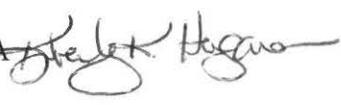


**MEMORANDUM**

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

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

DATE: November 1, 2017

SUBJECT: UT System Policy 142.1 Compliance Review  
 Engagement Number 2018-019

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In anticipation of the completion of the Annual Financial Certification Letter to UT System (UTS), Audit Services completed a review of fiscal year (FY) 2017 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, Institutional Support, and Correctional Managed Care (CMC) compiled lists of individuals responsible for completing and submitting FY 2017 sub-certification letters. Audit Services compared these lists with sub-certification letters submitted to entity leadership and determined all individuals in Institutional Support, Academic Enterprise and CMC responsible for completing sub-certification letters had completed and submitted them prior to the submission of the entity certification due October 13, 2017.

Audit Services noted at the time of Health System’s entity certification all sub-certifications were not completed; 44 of 45 (98%) were received and provided for review. The one exception was a small department/cost center representing a minimal risk to the overall enterprise. Audit Services recommends the Health System review its process for obtaining sub-certifications to help improve compliance with UT System Policy 142.1.

**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 FY 2017, 14 departments were monitored. Audit Services selected five monitored departments and reviewed all associated monitoring documentation. Our review indicated the FY 2017 monitoring activities performed by Accounting were well documented and follow-ups occurred 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. Based on the number of overall departments, we selected a proportioned sample by entity: Health System – 8; Academic Enterprise – 4; and, Institutional Support – 3.

Although not all of the departments used the methodology specified in the policy, 14 out of the 15 departments (93%) had documented their monthly reconciliations or review activities for the periods tested. One of the selected Health System departments could not provide monthly reconciliations for review. This appeared to be the result of changes in personnel and the reassignment of the department number. Additionally, we noted supervisory review/approval of reconciliations was not consistently evidenced for the remaining Health System departments reviewed. These results will be communicated to Health System Finance for further action as needed.

**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