

**The University of Texas**  
**Rio Grande Valley**

.....  
*Brownsville • Edinburg • Harlingen*

**McAllen Family Practice Residency Program  
Operational Grant Audit**

**Report No. 17-04**

**February 2017**

**Office of Audits & Consulting Services**

February 24, 2017

Dr. Guy Bailey, President  
The University of Texas Rio Grande Valley  
2102 Treasure Hills Blvd.  
Harlingen, TX 78550

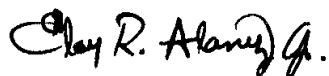
Dear Dr. Bailey,

We have completed an audit of the McAllen Family Practice Residency Program Operational Grant for the fiscal year (FY) ended August 31, 2016 as required by the Texas Higher Education Coordinating Board. The objective of this audit was to assess whether revenues, expenditures and the unexpended fund balance were reported accurately in the annual financial report and the funds were utilized in accordance with the Texas Higher Education Coordinating Board's *Family Medicine Residency Program Guidelines for Funding Operational and Optional Rotation Programs*.

In our opinion, the FY 2016 Texas Higher Education Coordinating Board funds awarded to The University of Texas Rio Grande Valley's (UTRGV) McAllen Family Practice Residency Program under the State Grant Agreement were appropriately expended in accordance with program guidelines and the revenues, expenditures and unexpended fund balance were reported accurately in the annual financial report for FY 2016.

We appreciate the assistance provided by the UTRGV's management and other personnel during our audit.

Sincerely,



Eloy R. Alaniz, Jr., CPA, CIA, CISA  
Chief Audit Executive

cc: Dr. Steven A. Lieberman, Interim Dean for School of Medicine  
Ms. Melba Sanchez, Associate Dean for School of Medicine Finance & Administration  
Dr. Yolanda Gomez, Associate Dean for Graduate Medical Education  
Dr. Sunand Kallumadanda, McAllen Family Practice Residency Program Director  
Dr. Leonor Barrera, Director for Grants and Contracts  
UTRGV Internal Audit Committee  
UT System Audit Office  
Governor's Office of Budget, Planning and Policy  
Sunset Advisory Commission  
State Auditor's Office  
Legislative Budget Board

Office of Audits and Consulting Services

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## **BACKGROUND**

The University of Texas Rio Grande Valley (UTRGV) was created by the Texas Legislature effective September 1, 2015. In addition, operations of the Lower Rio Grande Valley Academic Health Center from The University of Texas Health Science Center at San Antonio (UTHSCSA) were transferred to UTRGV. UTRGV established a medical school with the new university and has locations in Brownsville, Edinburg and Harlingen and it continues its transitional phase working through various strategic, operational and logistical challenges.

The Family Practice Residency Program (FPRP) is designed to enhance physician training and provide medical care to the under-served urban and rural areas of Texas. UTRGV operates the McAllen FPRP program, previously operated by UTHSCSA, and receives funding for the program under the provisions of the Texas Education Code, Chapter 61. The Texas Higher Education Coordinating Board (Coordinating Board) issued the *Family Medicine Residency Program Guidelines for Funding Operational and Optional Rotation Programs* pursuant to their responsibility for administration. These guidelines include a requirement for submission of an annual financial report (AFR) of FPRP revenues and expenditures along with an internal or independent auditor's opinion by December 31<sup>st</sup> or on a date established by the Coordinating Board staff and communicated to the program directors. For FY 2016, the Coordinating Board established the due date for the annual financial report and auditor's opinion as February 1, 2017. Due to the transition of program operations from UTHSCSA to UTRGV, the University obtained an extension for the AFR reporting requirements through February 10, 2017 and auditor's report through February 17, 2017. The auditors received the AFR from management on February 16, 2017.

In FY 2016, the McAllen FPRP operated on a budget of approximately \$4.5 million, including \$196,142 in program grant funding provided by the Coordinating Board. The grant amount is based on the residency program director's certification to the Coordinating Board that, as of September 1, 2015, eighteen (18) full-time family medicine residents were physically present at the residency program and contractually obligated to train in the program in FY 2016 for a minimum of six months.

## **AUDIT OBJECTIVE**

The objective of this audit was to assess whether revenues, expenditures and the unexpended fund balance were reported accurately in the annual financial report and the funds were utilized in accordance with the Texas Higher Education Coordinating Board *Family Medicine Residency Program Guidelines for Funding Operational and Optional Rotation Programs*.

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## AUDIT SCOPE & METHODOLOGY

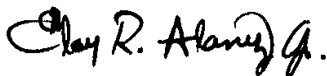
The scope of the audit included the Coordinating Board FPRP funding and associated expenditures presented within the FPRP annual financial report for FY 2016. To achieve the audit objective we:

- Verified the institution received \$196,142 for the operational and rural rotation grants as stipulated by the agreement and other pertinent documents.
- Verified accuracy of revenue and expenditure amounts presented in the annual financial report.
- Tested all expenditures made from the Coordinating Board funding to determine if they were appropriate and valid expenses for the program and made in accordance with program guidelines.
- Verified the number of residents for FY 2016 by 1<sup>st</sup> year, 2<sup>nd</sup> year and 3<sup>rd</sup> year and agreed them to Roster of Residents.
- Verified proper recording of equipment purchases, if any.

Our audit was conducted in accordance with guidelines set forth in The University of Texas System's Policies UTS 129 and the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)*. The *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of internal auditing department. UTS 129 requires that we adhere to those *Standards*.

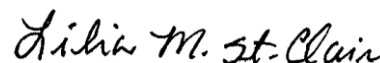
## RESULTS & CONCLUSION

In our opinion, the FY 2016 Texas Higher Education Coordinating Board funds awarded to The University of Texas Rio Grande Valley's McAllen Family Practice Residency Program under the State Grant Agreement were appropriately expended in accordance with program guidelines and the revenues, expenditures and unexpended fund balance were reported accurately in the annual financial report for FY 2016.



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Eloy R. Alaniz, Jr., CPA, CIA, CISA  
Chief Audit Executive



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Lilia St. Clair, CPA, CIA  
Senior Auditor II