

UTSouthwestern
Medical Center™

Office of Institutional Compliance
and Audit Services

Third-Party Oversight Audit

Internal Audit Report 25-AS-0012

October 22, 2025



Executive Summary

Contract administration and oversight encompass seven core processes: planning, monitoring performance, change management, payment approval, dispute resolution, termination, and contract close-out. These processes collectively ensure that contractual obligations are fulfilled effectively and that risks are managed throughout the contract lifecycle. Effective administration of service contracts specific to UT Southwestern departments requires project staff to have a clear understanding of the contract’s scope, deliverables, performance expectations, and payment terms. They are responsible for identifying risks, tracking key milestones and dates, and ensuring compliance with terms related to delivery, inspection, and acceptance. Sourcing and contracting specialists are responsible for leading the development and execution of the contract framework, ensuring legal and institutional compliance, and providing guidance to the departments after the contract is executed.

The purpose of this review was to understand and evaluate the existing oversight mechanisms for vendor-contracted services. This evaluation focused on contract monitoring, training, assurance of vendor activities, accuracy of payments, and the payment approver-level appropriateness.

Engagement Results

The Office of Institutional Compliance & Audit Services (OICAS) conducted the Third-Party Oversight Audit with a focus on service contracts that are monitored at a department level. Overall, the audit team recognized multiple strengths for the processes including strong controls built into PeopleSoft to identify match exceptions and system assigned workflows to route payments to appropriate approvers. However, some control gaps were identified that require management to provide additional guidance on contract monitoring and closer review of invoices prior to payment.

A summary of observations is outlined below:

AREA	OPPORTUNITIES	RISK RATING
Contracted Services Oversight & Departmental Accountability	• Procurement & Contract Management Procedures.	MEDIUM
	• Contract to Quote Price Comparison.	
	• Rate Variation (Safety & Business Continuity).	
	• Contract Deliverables (Communications, Marketing and Public Affairs).	

Further details are outlined in the Detailed Observations section. Less significant issues were communicated to management.

Management Summary Response

Management agrees with the observations and Recommendations and has developed action plans to be implemented on or before November 30, 2026.

Appendix A outlines the objective(s), scope, methodology, stakeholder list, and audit team for the engagement.

Appendix B outlines the Risk Rating Classifications and Definitions.

The courtesy and cooperation extended by the personnel in Accounts Payable, Advancement Services, Communications, Marketing, and Public Affairs, Hospital Administration, Obstetrics & Gynecology - Administration, Safety & Business Continuity, Sourcing, and Purchasing are appreciated.

Natalie A. Ramello

Natalie A. Ramello, JD, CIA, CHC, CHPC, CHRC, CHIAP
Vice President, Chief Compliance & Audit Officer
Office of Institutional Compliance & Audit Services
October 22, 2025

DETAILED OBSERVATIONS

1. Contracted Services Oversight & Departmental Accountability

Effective vendor management requires departments to actively monitor contracted services to ensure deliverables are met prior to approving payments. The audit identified gaps in consistent payment oversight and approval practices across departments, including a lack of formal processes to verify service completion. While efforts are underway to clarify expectations, departments must recognize their responsibility in confirming that services have been rendered in accordance with contract terms before authorizing payment, to strengthen compliance and safeguard institutional resources.

MEDIUM

1.1 Procurement and Contract Management Procedures	Recommendations	Management Action Plan
<p>UT Southwestern Policy <u>FIM-301 Authority to Execute Contracts and Make Purchases</u> states, “It is the responsibility of the department or center to monitor both UT Southwestern’s and other parties’ compliance with the agreement.”</p> <p>The audit found that departmental oversight of contracted services is impacted by unclear roles, inconsistent guidance, and limited use of Chapter 7 of the <i>Procurement and Contract Management Handbook</i>. The chapter lacks specific, actionable instructions for verifying service delivery before payment approval, leading to inconsistent practices, reduced accountability, and increased risk of non-compliance.</p> <p>Individuals assigned to oversee procurement, contract monitoring, and payment approval are not required to undergo any formal training</p>	<p>Supply Chain management should:</p> <ul style="list-style-type: none"> Complete a comprehensive review of Chapter 7 of the <i>Procurement and Contract Management Handbook</i> to clarify roles and responsibilities related to contract monitoring. Establish clear expectations requiring payment approvers to obtain confirmation from the designated individual who is overseeing the contract that services were performed in accordance with the contract terms, prior to authorizing payment. Develop and implement a comprehensive training program for all individuals involved in procurement, contract monitoring, and payment approval processes. The program should include formal training requirements that must be completed prior to 	<p>Action Plan Owners: Sharonda Lawson Tim Martin</p> <p>Action Plan Executives: Sharonda Lawson Tim Martin</p> <p>Due Date: 11/30/2026</p> <p><i>Management will:</i></p> <ul style="list-style-type: none"> <i>Review and revise the Procurement and Contract Management Handbook once UT System (UTS) provides the updated version, ensuring it aligns with UT Southwestern’s internal procedures and operational practices.</i> <i>If revisions of the handbook are limited due to UTS requirements, management will develop a</i>

<p>and these roles are often designated without any review of the individual's qualifications or oversight to ensure they are prepared for the responsibilities.</p>	<p>assigning related responsibilities or activating tasks within institutional systems. This will ensure roles are designated with appropriate oversight and validation.</p>	<p><i>standalone procedure document for departmental process owners that will clearly define their roles and responsibilities in contract monitoring and payment approvals for service contracts.</i></p> <ul style="list-style-type: none"> • <i>Develop and roll out a structured training program with mandatory completion requirements before staff are assigned procurement, contract monitoring, or payment approval duties.</i>
<p>1.2 Contract to Quote Price Comparison</p>	<p>Recommendations</p>	<p>Management Action Plan</p>
<p>The audit identified inconsistent practices across departments in verifying vendor quotes and cross-referencing them against preferred supplier contract terms prior to payment authorization. Department staff responsible for obtaining quotes may lack visibility into the applicable service agreements, limiting their ability to detect pricing discrepancies or confirm compliance with negotiated rates.</p> <p>In one instance, the quote, purchase order, and invoice were all aligned at a rate of \$1.95 per occupied square foot; however, limited visibility into the underlying contract that showed where the agreed rate was \$1.90, may have prevented UT Southwestern from recognizing the opportunity to secure a more favorable price.</p>	<ul style="list-style-type: none"> • Establish a system or platform that allows department staff to easily access current preferred supplier agreements when obtaining quotes or reviewing invoices. • Ensure contract rates are embedded into purchasing systems so quotes, purchase orders, and invoices can be automatically validated against agreed terms. • Provide targeted training to department staff on the new system to ensure they can effectively use its features for accurate contract and pricing validation. 	<p>Action Plan Owner: Jason Wright</p> <p>Action Plan Executive: Martin Marshall</p> <p>Due Date: 3/31/2026</p> <p><i>Management is implementing a new supply chain management system to improve contract visibility and pricing validation. The software will allow departments to cross-reference quotes, purchase orders, and invoices against preferred supplier agreements, reducing the risk of overpayment.</i></p> <p><i>Implementation will include:</i></p>

<p>Without clear access to contract details or formal procedures for validating quoted rates, departments may approve payments that exceed agreed-upon terms.</p>		<ul style="list-style-type: none"> • <i>Integrating the system with existing procurement and financial platforms.</i> • <i>Migrating contract data to enable real-time pricing checks.</i> • <i>Providing staff training to ensure effective use of new system.</i>
<p>1.3 Rate Variation (Safety & Business Continuity)</p>	<p>Recommendations</p>	<p>Management Action Plan</p>
<p>A review of seven Purchase Order (PO) payments made by Safety & Business Continuity, identified one (1) invoice where the rate utilized for payment could not be validated for accuracy. Specifically, the invoice appeared to be billed at a Senior Technician rate (\$110 per business hour) but was labeled as Technician labor. This role has a rate of \$98 per business hour within the service agreement.</p> <p>Additionally, the invoice included a date range of when services were rendered; however, it did not specify the number of hours worked per day that could affect the rate (e.g., business hours, nights, weekend hours, etc.). Departmental leadership noted that the specific vendor bills at the \$110 hourly rate when a licensed technician is performing work; however, this is not noted in the service agreement.</p>	<p>Department Leadership should:</p> <ul style="list-style-type: none"> • Review the identified exceptions and determine next steps (e.g., validate if rates are accurate based on service agreement, request refund / credit (as applicable), update the rates in the agreement, etc.). Additionally, a comprehensive review should be conducted of the remaining invoices linked to the service agreement to ensure appropriate rates are applied. • Implement a formal process to verify that invoiced service rates match the contractual terms before approving payment. This should include cross-checking invoice details and associated support against the rate schedule. • Confirm that expectations regarding service rates are clearly communicated to the vendor and that any updates to rate structures are formally amended in the agreement. 	<p>Action Plan Owners: Michael Garcia Smita Pascual</p> <p>Action Plan Executive: Dr. Bruce Brown</p> <p>Due Date: 10/31/2025</p> <p><i>The Safety Office has confirmed that all labor rates were billed correctly as the vendor only uses Senior Technicians at UT Southwestern.</i></p> <p><i>Fire Safety has met with the vendor and requested all future invoices be appropriately labeled with the correct position providing the labor.</i></p> <p><i>Management will update processes to include:</i></p> <ul style="list-style-type: none"> • <i>Verification of invoice details prior to payment to specifically check</i>

<p>This discrepancy suggests a lack of alignment between reviewing invoicing practices and contractual terms, increasing the risk of inaccurate payments and non-compliance with agreed upon pricing.</p> <p>Due to the 11% error rate identified within the sample, it is reasonable to assume that additional exceptions exist within the identified population of 87 Fire Alarm Systems Contract Maintenance and Repair invoices (FY2025), and an additional investigation is needed to determine total impact.</p>	<ul style="list-style-type: none"> • Conduct periodic (e.g., quarterly, bi-annually, etc.) audits of vendor payments to ensure invoices are reviewed and comply with pricing terms and other contract requirements prior to payment. • Monitor spend on a vendor level to identify trends, outliers, etc. to enhance vendor oversight. 	<p><i>the billed labor rate versus the contracted rate.</i></p> <ul style="list-style-type: none"> • <i>Review of invoices on an ongoing basis to ensure they are in accordance with contractual terms. Safety directors will review a selection of invoices for adherence to contractual rates, trends, and outliers at least twice per year.</i>
<p>1.4 Contract Deliverables (Communications, Marketing & Public Affairs)</p>	<p>Recommendations</p>	<p>Management Action Plan</p>
<p>A review of seven PO payments made by the Communications, Marketing & Public Affairs identified a lack of consistent monitoring and oversight of word counts in article requests submitted to the vendor. Specifically, the standard rate of \$1 per word, as outlined in the service agreement, was not consistently enforced, and communications often lacked consistent communication and/or clarity on the approved word count range. When reviewing invoice support, there were instances where articles exceeded the 500-word threshold where additional approval is required; however, the communication to the vendor included loose language of “500 words or so.”</p> <p>This inconsistency raises the risk of payments not aligning with contractual terms,</p>	<p>Department Leadership should:</p> <ul style="list-style-type: none"> • Establish and implement formal controls to ensure consistent adherence to the word count parameters outlined in the service agreement. This should include: <ul style="list-style-type: none"> ○ Standardized language in communications with the vendor regarding expected word counts ○ Documented approval process for articles exceeding the 500-word threshold ○ Retention processes for associated support • Conduct periodic (e.g., quarterly, bi-annually, etc.) audits of vendor payments to ensure invoices are 	<p>Action Plan Owner: Isaac Munoz</p> <p>Action Plan Executive: Jenny Doren</p> <p>Due Date: 2/1/2026</p> <p>Management will:</p> <ul style="list-style-type: none"> • Develop and implement standardized communication protocols for article requests to ensure clarity on word count expectations, including consistent use of approved language and thresholds. • Establish a formal approval workflow for articles exceeding the

<p>underscoring the need for strengthened controls and clearer vendor communication protocols. It is important to note that only potential underpayments were identified.</p>	<p>reviewed and comply with pricing terms and other contract requirements prior to payment.</p> <ul style="list-style-type: none"> • Monitor spend on a vendor level to identify trends, outliers, etc. to enhance vendor oversight. 	<p>500-word limit, including documentation of approvals and retention of supporting materials.</p> <ul style="list-style-type: none"> • Conduct periodic audits of vendor invoices to verify alignment with contract terms, especially word count-based pricing. • Monitor vendor-level spend trends to identify anomalies, ensure accountability, and inform future contracting decisions. • Train relevant team members on the service agreement terms and internal procedures to reinforce compliance and reduce risk of underpayment or miscommunication.
---	---	--

Appendix A

Objectives, Scope, and Methodology

The objective of the review is to audit UT Southwestern's vendor monitoring and oversight operating model and associated processes, including relevant controls, to determine whether systems and controls are functioning effectively, as intended, and delivering optimal results.

The audit scope period included activities of the following departments between 06/01/2024 to 05/31/2025:

- Advancement Services
- Safety & Business Continuity
- Hospital Administration
- Communications, Marketing and Public Affairs
- Obstetrics & Gynecology

The review included the evaluation of monitoring, training, assurance of vendor activities, accuracy of payments, and payment appropriateness as it relates to the vendor-contracted services. The review did not include purchase-order processing or three-way matches.

Our procedures included but were not limited to the following:

- Interviewed key personnel and reviewed relevant organizational policies.
- Examined personnel management processes including, but not limited to, monitoring vendors, internal training, assurance of vendor activity completion, payment accuracy validation, payment approval hierarchy.
- Evaluated controls, policies / procedures, trainings, exception handling, etc. in place to understand system governance, oversight, and monitoring for vendors who provide services and identify improvement opportunities.
- Validated, for a probe sample of invoices and associated payments, that a two-way match was completed between the invoice and purchase order (PO), proof of services rendered was evidenced prior to payment approval, supporting documentation was maintained, appropriate approval was obtained, and payment amounts were accurate.

We conducted our engagement in conformance with the Institute of Internal Auditors' Global Internal Audit Standards™.

Executive Sponsor:

Matthew Rosamond, Vice President, Finance and Chief Financial Officer

Key Stakeholders:

Amanda Billings, Vice President, Development & Alumni Relations

Dr. Bruce J. Brown, Associate Vice President, Safety and Business Continuity

Jenny Doren, Vice President, Communications, Marketing, & Public Affairs

Julia Frisby, Attorney Healthcare Contracts, Legal Affairs

Danna Hightower, Assistant Director of Department Operations

Sharonda Lawson, Director, Sourcing & Contracts Management

Tim Martin, Director, Purchasing

Isaac Munoz, Assistant Vice President, Marketing & Digital

LiAnh Nguyen, Director, Hospital Administration

Joanie Riley, Department Administrator

Jessica Rivera, Interim Chief Operating Officer, University Hospital & Assistant Vice President, Clinical Laboratory Services

Will Ward, Senior Manager, Legal Contract Services

Austin Westervelt-Lutz, Assistant Vice President, Advancement Services

Audit Team:

Cooper Atkinson, Senior Consultant, Protiviti

Idris Buhidma, Internal Audit Manager, Internal Audit

Ada Dye, Manager, Engagement Lead, Protiviti

Matt Jackson, Managing Director, Executive and Engagement Oversight, Protiviti

Pip Krauss, Assistant Director, Internal Audit

Rhyn Page, Senior Manager, Client Lead, Protiviti

Natalie Ramello, Vice President, Chief Compliance & Audit Officer

Autumn Sudrala, Senior Consultant, Protiviti

Appendix B

Risk Classifications & Definitions

Each observation has been assigned a risk rating according to the perceived degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management. The following chart is intended to provide information with respect to the applicable definitions, color-coded depictions, and terms utilized as part of our risk ranking process:

Degree of Risk & Priority of Action	
Priority	An issue identified by Internal Audit that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Southwestern or the UT System as a whole.
High	A finding identified by Internal Audit that is considered to have a high probability of adverse effects to UT Southwestern either as a whole or to a significant college / school / unit level. As such, immediate action is required by management to address the noted concern and reduce risks to the organization.
Medium	A finding identified by Internal Audit that is considered to have a medium probability of adverse effects to UT Southwestern either as a whole or to a college / school / unit level. As such, action is needed by management to address the noted concern and reduce the risk to a more desirable level.
Low	A finding identified by Internal Audit that is considered to have minimal probability of adverse effects to UT Southwestern either as a whole or to a college / school / unit level. As such, action should be taken by management to address the noted concern and reduce risks to the organization.

It is important to note that considerable professional judgment is required in determining the overall ratings. Accordingly, others could evaluate the results differently and draw different conclusions. It is also important to note that this report provides management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel may significantly and adversely impact on these risks and controls in ways that this report did not and cannot anticipate.