



*Internal Audit Department*

December 28, 2017

Dr. Kirk A. Calhoun, President  
UT Health Northeast  
11937 U. S. Hwy 271  
Tyler, TX 75708

Dear Dr. Calhoun:

We completed an audit of the Family Medicine Residency Program (FMRP) Annual Financial Report (AFR) for Fiscal Year Ended (FYE) August 31, 2017. This audit was completed as part of our Fiscal Year (FY) 2018 Annual Audit Plan to comply with Texas Higher Education Coordinating Board audit requirements. The objective of the audit was to determine if FY 2017 Texas Higher Education Coordinating Board funds awarded to the UT Health Northeast FMRP under the State Grant Agreement were appropriately expended as required by program guidelines.

FY 2017 Texas Higher Education Coordinating Board funds awarded to the UT Health Northeast FMRP in the amount of \$291,175.18 were appropriately spent in accordance with applicable guidelines. This audit was conducted in accordance with guidelines set forth in The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*. We appreciate the assistance provided by management and other personnel and hope the information presented in our report is helpful.

Sincerely,

Stephen Ford  
AVP, Chief Audit Executive

Enclosure

cc:

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**Family Medicine Residency Program  
Annual Financial Report Audit for Fiscal  
Year Ended August 31, 2017**

**December 28, 2017**

**UT HEALTH NORTHEAST  
INTERNAL AUDIT DEPARTMENT  
11937 US HIGHWAY 271  
TYLER, TX 75708**

**UT Health Northeast  
Family Medicine Residency Program Annual Financial Report Audit  
For Fiscal Year-End August 31, 2017**

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**TABLE OF CONTENTS**

*BACKGROUND* ..... 4

*AUDIT OBJECTIVE* ..... 4

*AUDIT SCOPE/METHODOLOGY*..... 4

*RESULTS*..... 4

**UT Health Northeast  
Family Medicine Residency Program Annual Financial Report Audit  
For Fiscal Year-End August 31, 2017**

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**Audit Report**

***BACKGROUND***

The Family Medicine Residency Program (FMRP) is a program designed to enhance physician training and provide medical care to the under-served urban and rural areas of Texas. UT Health Northeast receives funding for the FMRP under the provisions of the Texas Education Code, Chapter 61. The Texas Higher Education Coordinating Board (Coordinating Board) administers the program and pursuant to their responsibility for administration has issued the *Family Medicine Residency Program Guidelines for Funding Operational and Optional Rotation Programs*. These guidelines include a requirement for submission of an annual financial report (AFR) of FMRP 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 Fiscal Year (FY) 2017, the Coordinating Board established the due date for the AFR and auditor's opinion as December 31, 2017.

In FY 2017, the FMRP operated on a budget of approximately \$8.8 million, including \$291,175.18 in program grant funding provided by the Coordinating Board. There were 25 residents in the program in FY 2017. The UT Health Northeast FMRP Program Director for FY 2017 was Dr. Robert Tompkins and the Program Administrator was Dr. Jeffrey Levin.

***AUDIT OBJECTIVE***

The objective of the audit was to determine if FY 2017 Texas Higher Education Coordinating Board funds awarded to the UT Health Northeast FMRP under the State Grant Agreement were appropriately expended as required by program guidelines.

***AUDIT SCOPE/METHODOLOGY***

The audit period was September 1, 2016 through August 31, 2017. Audit procedures included review of the Coordinating Board agreement, pertinent supporting documents and testing of transactions.

***RESULTS***

We verified that the Coordinating Board funding based on the operational grant agreement and rural rotation awards in the sum of \$291,175.18 agreed to the amounts that were received and recorded in the general ledger and FMRP AFR for Fiscal Year Ended (FYE) 8/31/2017. In FY 2017, all expenditures from the grant funds were appropriate and made in accordance with program guidelines for FMRP payroll expenses and related costs that totaled \$278,195. As was disclosed in last year's FMRP AFR Audit Report, please note that the Coordinating Board awarded rural rotation funding to the institution in FY 2016 in the amount of \$12,500 for 5 residents; however, due to a processing error, expenses were not charged against the funding awarded for rural rotations completed in FY 2016. To resolve the unexpended funds, the Coordinating Board plans to reduce their FY 2018 payment to the UT Health Northeast FMRP by \$12,500. The \$12,500 has

**UT Health Northeast**  
**Family Medicine Residency Program Annual Financial Report Audit**  
**For Fiscal Year-End August 31, 2017**

been included in the FY 2017 AFR Coordinating Board Family Practice Funds subtotal. It should also be noted that the funds awarded to the institution by the Coordinating Board for FY 2017 accrued interest in the amount of \$480.18, which we verified was accurate. We conducted our audit in accordance with the *International Standards for the Professional Practice of Internal Auditing* as promulgated by The Institute of Internal Auditors.



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Stephen Ford  
AVP, Chief Audit Executive