

December 12, 2015

To: Giuseppe N. Colasurdo, M.D.
President

From: Daniel G. Sherman, MBA, CPA, CIA
Assistant Vice President

Revised Report on Texas Higher Education Coordinating Board Audit #16-107

We have completed our audit of the Family Practice Residency Program Fiscal Year 2015 Annual Financial Report (AFR). This annual audit is required by the Texas Higher Education Coordinating Board (THECB) and is part of our FY2016 audit plan. The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

BACKGROUND

THECB provides appropriated funds to help operate and maintain family practice residency programs in Texas. The purpose of the funds is to educate and train family practice residents and encourage them to locate their practices in underserved urban and rural areas of the state, which may ultimately lead to improved medical care for citizens in those areas. The initial funding for the Family Practice Residency Program was \$ 313,323 with an additional \$6,733 reallocation of funds provided on August 11, 2015. Therefore, the total funding received by the Family Practice Residency Program for FY 2015 was \$320,056.

The intent of these funds is to directly support the education and training of 36 full-time family practice residents.

OBJECTIVE

The objective of this review was to provide an opinion regarding revenues and expenditures related to THECB funds awarded during FY2015 and reported on the Family Practice Residency Program FY2015 Annual Financial Report.

SCOPE AND METHODOLOGY

Audit procedures included review of the THECB agreement and tests of transactions. The audit period was September 1, 2014 through August 31, 2015.

AUDIT RESULTS

Agreement with General Ledger and Expenditure Testing: Auditing and Advisory Services (A&AS) traced amounts reported on the FY2015 AFR to the general ledger and noted no exceptions. We tested non-payroll expenses paid from these funds during FY2015.

Based on this testing, we have reasonable assurance these funds are being used for their intended purpose.

Capital Expenditures: As required by the agreement between the Family Practice Residency Program and the THECB, a current listing of all equipment purchased with THECB funds is to be submitted along with our audit opinion and the FY2015 AFR. Our audit work indicated there were no equipment purchases during FY2015.

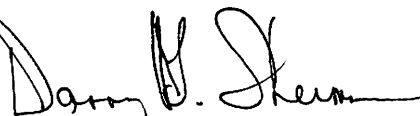
Payroll Expenditures: To verify whether individuals were paid from THECB funds, we reviewed a query of all expenditures to identify payroll transactions posted to THECB funds. Eight employees were paid from these funds during FY2015. We tested all eight individuals to determine whether the employees worked on the project. Our audit work indicated the individuals paid from the project's funds worked on the project, and their time and effort reports have the appropriate approvals.

Unexpended Funds: A&AS reviewed the treatment of unexpended funds from the prior year and found the Department of Family and Community Medicine had no unexpended funds carried forward from prior year's budget to be expended. According to the FY2015 AFR, all of the funds were expended with the exception of the reallocated funds totaling \$6733; these funds will be carried forward to the FY2016 budget.

CONCLUSION

In our opinion, the AFR being reported to the THECB fairly presents revenues and expenditures related to FY2015 THECB award.

We would like to take this opportunity to express our appreciation for the courtesy and cooperation extended to us by the employees of the Departments of Family and Community Medicine and Post-Award Finance. If you have any questions or concerns about these matters, my staff and I are available at 713-500-3270 to discuss them with you.



Daniel G. Sherman, MBA, CPA, CIA
Assistant Vice President

DGS:db

cc: Audit Committee
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Auditor Assigned: Diarra Boye
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