

**MEMORANDUM**

**TO:** Benny G. Raimer, MD  
Senior Vice President, Health Policy & Legislative Affairs

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

**DATE:** October 26, 2018

**SUBJECT:** Health Policy & Legislative Affairs (HPLA) Change of Management Audit  
Engagement Number 2018-033

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Attached is the final report regarding the HPLA Change of Management Audit related to the Global Health Education Program, Area Health Education Centers (AHEC), and the Science Education Outreach Program within the Department of Health Policy & Legislative Affairs. This audit will be presented at the next Institutional Audit Committee meeting.

Additionally, please find attached Audit Services audit recommendation follow up policy. Each of the recommendations is classified by type at the end of its identifying number: Significant (S), Risk Mitigation (R), or Process Improvement (P). As you will note in the policy, the classification of the recommendation determines the frequency of our follow up. All follow up results are reported quarterly to the Institutional Audit Committee.

Thank you for your cooperation and assistance during the course of this review. If you have any questions or comments regarding the audit or the follow-up process, please feel free to contact me at (409) 747-3277.

Attachments

c: David L. Callender, MD  
Elizabeth Stum



The University of Texas Medical Branch  
Audit Services

Audit Report

Department of Health Policy & Legislative Affairs  
Change of Management Audit

Engagement Number 2018-033

October 2018

The University of Texas Medical Branch  
Audit Services  
301 University Boulevard, Suite 4.100  
Galveston, Texas 77555-0150

## Health Policy and Legislative Affairs (HPLA) Change of Management Audit Engagement Number: 2018-033

### **Background**

The University of Texas Medical Branch's (UTMB Health's) Office of Health Policy and Legislative Affairs (HPLA) "*advances the education and research mission of the University of Texas Medical Branch (UTMB Health) by strengthening research, innovation, decision-making, and relationships in all matters related to health policy*". In November 2016, three programs within the Academic Enterprise – Global Health, Science Educational Outreach, and the Area Health Education Center – were transitioned to HPLA to enhance synergy with its current education-related programs.

- The *Global Health Program* (Global Health) trains health professionals to work with vulnerable populations at home and abroad and provide inter-professional learning opportunities working with opportunities working with our long-term partners to provide safe, well supervised, and meaningful international electives for our learners.
- The *Science Educational Outreach Program* (Educational Outreach) mission is to enhance, assist, and supplement the existing recruitment efforts of students to UTMB Health with a major focus on the recruitment of under-represented minority faculty and students.
- The *Area Health Education Center* (AHEC) is part of a national non-profit organization specializing in health care workforce development. AHEC's eight centers provide services in the East Texas region.

Audit Services added the HPLA change of management audit to its the Fiscal Year (FY) 2018 UTMB audit plan at the request of the Senior Vice President of HPLA. Change in management audits primarily focus on organizational structure, policy and procedures, financial controls such as account reconciliations, and on operational controls such as proper segregation of duties.

### **Audit Objectives**

The primary objective of this audit was to review the organizational and operational changes made within the Global Health Education Program, Area Health Education Centers, and the Science Education Outreach programs with their transition to the Department of Health Policy & Legislative Affairs. Additionally, we assessed the effectiveness of internal controls related to activities such as account reconciliations and expenditures.

### **Scope of Work and Methodology**

The scope of work included current administrative operations within HPLA, Global Health, AHEC and Educational Outreach programs. Our audit methodology included interviews with key personnel, review and analysis of pertinent documentation, and limited testing of FY 2018 transactions related to accounts payable, revenue recognition, and effort reporting.

The audit was conducted 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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### Audit Results

#### **Policies and Procedures**

Policies and procedures are effective control activities that provide guidance to staff, provide reasonable assurance a department complies with applicable laws and regulations and help ensure management directives are followed. Audit Services interviews with key personnel indicated that each department abides by the UTMB institutional policies. Additionally, Global Health has a separate administrative policy and procedure that reflects and helps support their current operational practices.

#### **Organizational Structure**

The organizational structure provides the basic framework for authority, supervision, and reporting relationships within an organization. Audit Services reviewed the organizational charts and structures for HPLA, Global Health, AHEC and Educational Outreach, noting they appear appropriate for the monitoring and supervision of personnel, processes and controls. During our review we noted an opportunity for HPLA leadership to update its chart to reflect recent current program staff changes.

#### **Personnel**

Leading practices indicate roles, responsibilities, and functions should be clearly defined and aligned to achieve organizational objectives. Through interviews with the administrative personnel and review of related job descriptions in the HPLA, Global Health, AHEC and Educational Outreach programs, the administrative personnel appear well qualified and trained to perform their respective responsibilities. However, we noted several administrative job descriptions for the Global Health and AHEC programs that appear misaligned with the actual duties performed:

- *Global Health:* The Administrative Secretary job description does not reflect the student coordinator activities performed. Additionally, on the HPLA organizational chart this employee is titled Student Coordinator.
- *AHEC:* Since the transition, due to a reduction in funding and the retirement of two program employees, two administrative personnel have taken on additional operational roles and responsibilities. The AHEC Director expressed concerns their job descriptions may no longer reflect the actual work being performed.

#### **Recommendation 2018-033-01-RM:**

The Senior Vice President of Health Policy & Legislative Affairs, working with the program directors and Human Resources, should evaluate the current roles and responsibilities within the Global Health and AHEC programs to ensure employees' job descriptions align with the work performed.

#### **Management's Response:**

Management agrees and will immediately initiate an evaluation of current roles in GH and AHEC related to job descriptions for employees as suggested.

**Implementation Date:** December 31, 2018

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### Expenditures

UTMB Health's Institutional Handbook of Operating Procedures (IHOP) Policy 4.4.2 Official Function Expenditures and the institution's Accounts Payable Guide provide guidance and documentation requirements for reimbursement or payment of non-payroll expenditures.

Audit Services tested a sample of 45 non-payroll expenditures from the Global Health, AHEC, and Educational Outreach program occurring during the period December 2017 through May 2018. Additionally, Audit Services tested a sample of five travel expense reports from the Global Health program. Our testing indicated all expenditures and expense reports were allowable, mathematically accurate, adequately supported, properly approved, and had an appropriate business purpose and appropriate segregation of duties.

Additionally, Audit Services compared the full-time equivalent count in the PeopleSoft Human Capital Management application with the organizational charts for Global Health, AHEC, and Educational Outreach noting salaries for all employees appeared appropriately sourced.

As recipients of federal funding, AHEC and Educational Outreach must verify that staff time, salaries, and benefits charged to a sponsored award are appropriately certified by the award's principal investigator. Audit Services reconciled two FY 2018 second quarter effort reports for AHEC staff and two effort reports for Educational Outreach staff with the salaries and benefits expensed to their respective awards noting all effort appears accurately reported.

### Revenue

Audit Services' high-level review of FY 2018 revenue transactions did not indicate any unusual or irregular transaction patterns warranting further investigation. In addition to general revenue, funding sources for the three programs include grants and gifts or donations. We selected a sample of endowment/donation/grant revenue streams for each of the three programs and verified all funds due were received.

### Departmental Account Reconciliations

Departmental account reconciliations are a detective control that helps ensure financial records are accurate and complete. *UTMB Health's Financial Controls, Monthly Review and Reconciliation Policy* requires documented monthly account reconciliations which are reviewed and approved by the preparer's supervisor. Our review of account reconciliations for the period December 2017 through May 2018, indicated insufficient supervisory oversight and monitoring to ensure compliance with institutional guidance:

- Educational Outreach – Since transitioning to HPLA, the Educational Outreach program has not reconciled any of its accounts.
- Global Health – Program staff are responsible for reconciling ten accounts monthly.
  - Prior to March 2018, reconciliations while completed were not documented and formally approved. Beginning in March 2018, the staff began using the Monthly



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- Financial Review and Reconciliations Checklist form to document preparation and supervisory approval.
  - Six monthly reconciliations for one account did not reconcile to the PeopleSoft account detail due to the reconciler not recognizing the credit expenditures when performing the reconciliation. For example, when a student makes a field site payment to Global Health, it is recognized as a credit to “other professional services”; however, program staff remove this credit from their calculations when performing the account reconciliation.
- AHEC – Program staff reconciles three accounts monthly for a total of 18 reconciliations for the period tested.
  - 15 of the 18 reconciliations were completed and signed off two months or greater after month end.
  - 4 of the 6 reconciliations reviewed for one of the accounts were not completed accurately as the totals for each expense category did not tie to the PeopleSoft detail transactions. AHEC subsequently corrected the reconciliations and provided them to Audit Services for review with no further exceptions.

### **Recommendation 2018-033-02-RM:**

The Senior Vice President of Health Policy & Legislative Affairs, working with the program directors, should ensure all personnel involved in the reconciliation process are appropriately trained.

### **Management’s Response:**

Management agrees and will continue working with staff in these entities to reinforce the timeliness and completion of reconciliations and has placed these expectations on manager’s goals and responsibilities for the forthcoming year. Additional training will be obtained for individuals responsible for reconciliations and their immediate department supervisor may need to become more involved in checking the completion of work.

**Implementation Date:** December 31, 2018

### **Recommendation 2018-033-03-RM:**

The Senior Vice President of Health Policy & Legislative Affairs, working with the program directors, should implement a supervisory oversight and monitoring process to ensure all reconciliations are completed timely and accurately as required by institutional policy.

### **Management’s Response:**

Management agrees and will implemented with designated oversight and monitoring through the Office of the President-Institutional Support Services team.

**Implementation Date:** December 31, 2018

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### Oversight and Monitoring

Oversight and monitoring of personnel, business processes, and controls provides reasonable assurance that an entity is meeting its stated objectives. Audit Services interviews with key personnel indicated inconsistent communication between HPLA and the three programs.

- Financial reports are provided to the Global Health, AHEC, and Educational Outreach on an inconsistent basis, and there is no requirement to provide HPLA leadership any program related reports.
- Global Health and AHEC Directors articulated that they had very few meetings with HPLA to discuss how the transition was going, what they are currently working on, and/or any issues. HPLA leadership indicated the scheduling of monthly meetings with Global Health and AHEC directors for FY 2019.
- Global Health and AHEC Directors articulated the need for additional definition and clarity of their roles and responsibilities with the transition as at times it is unclear on the boundaries on who should be doing what and what is required of them.
- The Educational Outreach Program Manager expressed concern related to request follow through and the communication timing of FY 2019 budgetary information.

### Recommendation 2018-033-04- RM:

The Senior Vice President of Health Policy & Legislative Affairs should establish a process and enhance communication to ensure proper oversight and monitoring of personnel, business processes and controls.

### Management's Response:

Throughout the year of transition, the HPLA leadership team met with leadership within these areas once a month or more and with entire teams meetings monthly. In addition information regarding finances, targets, and metrics are shared regularly as was required attendance at weekly Relay meetings. Therefore, we are surprised that the leadership of some entities reported a lack of consistent communication, which may be more reflective of preferring the prior leadership approach which appeared to lack appropriate expectations of accountability.

The HPLA management team will reinforce the need to continue to strengthen our management guidelines, accountability, and supervision of each business unit. Moreover, we will work to improve the education of staff and leadership related to their personal responsibilities for stewardship of funds and documentation of outcomes and transactions.

**Implementation Date:** March 1, 2019

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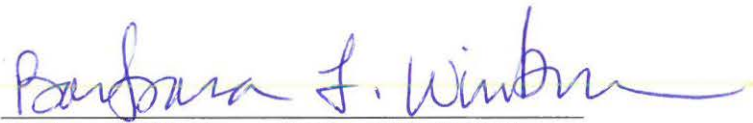
**Conclusion**

Audit Services conducted a change of management audit of the organizational and operational activities within the Global Health, AHEC, and Educational Outreach programs with their transition to the Office of HPLA. Overall, opportunities for improvement were noted in the areas of personnel, account reconciliations, oversight and monitoring, and communication.

We greatly appreciate the assistance provided by the Office of HPLA and the Global Health, AHEC and Educational Outreach programs personnel and hope that the information presented in our report is beneficial.

A handwritten signature in blue ink, appearing to read "Kimberly K. Hagara", written over a horizontal line.

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

A handwritten signature in blue ink, appearing to read "Barbara L. Winburn", written over a horizontal line.

Barbara L. Winburn, RHIA, CIA, CRMA  
Senior Audit Services Manager