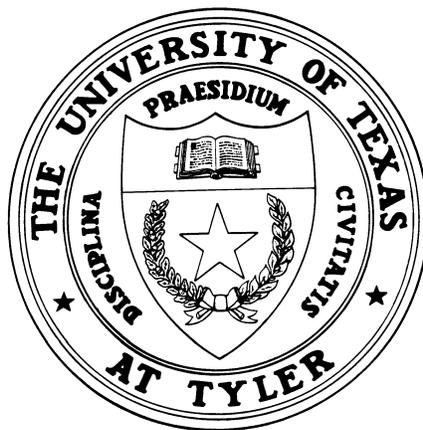


The University of Texas at Tyler
The Joint Admission Medical Program Audit Report



November 2014

THE UNIVERSITY OF TEXAS AT TYLER
OFFICE OF AUDIT SERVICES
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TYLER, TEXAS 75799

**The University of Texas at Tyler
Joint Admission Medical Program Audit
Fiscal Year 2014**

Background

The Joint Admission Medical Program (JAMP) is a special program created by the Texas Legislature to support and encourage highly qualified, economically disadvantaged Texas resident students pursuing a medical education. This audit is conducted in accordance with Section 5.3 “Agreement” with the Joint Admission Medical Program (JAMP) Council. Dr. James Koukl became the JAMP faculty director and budget authority effective September 1, 2010. The University of Texas at Tyler (UT Tyler) was awarded \$12,535.00 in Fiscal Year 2013 to participate in JAMP and returned unexpended funds of \$10,641.92. The audit resulted in no findings of significant non-compliance with the *JAMP Agreement* or *JAMP Expenditure Guidelines*; however, several recommendations are included in this report to improve internal controls through increased account and transaction monitoring and segregation of duties.

Engagement Objectives

As required by JAMP, the objective of the audit was “to provide assurance that UT Tyler is in compliance with policies, procedures, laws and regulations that could have a significant impact on operations and reports.”

Scope & Methodology

The scope of this audit was Fiscal Year 2013 and included all transactions in the JAMP accounts. The methodology consisted of comparing JAMP agreements and reports with DEFINE accounting system reports and testing a sample of transactions for compliance with guidelines.

Standards

The audit was conducted in accordance with the guidelines set forth in the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*.

Procedures:

To accomplish the audit objective noted above, the following procedures were performed:

- Reviewed policies and procedures regarding program requirements and administration;
- Compared the JAMP budget and expenditure reports to the UT Tyler accounting system;
- Tested for monitoring of transactions and account balances;
- Reviewed supporting documentation for a sample of revenue and expenditures for compliance with JAMP and UT Tyler requirements; and
- Verified unexpended funds from the program were returned as required.

Engagement Results

According to The University of Texas System, a significant finding is one that may be material to the operation, financial reporting, or legal compliance of the university if corrective action has not been fully implemented. This would include an internal control weakness that does not reduce the risk of irregularities, illegal acts, errors, inefficiencies, waste, ineffectiveness, or conflicts of interest to a reasonably low level. This audit resulted in no significant findings or recommendations to UT Tyler operations. Following are reportable observations and related recommendations we feel will improve operations and strengthen internal controls.

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Observations and Recommendations

1. Inadequate Monitoring of Accounts Balances and Transactions

Observation: *The UT Tyler Management Responsibilities Handbook* states: “Department heads and budget authorities are responsible for the financial activities in their respective areas... To discharge management’s responsibility for financial stewardship, department heads and budget authorities should ensure the following: Preparation and review of monthly departmental account reconciliations. The reconciliations must be completed following the guidelines located on the Financial Services website.” The guidelines require timely approval by the budget authority within 30 days of the month closing in DEFINE. Account reconciliations are an important tool in monitoring accounts as they provide a method to verify income and expenditures, discover transactions that have been erroneously posted to an account, and note transactions that have not been timely processed. The following observations were noted related to account reconciliations and monitoring:

- In testing two months of account reconciliations (January and May), it was noted both reconciliations were completed in August and were approved by the Chair of the Biology Department rather than the JAMP budget authority. The reconciliations were not completed and approved timely as required.
- An expenditure from grant account was erroneously processed in the JAMP account. This error was not noted or corrected during the account reconciliation process; however, the expense was discovered as part of the audit testing. The JAMP account has been reimbursed for the incorrect charge.
- The JAMP account was budgeted to pay \$4,000 for the director’s salary during the summer of 2013. The appointment was created by the college administrative assistant, but never approved by the JAMP director in HRMS and routed to an appropriate supervisor for final approval. Due to the lack of monitoring, the director was not paid the salary because it was not approved prior to year end.

The exceptions were caused by a failure to follow account reconciliation guidelines and thoroughly monitor account activity which resulted in incorrect and unprocessed transactions. Inadequate reconciliations and account monitoring also increase the risk of undetected fraudulent activity.

Recommendation: Account reconciliations should be completed in accordance with UT Tyler guidelines including timeliness and budget authority approval. Any expenditure processed in error should be corrected immediately. Account balances should be carefully monitored so all transactions including appointments are processed and approved timely.

Management Response and Implementation Date: *After taking over as budget authority and JAMP faculty director, the Department of Biology has had three administrative assistants over the past two years. Reconciliations were either accrued over six month periods or approved by others than the budget authority. Now that the current administrative assistant, the chair of biology, and the JAMP faculty director have been enlightened on timely and correct procedures we will implement these procedures immediately.*

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2. Insufficient Approvals of Procurement Card Expenditures

Observation: The UT Tyler Procurement Card Policies and Procedures states: “DEFINE electronic VP7 payment vouchers are created at the end of each monthly cycle (3rd day of the month or the following business day), charging the account specified on the cardholder application for each transaction.... The designated departmental personnel must verify the charges and approve the VP7 documents in a timely manner.” Financial Services sends an email to budget authorities and administrative assistants notifying them of procurement card transactions in DEFINE for processing which includes the approval deadline.

There were 18 operating expenditure transactions processed during FY 2013, all using a departmental procurement card assigned to the JAMP account. Five of the transactions were tested during the audit. The budget authority did not approve any of the transactions timely; therefore they were automatically routed to the Financial Services Department for approval. This was caused by the budget authority not approving the transactions in DEFINE as required. Inadequate monitoring and approval of procurement card expenditures could allow payment of inappropriate expenditures, charges to incorrect accounts, or the use of incorrect object codes. Inadequate approvals for expenditure transactions also increase the risk of undetected fraudulent activity.

Recommendation: The budget authority should review invoices and object codes for each procurement card charge and approve the transactions by the required deadline.

Management Response and Implementation Date: *Budget authority will check DEFINE then review and approve procurement card expenditures as required beginning immediately.*

3. Incorrect Processing of Travel Expenditures

Observation: The UT Tyler *Handbook of Operating Procedures (HOP) Section 4.3.4* states: “To receive reimbursement for travel expenses, the traveler must submit original receipts within ten (10) working days after the travel occurs.” There was only one travel reimbursement during FY 2013 which was for the JAMP director to attend a Texas Association of Advisors for the Health Professions (TAAHP) conference in February 2013. The director did not submit receipts for reimbursement within the ten day period, and he approved his own travel reimbursement instead of forwarding it to his supervisor as required. This was caused by the JAMP director not following UT Tyler Travel Guidelines which increased the risk for lost documentation, inappropriate reimbursements, and incorrect account balances.

Recommendation: All reimbursements should be processed timely and forwarded to the appropriate supervisor for approval.

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Management Response and Implementation Date: *JAMP faculty director did submit receipts for reimbursement within the ten day period to his administrative assistant. However, due to a lack of monitoring and account reconciliation review, the expenses were not processed for 7 months. The JAMP faculty director was told to approve his travel by the administrative assistant and never told to forward it. The JAMP faculty director has been educated as to the proper procedures for forwarding reimbursements. Implementation begins immediately.*

4. Inadequate Monitoring of Equipment

Observation: *The UT Tyler Management Responsibilities Handbook states: “Department heads and budget authorities are responsible for physically verifying the accuracy and completeness of their capital equipment listings each year” and “Department heads and budget authorities are responsible for securing and safeguarding all university assets in the possession of their departments or budget units. University property and equipment of all types, including technical and research facilities of the University, are to be used only for official business. University equipment may not be taken off the University campus unless it is to be used for official business and approval has been obtained to remove the equipment from campus. Approval is obtained by filling out the “Property Removal Permit” form and obtaining all required signatures.”*

A “Report of Inventory” was signed during the annual inventory process by the Biology Department Chair instead of the JAMP budget authority. One of the four JAMP inventory items, an iPad, was removed from campus by the former director when he left employment at the university three years ago. The item was not reported missing or “off campus” during the annual inventory review and the JAMP director was unaware of its existence. However, it was determined to be missing during audit testing and has since been returned to campus. This was caused by the Biology Department and JAMP budget authority not following inventory procedures which resulted in missing equipment not being properly reported.

Recommendation: The department should follow UT Tyler inventory policies and implement stronger controls for inventory. The budget authority should physically verify equipment purchased by JAMP funds and assure the proper forms are approved when items are removed from campus.

Management Response and Implementation Date: *The Biology Lab Technician and another person not in Biology Department would physically take inventory of JAMP equipment and never reported a discrepancy. The chair of the Biology Department signs off on inventory. The JAMP faculty director never signed off on the inventory since it was presumed that the process was appropriate. After finding out that our process is flawed the JAMP faculty director will personally take inventory along with an outside observer and sign the inventory list. Implementation will take place immediately.*

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5. Expenditures Processed after JAMP Deadline.

Observation: The JAMP Expenditure report states “Any funds that have been encumbered under the Agreement should be expended no later than September 30, 2013.” Two expenditures were processed after the deadline as follows:

- TAAHP dues for September 1, 2013 to August 31, 2014 which were due November 1, 2013 in the amount of \$20.00. Since these dues were for FY 2014, they should not have been paid with FY 2013 funds.
- Reimbursement for meals, lodging and gas incurred by the budget authority when attending the TAAHP conference in February 2013 in the amount of \$444.95. This delay was caused by the budget authority not approving and routing the document in DEFINE.

The exceptions were caused by dues being processed in the incorrect year and the reimbursement not being approved in a timely manner which resulted in payment after the allowed date.

Recommendation: We recommend the budget authority obtain permission from JAMP for the expenditures to be processed using FY 2013 funds. If permission is not obtained, the \$20.00 dues should be recorded in the FY 2014 account and the \$444.95 travel should be refunded to JAMP.

Management Response and Implementation Date: *The JAMP faculty director submitted receipts for the Feb 2013 TAAHP conference to the administrative assistant in February, 2013. The JAMP faculty director was never aware that there was a delay in processing nor that the transaction needed to be approved. This was due to lack of monitoring and account reconciliation review by the budget authority. The budget authority will request permission from JAMP to allow the expenditures from the FY 2013 budget and follow their instructions on any changes needed. Implementation Date November 30, 2013.*

6. Budgeted Funds not Expended

Observation: The expenditures on a program should meet the expectations of the sponsor approved budget. The JAMP director did not expend funds in four of the seven budgeted lines including hiring student workers and placing advertisements for recruiting JAMP eligible students. Two of the budgeted lines were overspent: maintenance and operation budgeted at \$242.46, spent \$772.44; and computer equipment budgeted at \$150.00, spent \$200.95. Permission to reallocate funds from these budget lines to be used for other purposes was not requested. The JAMP director is not adequately monitoring or expending the budget funds to assure the objectives of the program are met. This resulted in a refund of \$10,641.92 of the original \$12,535.00 award being returned to the sponsor.

Recommendation: The JAMP director should monitor the budget and expenditures of the account and ensure funds are being spent appropriately to accomplish the objective of the program.

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Management Response and Implementation Date: *Although the JAMP faculty director budgeted for placing advertisements as he did the previous year he did not since the advertisements appeared to get no responses. The JAMP faculty director thought it would be a waste of taxpayer money to repeat the newspaper advertisements but was not clever enough to find other ways to recruit JAMP students so the funds were returned. After attending the JAMP meetings this summer I have come up with other ideas for recruitment and thus the current budget for recruiting will be utilized. The JAMP faculty director will become more aware of monitoring budget funds in the future. Implementation will be November 4, 2013.*

Conclusion

All expenditures appear to be appropriate and in accordance with the JAMP guidelines except as noted above. Recommendations were made to strengthen internal controls and increase monitoring of account balances to assure the objectives of JAMP are accomplished. The JAMP budget authority has agreed to implement the recommendations.

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