

**MEMORANDUM**

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

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

DATE: October 31, 2018

SUBJECT: UT System Policy 142.1 Compliance Review  
 Engagement Number 2019-005

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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) 2018 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**

For FY 2018, UTMB Health implemented an electronic sub-certification form submission process for the Academic Enterprise, Health System, and Institutional Support areas. Correctional Managed Care (CMC) used a manual process. Audit Services gained a high level understanding of the electronic form development and security processes. Audit Services reviewed the electronic sub-certification letter process results and determined all individuals in Health System, Institutional Support, and Academic Enterprise identified as responsible for completing sub-certification letters had completed and submitted them prior to the submission of the entity certification due October 15, 2018. Additionally, Audit Services obtained and reviewed the manual CMC sub-certification letters submitted and verified they were completed prior to the due date.

**Monitoring Plan for Segregation of Duties and Reconciliation of Accounts**

Annually, Accounting and Finance 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 2018, 15 departments were monitored. Audit Services selected three monitored departments and reviewed all associated monitoring documentation. Our review indicated the FY 2018 monitoring activities performed by General 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 – 9; Academic Enterprise – 4; and, Institutional Support – 2.

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 appears to be the result of changes in personnel and the presumed closure of the department account number. Additionally, we noted supervisory review/approval of reconciliations was not formally evidenced for two Health System and 2 Academic Enterprise departments reviewed. These results will be communicated to Health System and Academic Enterprise 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  
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