

Valla F. Wilson, CIA, CRMA
Associate Vice President

Office of Internal Audit

October 31, 2017

Office of the State Auditor
206 East Ninth Street, Suite 1900
Austin, TX 78701

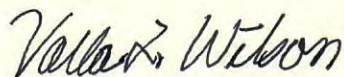
Dear Office of the State Auditor:

We have prepared this report on the activities of The University of Texas Southwestern Medical Center's (Medical Center) Office of Internal Audit in compliance with the requirements established in the Texas Internal Auditing Act (Texas Government Code, Section 2102). This report provides information on our FY 2017 and 2018 audit plans, audits completed and recommendations. The FY 2017 Audit activities focused on key externally requested and Institutional risk-based areas including patient care, information technology, compliance, core business processes, and other areas based on risk analysis.

Our recommendations will help enhance the effectiveness of Medical Center operations by improving internal controls such as the reliability and integrity of financial information, safeguarding of assets, compliance with applicable policies and procedures, economical and efficient use of resources and accomplishment of goals and objectives.

We appreciate the opportunity to participate in this process. For further information about the contents of this report and/or to request copies of audit reports, please contact me at 214-648-6106.

Sincerely,



Valla F. Wilson, Associate Vice President for Internal Audit, Chief Audit Executive

cc: Drew DeBerry, Governor's Office of Budget and Planning
Ken Levine, Sunset Advisory Commission
Julie Ivey, Legislative Budget Board
Daniel K. Podolsky, M.D., President, University of Texas Southwestern Medical Center

**The University of Texas
Southwestern Medical Center
Internal Audit Annual Report for Fiscal Year 2017**



October 31, 2017

THE UNIVERSITY OF TEXAS
SOUTHWESTERN MEDICAL CENTER

INTERNAL AUDIT ANNUAL REPORT FOR FISCAL YEAR 2017

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I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet Web site

The UT Southwestern Office of Internal Audit prepares an annual report and submits the report before November 1 of each year to the Legislative Budget Board, the Sunset Advisory Commission, the State Auditor and the Governor's Office of Budget and Planning. In accordance with House Bill 16, these reports have been made available on the UT Southwestern internet website.

Past reports (including required annual Internal Audit Plans) can be seen at:
<http://www.utsouthwestern.edu/legal/required-documents.html>

II. Audit Plan for Fiscal Year 2017

FY17 Audit Plan – Based on approved plan modified in FY 2017	Budget	% of Total
Risk Based Audits		
17:01 Office of Technology Development (specific request) * <i>Report Issued June 6, 2017</i>	200	
17:02 Charge Capture Review/Reconciliation + <i>Report Issued June 13, 2017</i>	200	
17:03 Capital Projects (see Consulting) <i>Deferred until FY 2018; approved by Audit Committee</i>	0	
17:04 Financial Aid * <i>In Progress</i>	300	
17:05 Registrar/Enrollment Services * <i>In Progress</i>	200	
17:06 Revenue Cycle- Patient Registration and Authorization <i>Report Issued September 15, 2017</i>	400	
17:07 Recruitment <i>Report issued June 19, 2017</i>	400	
17:08 Sponsored Programs Administration <i>Report issued September 15, 2017</i>	400	
17:09 Cash Management * <i>Report issued March 20, 2017</i>	650	
17:10 Third Party Relationship Management + * <i>Deferred until FY 2018; approved by Audit Committee</i>	0	
17:11 University Hospitals Building & Equipment Maintenance <i>Deferred until FY 2018; approved by Audit Committee</i>	0	
17:12 Procurement <i>Report issued September 12, 2017</i>	400	
17:13 Change in Management Reviews for Key Leaders <i>Completed, no report issued</i>	600	
17:13.01 Change in Management – Facilities Management Department <i>Report Issued March 3, 2017</i>	200	
17:14 UT System Directed- Practice Plan Audit <i>Cancelled</i>	0	

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FY17 Audit Plan – Based on approved plan modified in FY 2017	Budget	% of Total
17:15 IT- Continuous Monitoring <i>Completed</i>	150	
17:16 IT- Decentralized Computing <i>Deferred until FY 2018; approved by Audit Committee</i>	0	
17:17 IT- Payment Card Industry Compliance <i>Report Issued June 6, 2017</i>	250	
17:18 IT- PeopleSoft Oracle Database <i>Cancelled</i>	0	
17:19 IT- PeopleSoft Unix Server <i>Cancelled</i>	0	
FY 2016 Project Carryforward	2,000	
Risk Based Audits Subtotal	6,350	37%
Required Audits (Externally and Internally)		
17:22 JAMP Audit <i>Report Issued December 7, 2016</i>	100	
17:23 THECB <i>Report issued January 17, 2017</i>	100	
17:24 UTS 142 <i>Completed</i>	100	
17:25 TAC202 <i>Report Issued September 14, 2017</i>	200	
17:26 T&E- Direct Reports <i>Report Issued September 13, 2017</i>	150	
17:26 T&E- President's Office (support to UT System) <i>Cancelled, not selected for review</i>	0	
17:27 Uniform Guidance Review <i>In Process</i>	200	
17:28.01 Financial Audit Support – FY16 YE <i>Completed</i>	300	
17:28.02 Financial Audit Support – FY17 Financial Interim <i>Completed</i>	400	
17:28.03 Financial Audit Support – FY17 IT Interim <i>Completed</i>	100	
Required Audits Subtotal	1,650	10%
Consulting Projects		
17:30 System Development Consulting (Risk areas such as project management, controls design, data conversion, user access, testing scripts) <i>Completed and ongoing</i>	450	
17:31 Capital Projects <i>Completed and ongoing</i>	200	
Internal Control/Risk/Fraud Awareness Training <i>Completed and ongoing</i>	150	
17:34 SWHR/Population Health-ACN <i>In Process</i>	500	
17:34 SWHR Consulting <i>Completed and ongoing</i>	300	
17:34 IT – SWHR Controls <i>Completed and ongoing</i>	200	
17:34 SWHR – Financial Reviews <i>Completed and ongoing</i>	600	
17:35 Clinical Trials Process <i>Completed, no report</i>	900	

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FY17 Audit Plan – Based on approved plan modified in FY 2017	Budget	% of Total
Consulting Subtotal	3,300	21%
Investigations		
Investigations <i>Completed</i>	1500	
Investigation Subtotal	1500	9%
Follow Up		
Q1 Follow Up <i>Completed</i>	150	
Q2 Follow Up <i>Completed</i>	150	
Q3 Follow Up <i>Completed</i>	150	
Q4 Follow Up <i>Completed</i>	150	
Follow Up Subtotal	600	4%
Development-Operations		
Audit Committee Reporting <i>Completed</i>	500	
Annual Internal Audit Report <i>Completed</i>	100	
FY 18 Risk Assessment and Audit Plan Development <i>Completed</i>	400	
State Auditor's Office (SAO) Support <i>Cancelled, not needed</i>	50	
Staff Meetings <i>Completed</i>	650	
Institutional Committee Meetings <i>Completed</i>	250	
Quality Assurance Review <i>Completed</i>	300	
Development- Operations Subtotal	2,250	13%
Development- Initiatives and Education		
Internal Audit Development <i>Completed</i>	400	
System Audit Initiatives (workgroups, committees, research, etc.) – (TeamMate and IT Risk Assessment not originally budgeted) <i>Completed</i>	700	
Development- Initiatives and Education Subtotal	1,100	6%
* - denotes Integrated audits to be performed using IT Audit expertise. + - denotes Cyclical audits to be performed each year in different areas based on risk profile		
Total	17,050	100%

Explanation of Deviations from Fiscal Year 2017 Audit Plan

The FY 2017 Audit Plan noted above represents a modified plan that was approved by the Institutional Audit Committee in March 2017. Modifications to the audit plan were due to several reasons to include further assessment of risks (approximately a year after original assessment) revealed certain areas were undergoing reorganization or other management initiatives.

The modified plan represented a reduction in total FY 2017 hours from 19,140 to 17,050.

The following audits were in-process at the end of FY 2017 and will be reported in the FY 2018 Q1 Audit Committee meeting:

- Enrollment Services
- Financial Aid

The following FY 2017 audits from the modified plan were deferred to FY 2018:

- Capital Projects Audit
- University Hospitals Building and Maintenance Audit
- Decentralized Computing Audit
- Third Party Vendor Relationships Audit

The following FY 2017 audits were cancelled due to IT Audit resources dedicated to efforts on system implementations:

- Oracle Database Audit
- Unix Server Audit

The UT System Directed- Practice Plan Audit was cancelled based on approved adequate coverage in existing FY 2017 Medical Group Audit Plan.

III. Consulting Services and Non-Audit Services Completed

Activity	Impact
Performed reviews of complaints received through Medical Center's <i>EthicsLine</i> .	Provides the Medical Center with investigation resources.
Conducted facilitated risk assessment workshops and developed comprehensive risk assessment results documents.	Collaborates with Medical Center management to provide an enterprise risk management approach for the Medical Center in addition to identifying auditable risk areas to be included in Internal Audit Plan.
Assisted in identifying controls for adequate Departmental Financial Review processes	Provides Medical Center employees with guidance on how to review and reconcile their departmental accounts to minimize errors and irregularities in the normal course of business activities.
UTS142.1 Testing	Provides validation for annual financial certification processes and monitoring controls.

Activity	Impact
Fraud Analysis	Provides independent consultation and evaluation tools to management for preventing, detecting and monitoring of fraudulent activities.
Business Resumption and Disaster Recovery Planning	Provides independent consultation and guidance to help Medical Center address Emergency preparedness and Business Continuity risks.
Participation in the quarterly Executive Compliance Committee	Provides consultation and guidance on emerging issues in risk management and audit initiatives.
Participation in monthly Information Security/Privacy Steering Committee Meetings	Provides consultation and guidance on emerging issues in areas of physical security initiatives, privacy and information security.
Participation in the following Committees or work groups: <ul style="list-style-type: none"> • Business Resource Group – African American Interest Group • Executive Compliance Committee • Executive Wellness Committee • Financial Administrative Group • Historically Underutilized Businesses (HUB) Committee • Human Talent and Work Environment Committee • Information Systems Acquisition Committee • Information Security/Privacy Steering Committee • Mede Analytics Executive Steering Committee • Revenue Integrity Committee • Six-Year Plan Steering Committee • Student System Steering Committee • University and Professional Billing Compliance Committee (JPBCC) • UT System System-wide Communication Committee • UT System Risk Assessment Work Group • UT System Audit Committee Reporting Work Group • UT System Shared TeamMate Project – Deployment Team & Technical Team • UT System IT Risk Assessment Methodology Steering Committee • UT System QAR Self-Assessment Validation Advisory Committee 	Participates in focused groups and provides consultation on process improvement, development of new processes, institutional initiatives, emerging issues in risk management, and audit initiatives.

Activity	Impact
Coordination of External Audits	Provides operational support for the following: State Auditor's Office single statewide audit (A-133 and Financial portions), Deloitte Financial Audit (Interim and Year-end), Deloitte Information Security Assessment and Effectiveness Review, US Department of Health and Human Services Office of Inspector General.
Assistance to External Audit Professional Organizations	Provides professional assistance or participation in the following associations: Association of Healthcare Internal Auditors (AHIA), Institute of Internal Auditors (IIA), Information Systems Audit and Control Association (ISACA), Association of College and University Auditors (ACUA).
Assistance to UT System Internal Audit function	Participates in focused groups and provides consultation and assistance for implementing institutional initiatives. Provides institution risk information, internal Audit reporting, quality and other related matters.
Internal Control and Fraud Awareness Training	Provide training to Medical Center departments on internal controls and fraud awareness.

IV. External Quality Assurance Review (Peer Review)

A Quality Assurance Self-Assessment was completed in FY 2017 and External Validation will be completed in Q1 FY 2018. Independent consultants from Baker Tilley performed the external validation review. The previous report completed by PricewaterhouseCoopers LLP in FY 2014 is below and action was taken.



July 7, 2014

Ms. Valla Wilson, Assistant Vice President and Chief Audit Executive
The UT Southwestern Medical Center
6363 Forest Park Rd, Dallas, TX 75235

We have completed an External Quality Assessment ("EQA") of The University of Texas Southwestern Medical Center ("UT Southwestern", "UTSW", or "institution") Office of Internal Audit ("IA"). The EQA included an assessment of the level of conformance with the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing ("the IIA Standards"), the Generally Accepted Government Auditing Standards ("GAGAS"), as well as the relevant requirements of the Texas Internal Auditing Act ("TIAA"). Listed below are our observations:

- IIA Standards - Based on our work, overall IA generally conforms. We did identify process enhancement opportunities.
- GAGAS - Our assessment of GAGAS was limited, based on IA's disclosure that no internal audits were performed during our assessment period under GAGAS. Based on our work, we did not identify conformance observations. We did identify process enhancement opportunities.
- TIAA requirements - Other than the observations related to IIA Standards and GAGAS, no conformance observations were identified during our work. We did identify a process enhancement opportunity.

Our services were performed and this report was developed in accordance with our contract dated February 18, 2014 and are subject to the terms and conditions included therein. Our Services were performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants ("AICPA"). Accordingly, we are providing no opinion, attestation or other form of assurance with respect to our work and we did not verify or audit any information provided to us. Our work was limited to the specific procedures and analysis described herein and was based only on the information made available through May 23, 2014, when field work was substantially completed. Accordingly, changes in circumstances after this date could affect the findings outlined in this report. This information has been prepared solely for the use and benefit of, and pursuant to a client relationship exclusively with The University of Texas System Administration. PwC disclaims any contractual or other responsibility to others based on its use and, accordingly, this information may not be relied upon by anyone other than The University of Texas System Administration and UT Southwestern.

We would like to offer a sincere thank you to you and your staff, and the Audit Committee and management of UT Southwestern, for the time and attention they provided during this assessment. We appreciate the opportunity to serve The University of Texas System Administration on this important engagement.

Very truly yours,

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP, 1201 Louisiana, Suite 2900, Houston, TX 77002-5678
T: (713) 356 4000, F: (713) 356 4717, www.pwc.com/us

Information contained herein is for the sole benefit and use of PwC's Client

V. Internal Audit Plan for Fiscal Year 2018

The internal audit plan for FY 2018 was developed using a risk assessment process that involved gaining a deeper understanding of the organization and its strategic plan and institutional priorities. The process involved meeting with key leaders of the organization to identify key objectives and risks to achieving the objectives, as well as other risks to the institution, taking into account risks identified in the previous year's risk assessment. As a result of the process, we captured high and medium risks and determined those that are auditable risks to be included in our FY 2018 Internal Audit Plan.

FY18 Audit Plan	Budget	% of Total
<i>Risk Based Audits</i>		
Sponsored Programs Administration Audit *	400	
Clinical Trials Audit *	600	
Revenue Cycle- Charge Capture Review/Reconciliation Audit * +	350	
Revenue Cycle- Denials Management *	250	
Revenue Cycle- Patient Account Credit Balances Audit *	250	
CORE/ Recharge Center Audit	400	
Office of Development Audit *	250	
Third Party Vender Relationships Audit (recurring) * +	250	
Change in Management Reviews for Key Leaders +	800	
Off Site Clinic Operations Audit +	250	
Capital Projects Audit	300	
University Hospitals Building & Equipment Maintenance Audit *	300	
IT-Biomedical Devices Audit	400	
IT- Decentralized Computing Audit	400	
IT- Data Security	250	
<i>Risk Based Audits Subtotal</i>	5,450	31.4%
Required Audits (External and/or Internal)		
UTS 142	100	

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THECB	100	
T&E- Direct Reports	150	
T&E- President's Office (support to UT System)	40	
Financial Audit Support	700	
Uniform Guidance Review	200	
Risk Based Audits Subtotal	1,290	7.4%
Consulting Projects		
System Development Consulting (Risk areas such as project management, controls design, data conversion, user testing, and security access)	1,000	
IT- Continuous Monitoring	300	
Capital Projects	300	
SWHR Population Health	250	
SWHR Consulting	250	
SWHR- Financial Reviews	500	
SWHR- IT Controls Review	350	
Internal Control & Fraud Awareness Training	200	
ERM Initiative	300	
Consulting Subtotal	3,450	19.9%
Investigations		
Investigations	1,750	
Investigations Subtotal	1,750	10.1%
Follow Up		
Q1 Follow Up	150	
Q2 Follow Up	150	
Q3 Follow Up	150	
Q4 Follow Up	150	
Follow Up Subtotal	600	3.5%
General Reserve/Special Projects		
General Reserve	1,050	
FY 17 Project Carryforward	300	

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General Reserve Subtotal	1,350	7.8%
Development - Operations		
Annual Internal Audit Report	100	
Audit Committee Reporting	500	
FY19 Risk Assessment and Audit Plan Development	400	
State Auditor's Office (SAO) Support	80	
Staff Meetings	650	
Institutional Committee Meetings	250	
Development - Operations Subtotal	1,980	11.4%
Development - Initiatives and Education		
Training for Internal Audit	800	
Internal Audit Development	450	
System Audit Initiatives (workgroups, committees, research, etc.)	250	
Development - Initiatives and Education Subtotal	1,500	8.6%
* - denotes Integrated audits to be performed using IT Audit expertise. + - denotes Cyclical audits to be performed each year in different areas based on risk profile		
Total	17,370	100%

The following are risks identified as high or high/medium risks and are not included in our plan. They include:

- Execution of institutional strategic initiatives
- Effective monitoring of research funds received from partners
- High quality patient safety for patients of faculty practice
- Monitoring of regulatory environment
- Resource optimization to support SWHR initiatives
- Preserve Medical Center brand while expanding research relationships
- Quality of care for patients of faculty practice
- Adequate governance to support infrastructure needs

These risks are not included in the plan due to one or more of the following reasons:

- Management may have institutional initiatives focused on mitigation strategies for addressing risks
- Risks were not considered auditable
- Risks areas are included in the Compliance Office plan
- Transition of leadership or program is underway
- Internal Audit performed an audit of the risk area within the last few years

VI. External Audit Services Procured in Fiscal Year 2017

The following is a list of audits in progress or completed by outside agencies at the Medical Center in FY2017.

External Auditor/ Organization	Purpose
Association of Campus Law Enforcement Administrators (IACLEA)	Examination of the University Police Department's policy and procedures, management, operation, and support services as part of the department's re-accreditation process
Cancer Prevention Research Institute of Texas -CPRIT (performed by Weaver)	FY17 Agreed-Upon Procedures Audit
Centers for Medicare & Medicaid Services (CMS)	External CMS contractor reviews - E/M Coding Review
Centers for Medicare & Medicaid Services (CMS)	External CMS contractor reviews - Internal Medicine review of initial hospital visit
(CMS) KEPRO	Quality Improvement Organization (Billing): Two Midnight Short Stay Review - Clements University Hospital
Deloitte	Annual Financial Report (AFR) Audit (FY2016 Year End Testing and FY2017 Interim Testing)
Fort Hill Associates	FY 2017 Construction Auditing Services - Radiation Oncology Therapy Building
Moss-Adams	FY 2017 Construction Auditing Services - West Campus Ph1 Academic Building
National Institute of Health (NIH)	Desk Review of NIH Grant
National Science Foundation (NSF)	Review of active NSF awards during FY 2016
Office of the Inspector General – Nationwide Review	External Review for Costs and Related Billing for Defective/Failed Implanted Medical Devices
Office of the Inspector General – Nationwide Review	External Review for Inpatient Rehabilitation Facilities; Outpatient Intensity-Modulated Radiation Therapy services
Office for Human Research Protection (OHRP) Not-for-cause On-site Visit	External on-site evaluation of UTSW's system for protecting human research subjects

External Auditor/ Organization	Purpose
R L Townsend	FY 2017 Construction Auditing Services - West Campus Ph1 Mobilization, Enabling, OMFS & Demo; Clements University Hospital Overhead Connector; Clements University Hospital Parking Garages; Moncrief Finish-Phase 2-Finish Out
R L Townsend	FY 2017 Construction Auditing Services - Moncrief Medical Center – Fort Worth
Recovery Audit Contractor (RAC) – Complex/Novitas	DRG Validations and Drug Units
State Auditor's Office (SAO)	Audit A-133 Statewide Single Audit for FY 2016 (Research & Development Cluster and follow up on prior year findings)
State Auditor's Office (SAO)	Audit A-133 Statewide Single Audit for FY 2017 (Research & Development Cluster and follow up on prior year findings)
State Auditor's Office (SAO)	Salary Data Testing for Teachers Retirement System FY 2016 Financial Statement Review
Texas Higher Education Coordinating Board (THECB)	FY 2017 Audit of Formula Funding Data Integrity
Texas Workforce Commission (TWC) Monitoring Review	FY 2017 Review of UTSW hospital services in conjunction with the signed consumer services contract amendment

In addition, Medical Center procured internal audit services from Ernst and Young during 4th quarter FY 2016 to supplement the IA resources. This work and resulting Employee Compensation audit was reported to the Audit Committee in 1st quarter FY 2017.

VII. Reporting Suspected Fraud and Abuse

- Fraud Reporting - Section 7.10, General Appropriations Act (82nd Legislature), Article IX.
- Coordination of Investigations - Texas Government Code, Section 321.022.
 - Medical Center maintains a fraud, waste and abuse hotline webpage that links to the State Auditor's fraud hotline information and website for fraud reporting.
 - Medical Center complies with the code for coordination of investigations, progression of investigations and reporting of results.