

# INTERNAL AUDIT ANNUAL REPORT



**FISCAL YEAR 2023**

*Prepared by:*

*Office of Institutional Compliance & Audit Services*

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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 Website**

In accordance with Texas Government Code, Section 2102.015, UT Southwestern Medical Center, Office of Institutional Compliance and Audit Services (Internal Audit) posted the approved FY 2023 Internal Audit Plan and its FY 2022 Internal Audit Annual Report to its website.

<http://www.utsouthwestern.edu/legal/required-documents.html>

Additionally, all internal audit reports are posted on the UT System Audit Office website, unless the information is excepted from public disclosure under Chapter 552.

<https://www.utsystem.edu/documents/audit-reports-institution>

## II. Internal Audit Plan for Fiscal Year 2023

Project #	Report Title	Report Publish Date/Status
<b>Risk Based Assurance Engagements</b>		
UTSWMC21-05CF-CF	Export Controls	1/12/2023
UTSWMC22-04CF	Asset Management Audit	9/28/2022
UTSWMC22-27CF	IT - General Controls Audit	1/14/2023
UTSWMC22-69CF	Fuel Card Audit	1/17/2023
UTSWMC23-02	Award Close Out Assessment	Cancelled**
UTSWMC23-03	Benefits Review	7/21/2023
UTSWMC23-04	Change in Management Review	10/20/2023
UTSWMC23-05	Clinical Research Process Review	Cancelled**
UTSWMC23-06	Compensation Review	Cancelled**
UTSWMC23-07	Construction Audit Project Management Review	Cancelled**
UTSWMC23-08	Direct Reports Travel and Entertainment Expense Audit	Cancelled**
UTSWMC23-09	Donor/Client Relationship Management Review	Cancelled**
UTSWMC23-10	Employee Safety and Security Offsite Assessment	Deferred to FY 2024
UTSWMC23-11	Hospital Supply Chain - Historically Underutilized Business (HUB) review	10/20/2023
UTSWMC23-12/72	Payroll/Timekeeping Audit	10/20/2023
UTSWMC23-13	Recruiting/Onboarding Review - Phase 1	4/21/2023
UTSWMC23-14	Research Data Protection Review	Deferred to FY 2024
UTSWMC23-15	Revenue Cycle - Bad Debt Audit	7/26/2023
UTSWMC23-16	Revenue Cycle - Charge Capture Reconciliation Audit	10/19/2023
UTSWMC23-17	Revenue Cycle - Charge Master Audit	10/20/2023
UTSWMC23-18	Revenue Cycle - Charity Care Audit	Cancelled**
UTSWMC23-19	Salary and Wage Confirmation Review	Cancelled**
UTSWMC23-20	Terminations Audit	4/21/2023
UTSWMC23-21	Third Party Audit - Auxiliary Services Review	4/21/2023

Project #	Report Title	Report Publish Date/Status
UTSWMC23-22	Tissue, Collection, and Storage Audit	In progress; continuing into FY 2024
UTSWMC23-23	UTS 142.1 Compliance and Monitoring Plan Audit	11/7/2022
UTSWMC23-25	IT - Cybersecurity Program Assessment	Deferred to FY 2024
UTSWMC23-26	IT - Epic Access Management Review	7/21/2023
UTSWMC23-27	IT - RPA & Use of Bots Audit	Cancelled**
UTSWMC23-28	IT - TAC 202 - IT General Controls Review	Deferred to FY 2024
UTSWMC23-29	IT - TX-RAMP Compliance Assessment Review	Deferred to FY 2024
UTSWMC23-73	iReceptor Plus Grant Audit	3/3/2023
UTSWMC23-74	Recruiting/Onboarding Phase 2	7/26/2023
UTSWMC23-76	Revenue Cycle - Charge Capture Reconciliation - Anesthesiology	In progress; continuing into FY 2024
<b>Required Engagements</b>		
UTSWMC23-49	Texas Higher Education Coordinating Board (THECB) Audit	4/21/2023
UTSWMC23-50	Texas Education Code §51.9337 Compliance Audit	8/30/2023
<b>External Required Audit</b>		
UTSWMC23-51	Annual Financial Report Audit Support	Q1, FY 2023 (Final) Q4, FY 2023 (Interim)

*\* Audit & Consulting Engagement were cancelled due to limited Audit resources, or ongoing risk assessment and prioritization; Audit Committee approval was obtained for the audit engagement deferrals.*

## **Compliance Audit Requirements for Higher Education Institution:**

### **Texas Government Code and Texas Education Code (TEC) Requirements:**

TEC Section 51.9337(h) requires that, “The chief auditor of an institution of higher education shall annually assess whether the institution has adopted the rules and policies required by this section and shall submit a report of findings to the state auditor.” The UT Southwestern Medical Center Office of Institutional Compliance & Audit Services conducted this required assessment for FY 2023, and found the following:

- *Based on review of current institutional policy and the UT System Board of Regents’ Rules and Regulations, UT Southwestern has generally adopted all the rules and policies required by TEC Section 51.9337. Review of and revision of UT Southwestern policy is an ongoing process. These rules and policies will continue to be assessed annually to ensure continued compliance with TEC 51.9337.*

### III. Consulting Services and Non-Audit Services Completed

The Office of Institutional Compliance & Audit Services (OICAS) performs various types of consulting engagements that may include providing insights in solving problems, reviewing, and assessing process flows, providing leaders input and guidance on risks, internal controls, and best practices and data analysis results.


CONSULTING ACTIVITIES	
<b>Capital Construction Projects</b>	OICAS participates in monthly audit progress meetings with the Construction Improvement Program (CIP) team and external audit vendors to review observations, identify process improvements, discuss action plan implementation, and review construction audit firm reports.
<b>Meal Card</b>	OICAS in coordination with hospital and academic leadership, Accounting & Fiscal Services (AFS), Legal Affairs, and other key stakeholders have engaged in a review of department practices related to meal card distribution and tracking. Guidance provided on processes and controls for procurement, securing, and tracking of meal card distribution, and reporting of income as well as developing standard operating procedures.
<b>General Consulting</b>	OICAS provides informal consulting upon request and the Chief Audit Executive (CAE) and other team members serve on various Committees or work groups.
<b>Leadership Foundations Training</b>	OICAS provides an overview of the Internal Audit function to leaders participating in the Leadership Foundation Training programs. This focused training is designed to provide new and existing leaders an understanding of defense, internal controls, leadership responsibilities for maintaining controls, fraud awareness, and reporting.
<b>Internal Controls &amp; Fraud Awareness Training</b>	OICAS conducts focused training for leaders and financial and administrative staff across the Institution on internal controls, fraud indicators, and policy requirements for reporting matters.
<b>Payment Card Industry (PCI)</b>	OICAS provides guidance for strengthening processes and controls over credit card activities and compliance with PCI requirements.

<b>Clinical Research Revenue Cycle Improvement Initiative</b>	The CAE regularly advises on key initiatives to improve processes and implement technology improvements for critical clinical research activities. These initiatives include the new Research Billing Review (RBR) process, new dashboards to track study participants, the implementation of Epic research calendars and additional quality checks to ensure research billing is adjudicated correctly.
<b>ADVISORY ENGAGEMENTS</b>	
<b>IT Disaster Recovery</b>	Engagement to assist management in an advisory capacity in recommending opportunities to strengthen existing processes and control activities related to UTSW’s overarching IT Disaster Recovery program. Provide insights into areas for improvement across key IT Disaster Recovery aspects of UTSW’s overarching business continuity program.



#### IV. External Quality Assurance Review (Peer Review)

OICAS completed a Quality Assurance Review (QAR) Self-Assessment in FY 2023 with independent consultants from Baker Tilly and a peer reviewer completing an external validation in Q1 FY 2024. The final report for the QAR is pending. Previous Quality Assurance Self-Assessment with external validation was completed in FY 2020.



August 26, 2020

Ms. Valla Wilson, Vice President of Internal Audit, Chief Audit Executive  
The University of Texas Southwestern Medical Center

In July 2020, The University of Texas Southwestern Medical Center (UT Southwestern) Internal Audit (IA) function, the Office of Internal Audit (OIA), completed a self-assessment of internal audit activities in accordance with guidelines published by the Institute of Internal Auditors (IIA) for the performance of a quality assessment review (QAR). UT Southwestern OIA in collaboration with UT System engaged an independent review team consisting of internal audit professionals with extensive higher education and healthcare experience to perform an independent validation of OIA's QAR self-assessment. The primary objective of the validation was to verify the assertions made in the QAR report concerning IA's conformity to the IIA's *International Standards for the Professional Practice of Internal Auditing* (the IIA Standards) and Code of Ethics, Generally Accepted Government Auditing Standards (GAGAS), and the relevant requirements of the Texas Internal Auditing Act (TIAA).

The IIA's *Quality Assessment Manual* suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform." "Generally conforms" is the top rating and means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards. "Partially conforms" means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the IA activity from performing its responsibilities in an acceptable manner. "Does not conform" means deficiencies are judged to be so significant as to seriously impair or preclude the IA activity from performing adequately in all or in significant areas of its responsibilities.

Based on our independent validation of the QAR performed by OIA, we agree with OIA's overall conclusion that the internal audit function "**Generally Conforms**" with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics, as well as with OIA's conclusions regarding GAGAS and TIAA requirements. Our review noted strengths as well as opportunities for enhancing the internal audit function.

This information has been prepared pursuant to a client relationship exclusively with, and solely for the use and benefit of, The University of Texas System Administration and UT Southwestern and is subject to the terms and conditions of our related contract. Baker Tilly 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.

The review team appreciates the cooperation, time, and candid feedback of executive leadership, stakeholders, and OIA personnel.

Very truly yours,

*Baker Tilly Virchow Krause, LLP*

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## V. Internal Audit Plan for Fiscal Year 2024

OICAS developed the internal audit plan for FY 2024 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 2024 Internal Audit Plan. In September 2023, the FY2024 Plan was updated to include projects carried forward from FY2023 based on end of year risk assessment.

Report Title	Budget Hours	General Objectives
<b>Assurance Engagements</b>		
Change in Management Review*	200	Change in management and risk control assessment and comprehensive reviews of high-risk business units with key leadership changes.
Hospital Supply Chain - Historically Underutilized Business (HUB) review*	100	Evaluate the design and/or operating effectiveness of key controls and systems related to historically underutilized businesses (HUB) requirements.
Revenue Cycle - Charge Master Audit*	100	Review charge master processes to ensure compliance with policies and procedures and adequacy of controls for maintaining charge master integrity and accurate billing.
Revenue Cycle - Charge Capture Reconciliation Audit - Radiation Oncology*	100	Review charge capture and charge reconciliation processes to assess adequacy of controls for charge timeliness, accuracy, and compliance with regulations, policies, and procedures.
Tissue Collection, and Storage Audit*	100	Evaluate processes and controls for collecting, storing, and securing tissue samples utilized for research and compliance with policies and sponsor requirements.
Payroll Review*	200	Review and evaluate timekeeping system interface with payroll and processes and controls for ensuring payroll accuracy.
IT - Business Continuity / Disaster Recovery Management Program Assessment*	80	Review oversight programs in place that are designed to provide protection or alternative modes of operation for those activities or business processes.
Revenue Cycle - Charge Capture Reconciliation Audit - Anesthesiology*	280	Review charge capture and charge reconciliation processes to assess adequacy of controls for charge timeliness, accuracy, and compliance with regulations, policies, and procedures.

Report Title	Budget Hours	General Objectives
APP Utilization	300	Assess utilization of Advanced Practice Providers (APPs) for patient care.
Change in Management Review	250	Change in management and risk control assessment and comprehensive reviews of high-risk business units with key leadership changes.
Compensation	300	Assess policies, procedures, tools, and controls around compensation management including earnings reporting.
Construction Audit Project Management	300	Assess processes, controls and monitoring procedures for timely completion of construction projects and accurate billing and change order management.
Donor / Client Relationship Management	300	Review CRM tool for managing donor information for potential and existing donors, donations management, tracking and reporting and assess effectiveness of processes and controls and achievement of goals.
Employee Safety and Security Offsite Assessment	250	Evaluate a sample of facilities, the physical security, along with policies and procedures to ensure practices adequately supports protecting employees.
Hospital Supply Chain and Inventory Resilience Assessment	400	Review policies and procedures and evaluate the design and/or operating effectiveness of key controls and systems related to supply chain resilience.
MSA Review	300	Review of Master Services Agreements (MSAs) with clinical affiliates.
Nursing Administration	400	Assess the effectiveness of controls related to licensing, certification, and nursing regulatory compliance.
Physician Incentive Plan Audit	300	Review metrics for physician performance used for incentive plans.
Patient Access Audit	300	Evaluate department patient scheduling practices and tools for new and existing patient appointment scheduling.
Research Data Protection	300	Evaluate a sample of department processes and controls in place to ensure research data including intellectual property developed is identified, validated, and protected. Evaluation will also include compliance of research data policies and guidelines.
Revenue Cycle - Charge Capture Reconciliation Audit	100	Review charge capture and charge reconciliation processes to assess adequacy of controls for charge timeliness, accuracy, and compliance with regulations, policies, and procedures.
Third-Party Audit - Animal Resource Center	350	Review processes and controls for monitoring and department oversight of vendor activities and billing invoices and payments for ARC contracted vendors.
UTS 142 Compliance and Monitoring Plan Audit	100	Perform review of UTS 142 compliance and monitoring activities to ensure effectiveness for compliance with policies.
IT - Epic In Basket Management Assessment	300	Assess the processes and controls (metrics, dashboards, enforcement, resolution, etc.) in place to manage Epic In-Baskets.

Report Title	Budget Hours	General Objectives
IT - Employee Cybersecurity Education and Prevention Assessment	200	Evaluate employee education and institutional policies related to cybersecurity threats and prevention.
IT - RPA & Use of Bots Audit	150	Review of accountability and oversight of Robotic Process Automation and use of bots in the performance of key business functions, including security access, configuration and change management.
IT - TX-RAMP Compliance Assessment Review	500	Review process and controls to evaluation there is adequate oversight for ensuring compliance with TX-RAMP requirements. Will include review of security access controls for selected third-party applications in use. Will incorporate a review of IT general controls, including security access, configuration and change management, job scheduling, and data backup in accordance with TAC 202 requirements, for selected systems across the business, academic, health, and institutional advancement areas.
% of audit plan	41%	
<b>Advisory &amp; Consulting Engagements</b>		
Ambulatory Clinic Self-Assessment Review	150	Develop risk criteria and control self-assessment questionnaire for ambulatory clinics to assist in monitoring, assessment, and reporting procedures.
Capital Projects	100	Review of results from independent audits performed post project and consulting with leaders on implementation of process improvements.
Consulting and Advisory Services for Office of Institutional Opportunity	100	Consulting projects for Office of Institutional Opportunity related areas and management initiative activities.
Consulting General	250	Consultation with leaders on emerging risks and other leader requests.
Continuous Auditing and Monitoring Data Analytics	200	Develop data analytics common scripts and scripts to address fraudulent risk areas and to assist management in key risk and control monitoring.
Epic System Consulting	75	Consulting for Epic system governance initiatives.
Information Resources Consulting	200	Consulting for Information Resources initiatives, including plans to update Information Security Acquisition Committee (ISAC) governance, for software purchase evaluation and third-party vendor risk monitoring processes.
Institutional Committee Meetings	350	Participation in key UTSW committee meetings, workgroups, and other activities.

Report Title	Budget Hours	General Objectives
Continuous Monitoring	200	Computer-based monitoring routines for potential fraud, other operational risks, and other data monitoring opportunities.
IT - Artificial Intelligence Consulting	150	Consulting engagement on use and controls of Artificial Intelligence (AI) within the healthcare and academic settings.
IT - Data Governance Program Consulting	400	Provide consultation and participation in institution initiatives related to data governance.
Management Training Offers	150	Provide training to leadership, finance and administrative personnel and departmental training. Will develop and enhance training curriculum with focus on fraud prevention.
PCI Program Consulting	120	Coordinating with Management to implement actions for strengthen processes and controls over credit card activities and compliance with PCI requirements.
Software Acquisition Consulting	150	Assess risk criteria and committee and operational processes for software procurement practices.
System Development Consulting	200	Consulting for major IT system development projects, including evaluation of the implementation and upgrade process for key systems to determine whether implementation risks were addressed, including involvement of stakeholders, access administration, test script setup, configuration, and go live management.
% of audit plan	18%	
<b>Required Engagements</b>		
Texas Higher Education Coordinating Board (THECB) Audit	100	Review compliance with THECB grant provisions.
Texas Education Code §51.9337 Compliance Audit	20	Review of processes and procedures in place to ensure institutional compliance with the TEC requirements.
Annual Financial Report Audit Support	400	Provide support for Deloitte audit of Annual Financial Report.
% of audit plan	3%	
<b>Investigations</b>		
Investigations	1500	Review of reported concerns, requests for investigation, and fraud reporting.
% of audit plan	9%	

Report Title	Budget Hours	General Objectives
<b>Operations, Follow Up &amp; Other Initiatives</b>		
General Reserve	300	Allowance for emerging risk areas.
Follow Up / Sustainability	600	Follow up of prior management action plans and sustainability testing of previously reviewed action plans.
Annual Internal Audit Report	100	Requirement for annual reporting of activities.
Audit Committee Reporting	500	Quarterly reporting of key audit activities and initiatives.
FY 2024 IT Risk Assessment and FY 2025 Audit Plan Development	125	Development of IT audit plan for fiscal year 2025.
FY 2024 Risk Assessment and FY 2025 Audit Plan Development	400	Development of audit plan for fiscal year 2025.
External Audit Support (i.e., State Auditor's Office and other Agencies)	200	Provide support/consultation for outside reviews performed by the SAO and other agencies and coordination with management on activities.
Staff/Management Meetings/Employee Engagement	900	Development of key agenda items for team meetings, staff and management team meetings and department training time. Employee engagement and team building activities.
Quality Assurance Review Wrap Up / QAIP Activities	150	Evaluation of internal audit activities every three years. Ongoing quality assurance improvement program procedures.
Internal Audit Marketing and Development	200	Activities necessary to execute the internal audit function and increase value of services to the institution including updates to Website.
Internal Audit Development - Interns Program	20	Activities to support the intern working in department.
Internal Audit Development - IT Tech Support	50	Activities necessary to execute the internal audit function.
Internal Audit Development - New Audit Management Software Implementation	80	Activities necessary to implement the new audit system software.
Training - Internal Audit Profession	800	Provide training to department team members to enhance and further develop skills.
System Audit Initiatives (workgroups, committees, research, etc.)	150	Activities, non-engagement specific, that improve the internal audit function's capacity.
% of audit plan	29%	

*\*Carry Forward Project from FY 23 audit plan*

## V. External Audit Services Procured in Fiscal Year 2023

The University of Texas System (UTS) and UTSWMC contracted with various audit providers for external audit services and co-sourcing of audit services during FY 2023.

Service	Provider
Co-source Partner - various engagements	Protiviti, Inc.
Independent audit of the FY 2022 University of Texas system financial statements	Deloitte and Touche, LLP (UTS contracted)
IT General Controls	Deloitte and Touche, LLP (UTS contracted)
HIPAA Privacy and Security Gap Assessment	Grant Thornton

## VI. Reporting Suspected Fraud and Abuse

Actions taken to comply with Section 7.09, page IX-38, the General Appropriations Act (86th Legislature), and Section 7.09, page IX-38, the General Appropriations Act (87th Legislature), as well as Texas Government Code, Section 321.022, *Coordination of Investigations*, include:

- The UT Southwestern intranet home page provides a link to the Compliance Hotline web page <https://www.utsouthwestern.edu/about-us/administrative-offices/compliance/> which provides its phone number and information on how employees can confidentially report suspected improper conduct, illegal actions, and fraud. A toll-free number (1-877-507-7319) is also available to all staff and faculty to anonymously report suspected wrongdoing, including waste, fraud, abuse and violations of any federal or state laws.
- The Compliance Hotline web page provides a link to the State Auditor's Office (SAO) Hotline web page (<https://sao.fraud.texas.gov/>) which provides information on reporting suspected fraud, waste and abuse to the SAO. You may also report suspected fraud, waste, and abuse to the State Auditor's Office Hotline at 1-800-TX-AUDIT (1-800-892-8348).
- The UT Southwestern 2023 Handbook of Institutional Policies and Operating Procedures Policy ETH-251 Preventing and Detecting Fraud and Abuse in Medical Center Operations provides information on the coordination of investigations and reporting of suspected fraud and abuse.