


MEMORANDUM

TO: David L. Callender, MD
President, UTMB Health

FROM: Kimberly K. Hagara, CPA, CIA, CISA, CRMA 
Vice President, Audit Services

DATE: October 31, 2016

SUBJECT: UT System Policy 142.1 Compliance Review
Engagement Number 2017-005

In anticipation of the completion of the Annual Financial Certification Letter to UT System (UTS), Audit Services completed a review of fiscal year (FY) 2016 sub-certification letters, select departmental account reconciliations, and monitoring efforts to ensure compliance with UTS 142.1, *Policy on the Annual Financial Report*.

Sub-certification Letters

Academic Enterprise, Health System Enterprise, Institutional Support, and Correctional Managed Care (CMC) compiled lists of individuals responsible for completing and submitting FY 2016 sub-certification letters. Audit Services compared these lists with sub-certification letters submitted to entity leadership and determined all individuals in Institutional Support and CMC responsible for completing sub-certification letters had completed and submitted them prior to the submission of the entity certification due October 14, 2016.

Audit Services noted at the time of Academic and Health System Enterprises' entity certification all sub-certifications were not completed. The Academic Enterprise had received 57 of 66 (86%) and the Health System 36 of the 39 (92%) area sub-certifications when making their entity certification. The lack of completeness appears to be primarily due to changes in personnel responsible for coordinating the sub-certifications combined with untimely notification to and monitoring of area/department sub-certification submissions. Audit Services suggests the personnel responsible for obtaining sub-certifications be reminded of the importance of timely communications and follow-up to entity area/departments to improve compliance with UT System Policy 142.

Monitoring Plan for Segregation of Duties and Reconciliation of Accounts

Annually, the Finance Department develops and executes a monitoring plan related to segregation of duties and account reconciliation. Audit Services reviewed the plan and interviewed the General Accounting Senior Finance Manager regarding monitoring departmental compliance with UTMB Health's *Financial Controls, Monthly Review and Reconciliation Policy*. During FY2016, 20 departments were monitored. Audit Services selected 5 monitored departments and reviewed all associated monitoring documentation. Our review indicated the FY 2016 monitoring activities performed by Accounting were well documented and follow-ups occur throughout the year as applicable.

Departmental Account Reconciliations

To ensure segregation of duties and adequate reconciliation processes for departments not monitored during the year, Audit Services reviewed 15 departments to determine if their respective accounts were reconciled monthly in accordance with UTMB Health's policy and if appropriate segregation of

duties were in place. Although not all of the departments used the methodology specified in the policy, 13 out of the 15 departments (87%) had documented their monthly reconciliations or review activities throughout FY 2016.

We noted that two Health System departments were visually reviewing monthly charges and investigating any issues; however a true reconciliation was not occurring. This appeared to be the result of changes in personnel responsible for performing the reconciliations. The Associate Vice President of Health System Operations indicated she will work with departmental managers to provide appropriate training.

Conclusion

Based on Audit Services interviews and review of supporting documentation, UTMB Health generally appears in compliance with UTS 142.1.

C: Cheryl A. Sadro
John B. States
R. Craig Ott