

UT Southwestern Medical Center

**The University of Texas Southwestern Medical Center
Texas Higher Education Coordinating Board Grants
Internal Audit Report 15:45**

February 26, 2015

Table of Contents

I. Executive Summary	3
• Background/Scope and Objectives	3
• Conclusion	3
II. Detailed Observations and Action Plans Matrix	5
III. Appendices	6
• Appendix A – Risk Classifications and Definitions	6

Executive Summary

Background

The Texas Higher Education Coordinating Board (Coordinating Board) provides trusted funds to medical residency programs as directed by the Texas Legislature. Medical and Graduate Medical Education Program grants awarded to institutions support the education and training of physicians at the graduate or post-doctors of medicine (MD)/doctors of osteopathic medicine (DO) level. The purpose of the Family Medicine Residency Program (FMRP) and Family Medicine Rural Rotation Program (FMRRP) is to increase the numbers of physicians selecting family practice as their medical specialty and to encourage those physicians to establish practices in rural and underserved communities in Texas.

The University of Texas Southwestern Medical Center (Medical Center) received fiscal year 2014 (FY14) Coordinating Board funding of \$246,616.00 and \$178,584.00 respectively for its Dallas and Austin FMRP locations. The Austin FMRP Program is administered at an affiliated institution, Seton Austin Medical Center, and receives Coordinating Board grant funding through the Medical Center. Coordinating Board funds were used to support training of 29 Dallas residents and 21 Austin residents. The aforementioned represented aggregate increases of over 126% from fiscal year 2013 (FY13) funding level. Additionally, the Coordinating Board awarded a \$2,000 grant to the Austin Program to support one resident to complete rural rotation training for one month.

Scope and Objectives

The Medical Center Office of Internal Audit has completed its FY14 Coordinating Board Grants audit. This compliance audit was performed to satisfy the audit requirement of the residency program grant agreements. The objective of the audit was to provide reasonable assurance of the adequacy and effectiveness of controls related to reporting, utilization, and administration of FMRP grant funds for the period September 1, 2013 through August 31, 2014. Additionally, fund expenditures were reviewed to ensure compliance with grant guidelines.

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

Conclusion

Overall, controls were effective in ensuring financial reporting accuracy and timeliness, appropriate spending, and administration of Coordinating grants. Grant funds used to support education and training of family medicine residents for both Dallas and Austin locations complied with program guidelines. One minor audit recommendation pertained to the securing of the Medical Center authorized signature on the Austin FMRP grant agreement before submission to the Coordinating Board has been communicated to management.

Executive Summary

Included in the table below is a summary of the observation noted, along with the respective disposition of this observation within the Medical Center internal audit risk definition and classification process. See Appendix A for Risk Rating Classifications and Definitions.

High (0)	Medium/High (0)	Medium (0)	Low (1)	Total (1)
----------	-----------------	------------	---------	-----------

The key improvement opportunity/opportunity that is risk-ranked as low is summarized below.

- **Authorized Signature** – The Austin FMRP operational grant agreement with the Coordinating Board for FY14 signed by the Program Director was missing the signature of the Medical Center authorized executive representative.

We would like to take the opportunity to thank the departments and individuals included in this audit for the courtesies extended to us and for their cooperation during our review.

Sincerely,



Valla Wilson, Assistant Vice President for Internal Audit

Audit Team:

Van Nguyen, Supervisor of Internal Audit
 Kelly Iske, Manager of Internal Audit
 Tim LaChiusa, Assistant Director of Internal Audit
 Valla Wilson, Assistant Vice President for Internal Audit

Cc: Arnim Dontes, Executive Vice President for Business Affairs
 Michael Serber, Vice President for Financial Affairs
 David Ngo, Assistant Vice President for Sponsored Programs Administration
 Shawn Cohenour, Director, Office of Contracts Management
 Bradley Marple, M.D., Associate Dean for the Dallas and Seton/Austin Graduate Medical Education Programs,
 Vice Chair and Professor for Department of Otolaryngology - Head and Neck Surgery
 David Weigle, PhD, MPH, Assistant Dean for Graduate Medical Education
 Designated Institutional Official for the Dallas and Seton/Austin Graduate Medical Education Programs
 Dana Sprute, M.D., Associate Professor for Department of Family and Community Medicine and Director, UT Southwestern- Austin Family Medicine
 Residency Program
 Bennett Long, Financial Manager, Finance Post-Award, Seton Healthcare Family Administration Offices

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Low ●</p> <p>1. The FY14 operational grant agreement between the Austin FMRP and the Coordinating Board signed by the Program Director was missing the signature of the Medical Center authorized executive representative and was not reviewed by the Office of Contracts Management, in violation of Medical Center policy.</p> <p>Agreements that are executed without an authorized signature or review could result in unfavorable terms for the Medical Center. However, it was determined that the agreement between the Austin FMRP and the Coordinating Board was reasonable and in accordance with prior year agreements.</p> <p>The issue was attributed to a leadership change in the departure of the Medical Center Regional Dean for Seton/Austin Graduate Medical Education Program in the past year, as well as unawareness of Institutional policy requirements on the part of Austin Program management.</p>	<p>Ensure process is followed for routing of future Austin FMRP grant agreements through the Medical Center Office of Contracts Management for processing and obtaining authorized signature before submission.</p>	<p><u>Management Action Plans:</u></p> <p>Going forward, all similar grant agreements involving the Medical Center will be routed through the Office of Contracts Management for review and to ensure the authorized signature is obtained prior to execution.</p> <p><u>Action Plan Owners:</u></p> <ul style="list-style-type: none"> • Financial Manager, Finance Post-Award, Seton Healthcare Family Administration Offices • Director, Austin FMRP Program <p><u>Target Completion Dates:</u></p> <p>Complete</p>

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:

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.	Degree of Risk and Priority of Action	
	High	The degree of risk is unacceptable and either does or could pose a significant level of exposure to the organization. As such, immediate action is required by management in order to address the noted concern and reduce risks to the organization.
	Medium/High	The degree of risk is substantially undesirable and either does or could pose a moderate to significant level of exposure to the organization. As such, prompt action by management is essential in order to address the noted concern and reduce risks to the organization.
	Medium	The degree of risk is undesirable and either does or could pose a moderate level of exposure to the organization. As such, action is needed by management in order to address the noted concern and reduce risks to a more desirable level.
	Low	The degree of risk appears reasonable; however, opportunities exist to further reduce risks through improvement of existing policies, procedures, and/or operations. As such, action should be taken by management to address the noted concern and reduce risks to the organization.

It is important to note that considerable professional judgment is required in determining the overall ratings presented on the subsequent 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.