

**UT SOUTHWESTERN**  
MEDICAL CENTER

Daniel K. Podolsky, M.D.  
President  
Philip O'Bryan Montgomery, Jr., M.D. Distinguished  
Presidential Chair in Academic Administration

Professor of Internal Medicine  
Doris and Bryan Wildenthal Distinguished  
Chair in Medical Science

January 22, 2013

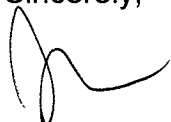
Kenneth Shine, M.D.  
Executive Vice Chancellor for Health Affairs  
The University of Texas System  
601 Colorado Street  
Austin, TX 78701

Dear Dr. Shine:

Enclosed for your information is a copy of the University of Texas Southwestern Medical Center Internal Audit Report 13:13 Fiscal Year 2012 Texas Higher Education Coordinating Board Grants.

I concur with the auditor's recommendations. One recommendation made during the audit has been implemented.

Sincerely,



Daniel K. Podolsky, M.D.

Enclosure

cc: Arnim E. Dontes, Executive Vice President for Business Affairs  
J. Michael Peppers, UT System Chief Audit Executive  
Eva Narten, Assistant Director of Internal Audit  
Debbie McKibben, PwC Internal Audit Services

**The University of Texas Southwestern Medical Center**

**Internal Audit Report 13:13  
Fiscal Year 2012 Texas Higher Education Coordinating Board Grants**



**January 22, 2013**

Office of Internal Audit  
5323 Harry Hines Boulevard  
Dallas, Texas 75390-9017  
(214) 648-6106



**The University of Texas Southwestern Medical Center  
Internal Audit Report 13:13  
Fiscal Year 2012 Texas Higher Education Coordinating Board Grants  
FY 2013**

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**AUDIT REPORT - DRAFT**

January 22, 2013

Daniel K. Podolsky, M.D., President  
The University of Texas Southwestern Medical Center  
5323 Harry Hines Boulevard, MC 9002  
Dallas, Texas 75390-9002

Dear Dr. Podolsky:

The University of Texas Southwestern Medical Center (Medical Center) Office of Internal Audit has completed its Fiscal Year 2012 Texas Higher Education Coordinating Board (coordinating board) Grants audit. This review also included activities at Seton Healthcare Family in Austin.

**Executive Summary**

The audit found there are adequate and effective controls related to the reporting, utilization and administration of the coordinating board grants and expenditures were in accordance with grant guidelines. All these funds, used to support education and training, were properly expended for faculty, administrative and resident stipend payroll. To achieve our audit objectives, we verified income and expenditure reports submitted to the coordinating board and reviewed resident rosters, execution of grants, monitoring activities, expenditures and general ledger recording. A recommendation was made that a dedicated account be established at the local level for the Family Medicine Residency program (FMRP) in Austin (administered by the Seton Healthcare Family) for disbursement of coordinating board monies.

## Detailed Results

Individual results and recommendations are discussed below.

### General Ledger Recording

Section 4.F of the FY12 contract agreement between the coordinating board and the UT Southwestern - Seton/Austin FMRP specifies that the grantee shall "establish a separate fund into which will be deposited all monies disbursed under the Agreement". A separate account was not set up at the local Austin FMRP level which is administered by the Seton Healthcare Family. Those FMRP grant monies and expenditure payments were recorded in the Seton Family Practice Services Department Ledger Account #247258 along with other departmental funding sources and grants.

### Recommendation

We recommend that Seton Healthcare Family financial management in Austin establish a dedicated ledger account for tracking FMRP grant awards and disbursements. This account would allow efficient tracking and analysis of grant receipts, expenditures and financial reporting.

### Management Response

We agree. A separate ledger account has been set up at the Seton Healthcare Family in Austin for recording UT Southwestern - Seton/Austin FMRP grant activities. We agree to document the internal process for extracting FMRP payroll and other expenditures, allocation methodology, data formatting, financial reporting and retention of support. Necessary accounting and financial controls including journal entry templates are now in place.

Implementation Status:

Implemented

Target Implementation Date:

January 7, 2013

Responsible Personnel:

Financial Manager, Finance Post-Award & Federal Awards Financial Administration,  
Seton Healthcare Family Administration Offices

## Conclusion

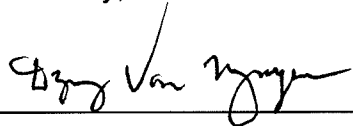
The audit found adequate and effective controls were in place related to the reporting, utilization and administration of coordinating board grants. Additionally, funds were expended in accordance with grant guidelines. A recommendation was made for a dedicated account to be established at the local level at the Seton Healthcare Family in Austin for disbursement of FMRP coordinating board monies which has been implemented.


We appreciate the assistance and cooperation provided by residency program personnel during the audit process.

Van Nguyen, CPA  
Eva Narten, CPA, CIA, CISA

- Supervisor of Internal Audit  
- Assistant Director of Internal Audit

Sincerely,

  
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Cc: Arnim E. Dontes, MBA, Executive Vice President for Business Affairs

Don Mele, Director, Office of Post Awards

Amer Shakil, MD, Interim Chairman, Professor and Program Director for the  
Department of Family and Community Medicine

Dana Sprute, MD, Director for UTSW-Austin Programs, Family Practice and  
Community Medicine

Bradley Marple, MD, Associate Dean and Designated Institutional Official for the  
Dallas and Seton/Austin Graduate Medical Education Programs, Vice Chair and  
Professor for Department of Otolaryngology - Head and Neck Surgery

Susan Cox, MD, Regional Dean for Seton/Austin Graduate Medical Education  
Program and Professor for Department of Obstetrics and Gynecology

Stacey Silverman, PhD, THECB Deputy Assistant Commissioner for Workforce,  
Academic Affairs and Research, Texas Higher Education Coordinating Board

Debra McKibben, Internal Audit Services, PricewaterhouseCoopers LLP

## APPENDIX

### Background

The coordinating board provides trusted funds to medical residency programs as directed by the Texas Legislature. Medical and Graduate Medical Education Programs awarded to the Medical Center and Seton/Austin support the education and training of physicians at the graduate or post-doctors of medicine (MD)/doctors of osteopathic medicine (DO) level. The amounts of funding provided to the residency programs are based on the number of residents slated to participate in the programs during each grant period.

Of the four primary care residency programs (Internal Medicine, Family Medicine, Pediatrics and Obstetrics/Gynecology), the FMRP received coordinating board funding for FY12 as shown below. The FMRP was established in 1977 to increase the numbers of physicians selecting family practice as their medical specialty and to encourage those physicians to establish their practices in rural and underserved communities in Texas. A breakdown of the awards expended by the Medical Center in FY12 is as follows:

	Award	Expenditure
FMRP Dallas Program (UT Southwestern - St Paul FMRP)	<ul style="list-style-type: none"><li>• \$101,275 for FY12</li><li>• \$31,684 for FY11 carried forward</li></ul>	<ul style="list-style-type: none"><li>• \$101,052 for FY12</li><li>• \$31,658 for FY12</li></ul>
FMRP Seton/Austin Program (UT Southwestern - Seton/Austin FMRP)	<ul style="list-style-type: none"><li>• \$81,802 for FY12</li></ul>	<ul style="list-style-type: none"><li>• \$81,802 for FY12</li></ul>
Totals	\$214,761	\$214,512

### Audit Objective

The objective of the audit was to provide reasonable assurance that there are adequate and effective controls related to the reporting, utilization and administration of the FMRP grants conducted in Dallas and Seton/Austin. An audit opinion is also required under the contract agreement as to whether funds expended in fiscal year 2012 (FY12) by the Medical Center are in accordance with grant guidelines.

### Scope and Methodology

The audit assessed the appropriateness of financial reporting, fund utilization and program administration and provided an opinion on FMRP coordinating board expenditures during the period of September 1, 2011 to August 31, 2012 (FY12). This audit is a compliance audit from the Fiscal Year 2013 audit plan and satisfies the audit requirement of the residency program grants.

Our examination was conducted according to guidelines set forth by The University of Texas Systems Policy UTS129 Internal Audit Activities, the Regents Rules and Regulations, and the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing*.

Procedures conducted to satisfy audit objectives included the following:

- 1. Income and Expenditure Report Verification** - Determine if the financial reports provided by the Medical Center to the coordinating board represent accurate, complete and timely information.
- 2. Compliance**
  - a. Verify that the residents identified for the grant agreement were residents within the program during the award year.
  - b. Determine if the grant agreements between the Medical Center and coordinating board for FY12 were properly executed by the appropriate Medical Center personnel.
  - c. Determine if required financial monitoring activities for FMRP are timely in accordance with the coordinating board *FMRP Guidelines for Funding Operational and Optional Rotation Programs* (grant guidelines).
  - d. Determine if the FMRP expenditures are in compliance with grant guidelines and Medical Center policies and procedures.