

UT Southwestern Medical Center

CARES Funding Audit

Internal Audit Report 22:05

June 13, 2022

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Executive Summary

Background

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES) was enacted. The aid package provided financial aid to families and businesses impacted by the COVID-19 coronavirus pandemic. UT Southwestern received CARES funding to support lost revenue in healthcare operations. The Federal Emergency Management Agency (FEMA) also provides funding to hospitals to cover direct COVID-19 expenses. The Office of Budget and Resource Planning is using a UT System consulting resource to assist in preparing and managing external reporting of COVID-19 expenses as well as the FEMA application submission. The table depicts the funding sources and the types of expenses covered.

The financial impact of COVID-19 resulted in lost revenue due to the shutdown and decrease in clinical services and research activities. The impact also included increased pandemic related expenses such as:

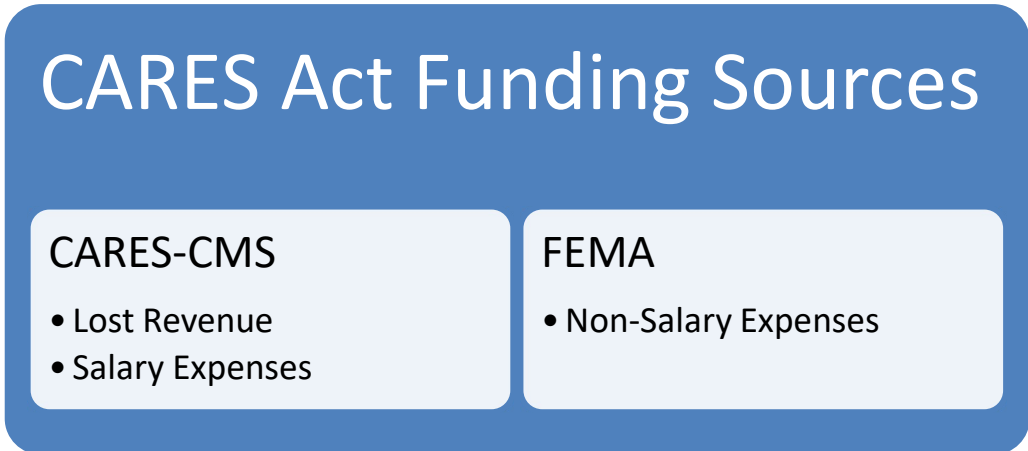
- Additional PPE and cleaning supplies
- Salary expenses for direct patient care and unplanned leave due to COVID-19
- Technology to support the virtual student learning and workforce remote environment
- Telehealth services related costs for providing telehealth continued care to patients

The State Auditor's office (SAO) performed a CARES funding audit in December 2021 and there were no observations noted.

Scope and Objectives

The Office of Internal Audit Services has completed the CARES Funding Audit. This audit was part of the FY2022 Audit Plan as a risk-based audit. The audit objectives included the review and assessment of the lost revenue calculation and uncompensated salary expense calculation submitted to Health Resources and Services Administration (HRSA) and testing of a sample of direct non-compensation expenses submitted to Federal Emergency Management Agency (FEMA).

We conducted our examination according to guidelines set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.



Executive Summary

Conclusion

Overall, UT Southwestern methodology of lost revenue submission to Health Resources and Services Administration (HRSA) is appropriate. The Office of Budget and Resource Planning is continuing to use the UT System consulting resource to assist in preparing and managing the FEMA submissions for COVID-19 related expenses supporting documentation. A minor opportunity was communicated to management. We would like to take the opportunity to thank the individuals included in this audit for the courtesies extended to us and for their cooperation during our review.

Sincerely,

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Appendix A – Risk Classifications and Definitions

As you review each observation within the Detailed Observations and Action Plans Matrix of this report, please note that we have included a color-coded depiction as to the perceived degree of risk represented by each of the observations identified during our review. The following chart is intended to provide information with respect to the applicable definitions and terms utilized as part of our risk ranking process:

<p>Risk Definition- The degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management.</p>	<p>Degree of Risk and Priority of Action</p>	
	<p>Priority</p>	<p>An issue identified by Internal Audit that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.</p>
	<p>High</p>	<p>A finding identified by Internal Audit that is considered to have a high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level. As such, immediate action is required by management in order to address the noted concern and reduce risks to the organization.</p>
	<p>Medium</p>	<p>A finding identified by Internal Audit that is considered to have a medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action is needed by management in order to address the noted concern and reduce the risk to a more desirable level.</p>
	<p>Low</p>	<p>A finding identified by Internal Audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action should be taken by management to address the noted concern and reduce risks to the organization.</p>

It is important to note that considerable professional judgment is required in determining the overall ratings presented on the above pages of this report. Accordingly, others could evaluate the results differently and draw different conclusions. It is also important to note that this report provides management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.