light of current State Anatomical Board and American Association of Clinical Anatomists practices.</p> <p>In Progress.</p> <p>(5) Policy 7.02.03 will be re-evaluated in light of current State Anatomical Board and American Association of Clinical Anatomists practices and modified if appropriate.</p>	<p>Protect specimen users from harmful viruses or bacteria; noncompliance with industry standards</p> <p>Noncompliance with institutional policy; reduce exposure to harmful viruses or bacteria</p>

Audits Completed

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				<p>Management should obtain acceptable lab reports upon receipt of a specimen(s) regardless if embalmed or fresh frozen or modify UTMB policy as needed after determining the level of threat that may exist to those exposed to the embalmed specimen.</p> <p>(6) State Anatomical Board transfer fees were not being paid timely.</p> <p>Management should develop and implement a process to ensure the accuracy and timeliness of payments to the SAB and appropriately account for amounts due to the SAB and Program provider institutions.</p>	<p>In Progress.</p> <p>(6) Performance standards for accurate and timely payments will be established. These will be reasonable based on the staffing level, and management will assist with setting priorities so the standards can be met.</p>	<p>Reduce risk of sanctions for nonpayment of fees timely and accurately</p>
2005-302	March 2006	A Review of The Employee Allocation and	To assess the adequacy and effectiveness of current processes for allocation of employees across	(1) Central Administration does not provide oversight for the employee allocation, payroll	<p>In Progress.</p> <p>(1) CMC will implement a process</p>	Reduce risk for noncompliance with contracts,

Audits Completed

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		Time Capture Processes of UTMB Correctional Managed Care (CMC)	service contracts, employee time capture, and reporting to support allocation percentages.	<p>budget, and timekeeping functions performed by unit and cluster management and the regional Human Resources (HR) offices. Two of the twelve units sampled do not monitor the payroll assignment by analyzing/reviewing the payroll data with budget and/or other reports.</p> <p>Executive management should institute a process that provides oversight/monitoring of the employee allocation, payroll budget, and timekeeping functions at the Central Administration, unit, cluster, and regional HR levels.</p> <p>(2) System-wide, written policies and procedures have not been developed for allocating employee time among CMC contracts or for capturing/reporting time</p>	<p>in which all responsible department heads will receive a bi-monthly list of employees assigned to their area of responsibility. Each department head will be responsible for reviewing the list, noting any discrepancies and returning the list to CMC's areas, TDCJ Northern Division, Central Administration within the designated time.</p> <p>In Progress</p> <p>(2) CMC will develop and disseminate system-wide written policy & procedures specific to allocations of work time and</p>	<p>inaccurate or incomplete payroll data</p> <p>Reduce risk for inconsistent application of processes established to meet contract</p>

Audits Completed

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				<p>worked. Ten of the twelve units surveyed stated that they had have written departmental policies and procedures describing how timekeeping and payroll systems are to be used; however, two did not.</p> <p>Written policies and procedures describing the employee allocation and work time capture/reporting processes should be developed and disseminated to all employees. Supplemental unit/departmental level policies and procedures should be developed as needed.</p> <p>(3) Eleven of the twelve units surveyed do not reconcile their payroll budgets and employee allocations. Ten of the twelve units do not reconcile and/or evaluate the reasonableness or accuracy of timekeeping system</p>	<p>reporting. Supplemental unit/department level policies will be developed specifically for those facilities with employees with dual funding sources. Departmental policies and procedures regarding timekeeping, payroll systems, and records retention will also be distributed.</p> <p>In Progress</p> <p>(3) Action items addressed in #1 and #2 should address the recommendation outlined in #3.</p>	<p>requirements and management's expectations</p> <p>Reduce risk for inaccurate or incomplete data</p>

Audits Completed

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				<p>data.</p> <p>Management should implement a system-wide reconciliation process to evaluate the reasonableness/accuracy of payroll budgets, employee allocations and timekeeping at the unit level.</p> <p>(4) A review of time records for 25 employees showed that seven employees did not complete timesheets as they are only required to report leave taken. 10 of 18 employees who did complete timesheets reported all time worked to their home Org IDs instead of the accounts/units where they worked. Timesheets for 3 employees (17%) did not list any Org IDs.</p> <p>Management should implement time keeping policies and</p>	<p>In Progress</p> <p>(4) CMC has a policy and practice that requires all classified employees (not A&P) to complete time sheets that reflect time worked at each location / operational area. CMC will require that any employee with a dual appointment validate on a bi-monthly basis that the percentage allocation is correct.</p>	<p>Reduce risk for noncompliance with contract terms and errors in charges to contracts</p>

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) <ul style="list-style-type: none"> • Implemented • Planned • In Progress • Factors delay implementation • Agency does not plan to implement recommendation 	Fiscal Impact / Other Impact
				<p>procedures that require all employees to complete timesheets that accurately reflect the hours worked on each applicable service contract. Management should also implement a review process of employees allocated to more than one account (Org ID) to ensure payroll expenditures are posted correctly to the service contracts.</p> <p>(5) Two employees who process time for the federal prison are 100% allocated to the TDCJ Contract.</p> <p>Management should determine the percentage of time spent by these employees on their timekeeping responsibilities and allocate that percentage to the federal contract. Management should</p>	<p>In Progress</p> <p>(5) CMC will retroactively adjust a portion of the TDCJ expenses for these services and reallocate them to the federal contract. CMC will move to hire a new HR representative exclusively for the federal complex and discontinue any sharing of services between the FBOP and TDCJ.</p>	<p>Reduce risk for noncompliance with contract terms and errors in charges to contracts</p>

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				<p>periodically review all employee allocations to ensure they are correct.</p> <p>(6)_"Monthly" employees such as physicians, dentists, and other administrative and professional (A&P) personnel do not complete a timesheet; instead, they report only "exceptions" such as vacation and sick leave. This practice results in insufficient documentation to support their time and effort.</p> <p>All employees should complete timesheets in order to substantiate hours worked, leave time taken, and any necessary changes to individual time records.</p> <p>(7)_The design of Kronos timekeeping system access</p>	<p>(6) CMC does not plan to implement recommendation as alternative data is available to support time and effort for monthly employees.</p> <p>In Progress</p>	<p>Reduce risk for inaccurate reporting of time and effort and subsequent inaccurate charges to contracts</p> <p>Reduce risk for errors,</p>

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				<p>levels does not provide adequate segregation of duties as it allows individuals with “department manager” access the ability to enter/adjust, approve, and reconcile time. Adequate compensating controls are not in place for all units surveyed. Additionally, several unit employees on the Group Access report who were not previously identified by management as having the associated Kronos responsibilities.</p> <p>Management should ensure that proper segregation of duties is in place for their timekeeping functions. Management should also periodically review the Kronos Manager Group Access report for accuracy in terms of the individuals listed and their associated level of access.</p>	<p>(7) Management will provide training to all timekeeper staff and sign-off managers on the importance of the segregation of duties and proper documentation procedures. Specific time entry guidelines and SOPs that are consistent across UTMB CMC will be developed and implemented. Unit management will be provided with the instructions on how to generate a Manager Group Access report and will communicate any necessary changes to the appropriate district HR office on a monthly basis.</p>	<p>irregularities, or fraud</p>

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				<p>(8) Timesheets for 9 of 18 employees sampled were not signed by their supervisors as required.</p> <p>All employee timesheets should be consistently reviewed, signed, and dated by management.</p> <p>(9) The following control weaknesses in the time capture process were identified from surveys of 12 units: One unit uses telephones to record time; however, unit management did not have a method to determine if one employee has called in for another or accessed the PC for another. 3 units did not have a procedure in place to determine if employees are “gaming” the system; 2 units did not have a procedure in place to test for employee abuse of the time system if abuse was</p>	<p>In Progress</p> <p>(8) CMC will conduct training sessions to reinforce the importance and necessity of complete time sheets that include review and signature by supervisors.</p> <p>In Progress</p> <p>(9) CMC will train local managers to validate and review suspect time entries. CMC is in the process of evaluating “Smart Card and Proximity Card” technology as it applies to the Kronos time keeping system.</p>	<p>Reduce the risk for inaccurate reporting of effort and subsequent errors in charges to contracts</p> <p>Reduce risk for fraudulent reporting of time worked</p>

Audits Completed

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				<p>suspected.</p> <p>Management should strengthen controls over the time capture process to reduce the risk of inappropriate/inaccurate reporting by employees.</p>		
2005-301	June 2006	A Review of Human Resources Processes	To provide a general assessment of controls in place over key business processes for ensuring compliance with applicable UTMB policies and procedures, federal and state laws and regulations, and the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) HR related standards.	(1) Adequate systems are not in place to ensure that employees requesting FMLA leave are eligible. There are currently no monitoring processes to identify possible errors or irregularities in FMLA hours recorded. The current HR system does not have edit checks to prevent recording hours in excess of the amount allowed. Departmental supervisors are not required to attend FMLA training. 4 of 14 employees sampled exceeded 12 weeks (480 hours) of FMLA for a 12 month rolling calendar year. Discrepancies were noted between FMLA data	<p>In Progress</p> <p>(1) Training for managers is currently in progress. HR consultants will verify employee eligibility each time FMLA is requested. In addition, a report has been created to assist in eligibility verification.</p>	Reduce risk for errors, irregularities, or fraud as well as noncompliance with federal regulations

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				<p>maintained in the HR information system and FMLA data maintained in the Payroll system.</p> <p>HR management should improve its oversight of the FMLA process by implementing and reviewing monitoring reports or other automated processes that will verify eligibility and help ensure that HRIS data is accurate, complete, and agrees with associated payroll data. HR management should also ensure that all managers are provided training regarding their respective FMLA responsibilities.</p> <p>(2) A review of 30 employee files showed that 8 employees did not have a current evaluation. 8 of 20 in our sample who had either a salary</p>	<p>In Progress</p> <p>(2) Technology has been implemented to allow tracking of performance evaluations. Regular</p>	<p>Reduce risk for noncompliance with institutional policies</p>

Audits Completed

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				<p>increase or salary decrease did not received an evaluation contemporaneous with their respective HR action. The HR department performance evaluation tracking database does not include faculty evaluations.</p> <p>Oversight of the performance evaluation process should be strengthened to ensure that performance evaluations are completed in accordance with UTMB policies and procedures.</p> <p>(3) A review of 29 applicants for 5 positions posted revealed 4 instances in which applicants were not properly screened. Two of these 4 applicants were nursing students are screened and hired by Nursing Services; there are currently no written policies on this exception to the institutional recruitment and</p>	<p>reporting about compliance with performance evaluations will be made to executive leadership.</p> <p>In Progress</p> <p>(3) The policy has been revised to note exception for Nursing Services. Minimum qualifications for Nurse Clinician I positions will be adjusted to reflect eligibility for graduating nurses.</p>	<p>Reduce risk for noncompliance with institutional policies and legal exposure due to unfair hiring practices</p>

Audits Completed

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				<p>selection process.</p> <p>The recruitment and selection policies and procedures should be revised to reflect the exception for Nursing Services. The minimum qualifications listed for applicable nursing positions should also be revised to address the hiring soon-to-be-graduated nursing students.</p> <p>(4) A review of 25 new employee files showed that 9 files did not contain all copies of the required documentation.</p> <p>The Initialization Office should ensure that all required new employee documentation is completed and maintained in each employee's file.</p> <p>(5) A review of the Embella Trackables Report that several</p>	<p>In Progress</p> <p>(4) A two-phase process will be implemented to ensure all new employee documentation is completed and placed in the new employee's file.</p> <p>In Progress</p>	<p>Reduce risk for noncompliance with institutional policies and federal regulations regarding required employee documentation</p> <p>Reduce risk for noncompliance</p>

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				<p>employees had not completed required training. CMC employee training data is not maintained in Embella which hampers Development/Training Office oversight. Strategies are not in place to hold supervisors and managers accountable for the completion of required training.</p> <p>Development/Training Office management should work with departments to ensure all required training is completed. Monitoring processes should be implemented to identify in a timely manner workforce members who have not completed training. CMC required training data should be maintained in the Embella database.</p> <p>(6) A detailed exit interview questionnaire is available online</p>	<p>(5) Management is working with CMC to give them access to enter track their NEO records in the Embella system. Local Embella administrators are now able to pull reports for local management regarding status of an employee's attendance. Students can not register for the next semester if their required training is not complete. The Compliance Office issued a memorandum to all employees that were not compliant for FY05. For those employees who did not comply were suspended without pay or terminated. There was one termination in December 2005.</p> <p>In Progress</p>	<p>with institutional policies and federal regulations regarding required</p> <p>Improve management's</p>

Audits Completed

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				<p>for departing UTMB employees; however, completion of the questionnaire is not mandatory.</p> <p>HR management should work with department supervisors and managers to encourage departing employees to complete the exit interview questionnaire. Additionally, HR management should consider implementing a third party interview process to facilitate the acquisition of information from recently separated employees.</p> <p>(7) An adequate tracking system is not in place to ensure that all mandatory reports to external agencies are prepared and submitted timely.</p> <p>HR management should implement a tracking</p>	<p>(6) All employees leaving UTMB voluntarily will receive a phone exit survey. Data will be compiled and regular reports will be provided to executive leadership.</p> <p>(7) A tracking system for mandatory reports will be implemented.</p>	<p>ability to identify problem areas that may impact employee retention and recruitment</p> <p>Reduce risk for noncompliance with federal or state requirements for mandatory reporting</p>

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				<p>mechanism to ensure that all external mandatory reports are prepared and submitted timely.</p> <p>(8) Grievance response reports filed to external parties are not filed in a timely manner by the Office of Equal Opportunity & Diversity (OEOD).</p> <p>OEOD management should implement a tracking mechanism to ensure that all external mandatory reports are prepared and submitted timely.</p>	<p>In Progress</p> <p>(8) OEOD management will implement a tracking mechanism to ensure timely submission of reports.</p>	<p>Reduce risk for noncompliance with federal or state requirements for mandatory reporting</p>
2005-004	July 2006	Review of ARP/ATP Grants	To determine compliance with the State ARP/ATP grant requirements.	<p>Management did not comply with requirements for submitting grant reports timely.</p> <p>Management should take steps to ensure that all grant reports are submitted timely.</p>	<p>In Progress</p> <p>Management will implement the audit recommendation.</p>	<p>Reduce risk for noncompliance with grant terms resulting in sanctions or loss of funding</p>

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2005-305	May 2006	Certified Not-for-Profit Health Corporation (HCS) – Clinical Staffing Solutions (CSS) Review	To validate CSS performance measures reported for the first and second quarter of FY 2005 and provide guidance regarding additional measures that may enhance the service evaluation process.	<p>(1) HCS and UTMB management are in the process of revising their contract to define service expectations of both parties.</p> <p>HCS and UTMB management may want to consider varying the staffing service levels in the final agreement based upon the type of staff and/or clinical area. Management should also agree upon acceptable measurable levels of performance; whether/how to factor cancellations of HCS staff into the targeted performance rates; the inclusion of other measures of success such as the conversion of external agency staff to internal HCS staff/UTMB staff and conversion of internal to UTMB permanent staff; possible incentives for exceeding performance goals</p>	<p>In Progress</p> <p>(1) HCS has requested that UTMB confirm performance data to be communicated to them and the frequency of communication. HCS has also requested a meeting with UTMB to discuss goals, strategic planning for FY06.</p>	<p>Improve management’s ability to accurately assess service performance; reduce risk for noncompliance with contract terms</p>

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				<p>and possible penalties for not meeting performance goals.</p> <p>(2) A comparison of the CSS reported metrics with the supporting documentation provided by CSS management revealed some inconsistencies.</p> <p>Management should exercise appropriate oversight when compiling its performance metrics to ensure they are accurate.</p> <p>(3) An assessment of the adequacy of each performance goal revealed that the type of data being used to support each goal was not always complete or consistent with the stated goal.</p> <p>Management should ensure that all relevant data is identified</p>	<p>In Progress</p> <p>(2) Procedures for obtaining and documenting data have been revised to ensure consistency and quality.</p> <p>In Progress</p> <p>(3) These internal goals have been revised as recommended. HCS are awaiting confirmation of goals and reporting frequency from UTMB.</p>	<p>Reduce risk for inaccurate or incomplete reporting of services performed</p> <p>Reduce risk for inaccurate or incomplete reporting of progress made towards achievement of service goals</p>

Audits Completed

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				<p>and collected to support each performance goals. The measures should be compiled and reported on a monthly, rather than quarterly, basis to allow both HCS and UTMB to respond to any service issues more timely.</p> <p>(4) To help ensure the accuracy, completeness, and integrity of the OneStaff nursing management system, CSS management is in the process of limiting data entry to CSS employees, i.e., UTMB nurses would have “view only” access to OneStaff. A target date for completing the transition has not been set by HCS and UTMB management. One nurse manager for a unit that has completed the transition has been allowed to retain full access rights to OneStaff.</p>	<p>In Progress</p> <p>(4) HCS will work with UTMB to establish a transition project deadline as well as define expectations, roles, and responsibilities as they relate to OneStaff.</p>	<p>Reduce risk of inaccurate or incomplete system data; protect data from loss or inappropriate modification</p>

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				<p>HCS and UTMB management should establish a target date for completing the OneStaff transition. Management should apply its new OneStaff access policy to <i>all</i> UTMB nurses.</p> <p>(5) User passwords for OneStaff access were not changed on a periodic basis.</p> <p>OneStaff users should change their passwords periodically, preferably every 60 days.</p>	<p>In Progress</p> <p>(5) Management will work with the software vendor on user access parameters.</p>	<p>Protect system from unauthorized access</p>

List of Consulting Engagements
& Non-Audit Services Completed

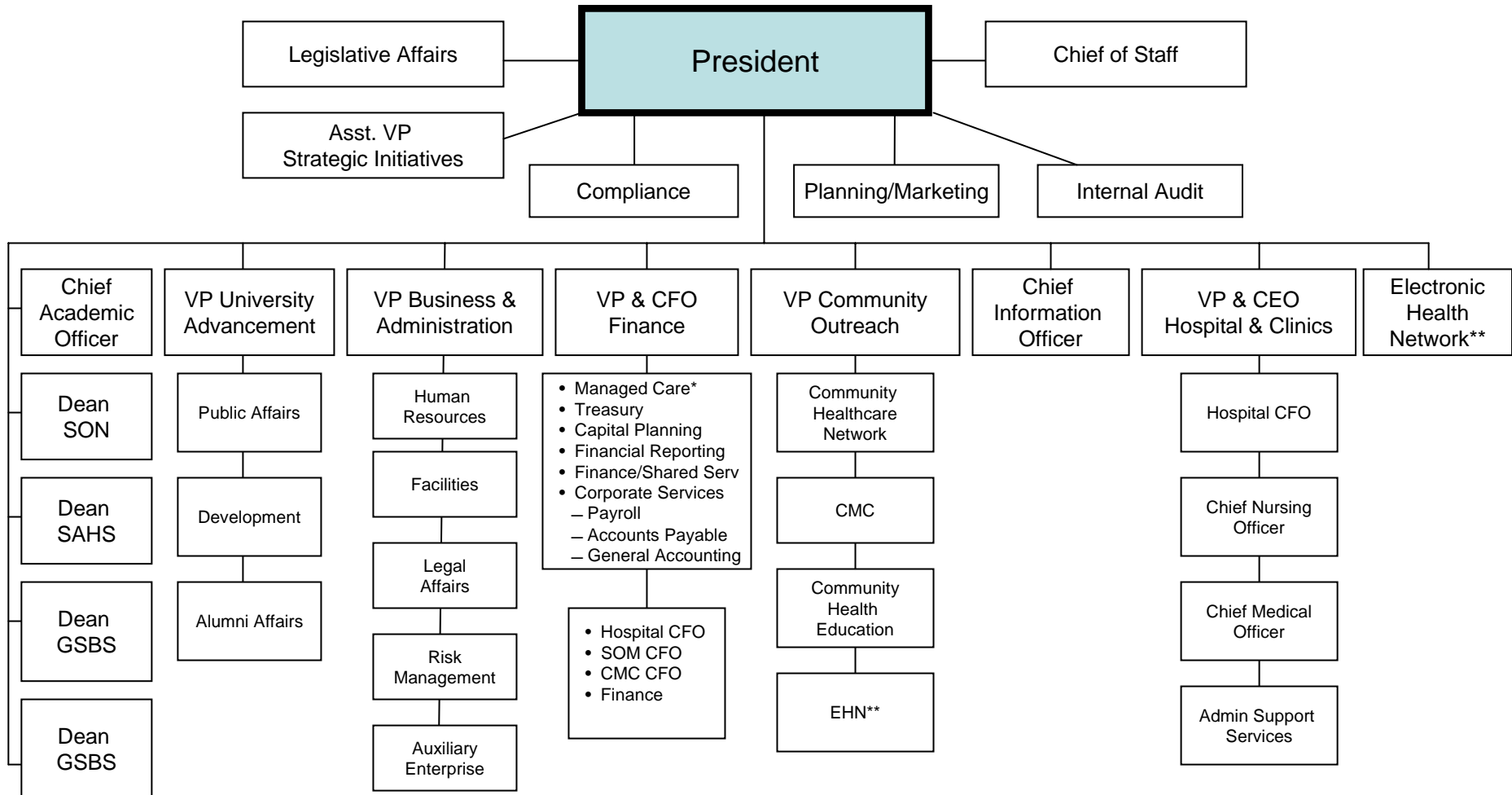
Consulting Engagements and Non-audit Services Completed

Report No.	Report Date	Name of Report	High-Level Consulting Engagements and Non-audit Services Objective(s)	Observations/Results and Recommendations	Current Status (with brief description if not yet implemented) <ul style="list-style-type: none"> • Implemented • Planned • In Progress • Factors delay implementation • Agency does not plan to implement recommendation 	Fiscal Impact / Other Impact
			<i>See Other Internal Audit Activity Section</i>			

University of Texas Medical Branch
at Galveston

Organizational Chart

UTMB Organizational Chart



* Joint Report to SOM/FPG

** Will transition to OCO in Spring '07

Report on Other Internal
Audit Activities

**UNIVERSITY OF TEXAS MEDICAL BRANCH
OTHER INTERNAL AUDIT ACTIVITIES
FY 2006**

During FY 2006, Audit Services participated in the following non-audit projects:

- **PeopleSoft HCM System Design Assessment** – Audit Services provided an assessment of significant project controls related to the implementation of the PeopleSoft Human Capital Management (HCM) module.
- **Hyperion System Design Assessment** - Audit Services provided an assessment of significant project controls related to the implementation of the Hyperion budgeting modules.
- **Research Compliance Initiative** – Audit Services provided assistance and guidance to Research Services as part of an institutional research compliance initiative.

During FY 2006, Audit Services also participated in the following committees:

Name of Committee	Impact
Institutional Compliance Committee	Audit Services provided advice/guidance as needed/requested on various compliance issues.
Epic (EMR) Design Workgroup	Audit Services provided advice/guidance on the design of the EPIC electronic medical record system currently being implemented by UTMB.
Epic (EMR) Confidentiality Workgroup	Audit Services was a participant in determining the process by which to allow access to patient confidential information to those whom have a need to know (exceptions to normative use, typically emergencies or extenuating circumstances due to disaster recovery/business continuity), yet maintain a monitored custody of sensitive data.
Administrative Systems Advisory Committee (PeopleSoft/Hyperion)	Audit Services played a consulting role in the implementation project, providing guidance on internal controls and change management, and to gain insight on issues affecting UTMB's financial systems.
Computing Standard Advisory Group (CSAG)	Audit Services served as a participating member providing input, feedback, recommendations, reviews, and research on institutional IT policy and practice standards.
Infrastructure Identity Management Committee Meeting	Audit Services provided guidance on internal controls and segregation of duties as UTMB creates an identity management structure.

Information Services Leadership (ISL) Security Council	Audit Services functioned in an advisory capacity to this institutional oversight committee for IT security issues and strategic planning.
Network Quality of Care Committee	Audit Services attends these meetings in order to gain insight on current issues affecting patient care.
Endowment Compliance Committee	Audit Services provided guidance as needed/requested regarding endowment compliance issues.

Approved Internal

Audit Plan for Fiscal Year 2007

Fiscal Year 2007 Approved Audit Plan

Audit Number	Audit/Project	2007 Budgeted Hours	% of Total	2007 Priority Hours	% of Total	Priority	Description
UT System Requested							
2007-001	Deloitte & Touche - Financial Statement Audit	400		320		✓	Provide Audit Assistance To Deloitte & Touche - Year-end and Interim
2007-002	BPM 66-01-06: Confidentiality of Social Security Number	520		320		✓	Perform Internal Audit-related work as required by BPM 66
2007-003	BPM 76-06-06: Guidance on Effort Reporting Policies Implementation	400		320		✓	Perform Internal Audit-related work as required by BPM 76
2007-004	Compliance with Payment Card Industry Data Security Standards	520		320		✓	Audit of Compliance with Applicable Industry Data Security Standards
2007-005	Regent's Rule 20205: Presidential Travel and Entertainment Expenses	320		160		✓	Perform Internal Audit-related work as required by Regents Rule 20205
2007-006	BPM 75 - Protecting the Confidentiality of Digital Research Data	520		320		✓	Perform Internal Audit-related work as required by BPM 75
	<i>UT System Requested Carryforward</i>						
	Un-sponsored Charity Care	20		20		✓	Carryforward Hours - Completion of Audit
	UT System Requested Subtotal	2700	18%	1780	15%		
Externally Required							
2007-020	Joint Admissions Medical Program ("JAMP" Audit)	160		140		✓	Bi-annual Required Audit of "JAMP" program
2007-021	Correctional Managed Care	500		500		✓	Risk Assessment plus one Focused Audit
Texas Higher Education Coordinating Board Audits :							
2007-022	Family Practice Residency Program	160		140		✓	Annual Audit of the THECB's Family Practice Residency Grant to UTMB
2007-023	Primary Care/Internal Medicine Residency Program	160		140		✓	Annual Audit of the THECB's Primary Care Residency Grant to UTMB
2007-024	Graduate Medical Education ("GME")	160		140		✓	Annual Audit of the THECB's Graduate Medical Education Grant to UTMB
2007-025	ATP/ARP Grants Program	160		140		✓	Bi-Annual Audit of the THECB's ARP/ATP Grant to UTMB
2007-026	BPM 31--04-89:MSRDP/DSRDP/PRS Business Operations	80		0			Annual Required Audit of MSRDP - Scope To Be Determined
2007-027	TAC 202 Compliance Audit - Administrative/Technical	320		320		✓	To Be Determined - Administrative or Technical TAC 202 Compliance Audit
2007-028	State Auditor's Office - A-133 Audit Follow-up	200		80		✓	Audit Assistance provided to SAO Prior to and During A-133 Follow-up
2007-029	SACS Accreditation - Interim Planning	320		0			Interim Planning Related to SACS Accreditation Review
	<i>Carryforward</i>						
	BPM 31--04-89:MSRDP/DSRDP/PRS Business Operations	200		200		✓	Annual Required Audit of MSRDP - Carryforward to Complete Audit
	Externally Required Subtotal	2420	17%	1800	15%		

Fiscal Year 2007 Approved Audit Plan

Audit Number	Audit/Project	2007 Budgeted Hours	% of Total	2007 Priority Hours	% of Total	Priority	Description
Risk Based: Institutional							
2007-100	Compliance-related Risk Area - To Be Determined	500		0			Compliance-related Risk Area - To Be Determined Mid-Year
2007-110	Construction Contract Audit	200		200		✓	Outsourced Audit - Allowance To Work with External Auditors
	Consulting - Institution-wide Risk Areas	178		80		✓	Risk-Based Consulting - Identification of Risk-Based Audits Throughout FY 2007
	<i>Carryforward</i>						
	Risk Based: Institutional Subtotal	878	6%	280	2%		
Risk Based: Auditable Area							
2007-200	Research						
		560		560		✓	Audit of the "Design" of the Research Compliance Program at UTMB
2007-210	Research Compliance Design Audit					✓	
	Consulting - Research Risk Areas	120		120		✓	Research-related Consulting
	<i>Carryforward</i>						
	Conflict of Interest Audit	40		40		✓	Carryforward of Conflict of Interest Audit
	Laboratory Safety/Security Audit	320		320		✓	Carryforward of Laboratory Safety/Security Audit
2007-250	Information Technology						
2007-260	PeopleSoft HCM - Post-Implementation Audit	320		320		✓	Post-Implementation Review of Select HCM Areas
2007-270	Third Party Access Controls Review	360		360		✓	Information Security Audit of "Third Party" Access Controls
		760		500		✓	To Be Determined - Information Security Action Plan Monitoring; Protection of Electronic Communication; Management of Operations; and Physical Access
2007-280	Information Security Audit(s)/Action Plan Monitoring						
	Consulting - IT Risk Areas	100		100		✓	Information Security-specific Consulting Hours
	<i>Carryforward</i>						
	Active Directory	200		200		✓	Carryforward Hours - Completion of Audit
	Wireless Access	120		120		✓	Carryforward Hours - Completion of Audit
	Business Continuity Plan	120		120		✓	Carryforward Hours - Completion of Audit
	Decentralized Server Reviews / Sentigy	20		20		✓	Carryforward Hours - Completion of Audit

Fiscal Year 2007 Approved Audit Plan

Audit Number	Audit/Project	2007 Budgeted Hours	% of Total	2007 Priority Hours	% of Total	Priority	Description
2007-300	Patient Care						
2007-310	Medical Billing Compliance Design Audit	400		400		✓	Audit of the "Design" of the Medical Billing Compliance Program at UTMB
2007-350	Revenue Cycle Audit	240		0			Audit Scope to be Determined
	Consulting - Patient Care Risk Areas	100		100		✓	Allowance for "Patient Care" Consulting
	<i>Carryforward</i>						
	Managing Patient Information	20		20		✓	Carryforward Hours - Completion of Audit
	Risk Based: Tier Two Subtotal	3800	26%	3300	28%		
Management Review							
2007-400	Change in Management Audits	360		360		✓	To Be Determined - Special Request Audits Related To "Change in Mgmt."
	<i>Change in Management Carryforward</i>						
	Office of the Executive Vice President	20		20		✓	Carryforward Hours - Completion of Audit
	Change in Management Subtotal	380	3%	380	3%		
Follow-up Audits		600	4%	600	5%		Allowance For UT System & UTMB Follow-up Work
2007-500	Follow-up Audits						
Audit Projects							
2007-600	U. T. System Requests	360		360		✓	Allowance For UT System Requests - Quarterly & Monthly Reporting
2007-610	Special Requests - Audits	360		360		✓	Allowance For UTMB Requests - To Be Determined
	Audit Projects Subtotal	720		720			
2007-620	Special Requests - Consulting	120		120		✓	Allowance For UTMB/UT System "Consultative" Requests
	Consulting Projects Subtotal	120		120			

Fiscal Year 2007 Approved Audit Plan

Audit Number	Audit/Project	2007 Budgeted Hours	% of Total	2007 Priority Hours	% of Total	Priority	Description
Other Projects							
2007-700	Departmental Peer Review	360		360		✓	External Peer Review
2007-710	Quality Assurance Review	240		240		✓	Allowance For Departmental Quality Assurance Reviews
2007-720	Annual Risk Assessment/Work Plan Development	240		240		✓	Allowance For Fiscal Year 2007 Work Plan Development
2007-730	Liaison with External Auditors	200		200		✓	Allowance For Time Spent Working w/External Auditors
2007-740	On The Job Training	160		160		✓	On-the-Job Training - New Employees
2007-750	TeamMate Implementation & Training	800		800		✓	Teammate: Allowance For Implementation of TeamMate and Related Training
2007-760	Web Site Development	90		0			Allowance For Web Site Development
2007-770	Training provided by IA	120		120		✓	Training Provided by Department to UTMB Employees
2007-780	Internal Audit Committee	160		160		✓	Allowance For Audit Committee Preparation
2007-790	Institutional Committee Attendance	240		240		✓	Allowance For Audit Services Attendance at Institutional Committees
2007-800	Investigations	300		300		✓	Allowance For UTMB Investigations with UTMB Police and/or As Requested
	Reserve for other Special Requests	100		0			Allowance For "Special Requests" From Senior Management/Audit Committee
	Projects Subtotal	3010		2820			
	Projects Total	3850	26%	3660	31%		
	Total Hours	14628	100%	11800	81%		Note to Directors: Priority hours should be at least 80%

External Audit Services

**UNIVERSITY OF TEXAS MEDICAL BRANCH
EXTERNAL AUDIT SERVICES
FY 2006**

Audit Services provided assistance for annual financial audit interim and year-end work conducted by Deloitte & Touche.