

Valla F. Wilson, CIA, CRMA, CHIAP
Vice President

UT Southwestern
Medical Center

Office of Internal Audit

October 31, 2019

Office of the State Auditor
1501 North Congress Ave.
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 2019 and 2020 audit plans, audits completed and recommendations. The FY 2019 Audit activities focused primarily on Institutional risk-based areas including patient care, information technology, compliance, core business processes, and other areas based on risk analysis as well as key externally requested audits.

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, Vice President of Internal Audit and Chief Audit Executive

cc: John Colyandro, Texas Governor's Office of Budget and Policy Division
Julie Ivey, Legislative Budget Board
Daniel K. Podolsky, M.D., President, The University of Texas Southwestern Medical Center

The University of Texas
Southwestern Medical Center
Internal Audit Annual Report for Fiscal Year 2019



October 31, 2019

THE UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER

INTERNAL AUDIT ANNUAL REPORT FOR FISCAL YEAR 2019

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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 Policy Division. In accordance with House Bill 16, these reports have been made available on the UT Southwestern 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 2019

FY 2019 Audit Plan - Based on approved plan modified in FY 2019	Budget	% of Total
Risk Based Audits		
19:01 Biospecimen – Tissue Collection Audit <i>Completed; Report issued on 10/11/19</i>	300	
19:02 Leave Administration Audit <i>Completed; Report issued on 03/28/19</i>	400	
19:04 Revenue Cycle: Patient Account Adjustments and Follow-up Audit <i>Completed; Report issued on 01/11/19</i>	600	
19:05 Revenue Cycle: Claim Edits Audit <i>Completed; Report issued on 10/11/19</i>	300	
19:06 University Hospitals – Patient Discharge Process Audit <i>Completed; Report issued on 06/10/19</i>	350	
19:07 Accounting & Fiscal Services – Fiscal Reporting Audit <i>Completed; Report issued on 03/28/19</i>	400	
19:08 Institutional Advancement – Office of Communications, Marketing & Public Affairs Audit <i>In Process; Report will be issued in Q1</i>	250	
19:09 Capital Projects Audit <i>Completed; Report issued on 01/10/19</i>	350	

FY 2019 Audit Plan - Based on approved plan modified in FY 2019	Budget	% of Total
Risk Based Audits		
19:10 External Reporting Audit <i>In Process; Report will be issued in Q1</i>	350	
19:11 Research Data Protection and Integrity Audit <i>Completed; Report issued on 08/13/19</i>	400	
19:12 Sponsored Programs Administration Audit <i>Cancelled per FY19 Audit Modification</i>	0	
19:13 Clinical Trials Audit <i>Cancelled per FY19 Audit Modification</i>	0	
19:14 Revenue Cycle: Charge Capture Review/Reconciliation Audit <i>In Process; Report will be issued in Q1</i>	300	
19:15 Core Facilities Audit <i>Completed; Report issued on 09/25/19</i>	200	
19:16 Third Party Vendor Relationships Audit <i>Completed; Report issued on 09/30/19</i>	250	
19:17 Change in Management Reviews for Key Leaders <i>Completed, no report issued</i>	400	
19:18 Office Clinic Operations Audit <i>Completed; Report issued on 03/28/19</i>	200	
19:19 Uniform Guidance Review <i>In Process; Report will be issued in Q1</i>	200	
19:20 Southwestern Health Resources - Financial Reviews Audit <i>Cancelled per FY19 Audit Modification</i>	0	
19:21 UTS 142.1 Monitoring Plan Annual Review Audit <i>Completed; Report issued on 01/11/19</i>	100	
19:22 IT - Decentralized Computing Audit <i>Completed; Report issued on 01/13/19</i>	400	
19:23 IT - System Accessibility Audit <i>Completed; Report issued on 06/07/19</i>	300	

FY 2019 Audit Plan - Based on approved plan modified in FY 2019	Budget	% of Total
19:24 IT TAC 202 Compliance - Cybersecurity Audit <i>Completed; Report issued on 09/30/19</i>	200	
Risk Based Audits Subtotal	6,250	41.7%
Required Audits (External and/or Internal)		
19:40 Texas Higher Education Coordinating Board (THECB) Audit <i>Completed; Report issued on 12/31/18</i>	100	
19:41 Texas SB 20 Compliance Audit <i>Completed; Report issued on 05/31/19</i>	100	
19:42 Travel and Entertainment Expenditure Audit <i>In Process; Report will be issued in Q1</i>	150	
19:43 President's T&E Expenses Audit (support to UT System) <i>Completed; Report issued on 02/8/19</i>	40	
19:44 Annual Financial Report Audit Support <i>Completed, No report issued</i>	400	
Required Audits Subtotal	790	4.3%
Consulting Projects		
Consulting General <i>Completed, no report issued</i>	150	
System Development Consulting (Risk areas such as project management, controls design, data conversion, user testing, and security access) <i>Completed, no report issued</i>	500	
Student Survey Analysis <i>In process, scheduled for Q1 completion</i>	80	
HR - Benefits Administration <i>In process, scheduled for Q1 completion</i>	150	
IT - Continuous Monitoring <i>Completed, no report issued</i>	140	
Capital Projects <i>Completed, no report issued</i>	100	
SWHR Consulting <i>Completed, no report issued</i>	175	

FY 2019 Audit Plan - Based on approved plan modified in FY 2019	Budget	% of Total
Management training offerings such as Internal Control & Fraud Awareness/Leadership Foundations Training and Other Courses and Presentation <i>Completed, no report issued</i>	150	
ERM Initiative <i>Completed, no report issued</i>	100	
Institutional Committee Meetings <i>Completed, no report issued</i>	310	
Consulting Projects Subtotal	1,855	16.10%
Investigations		
Investigations <i>Completed</i>	1750	
Investigations Subtotal	1,750	9.60%
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	3.30%
General Reserve		
General Reserve	0	
FY 18 Project Carryforward <i>Completed</i>	200	
General Reserve Subtotal	200	5.70%
Development - Operations		
Annual Internal Audit Report <i>Completed</i>	100	
Audit Committee Reporting <i>Completed</i>	500	

FY 2019 Audit Plan - Based on approved plan modified in FY 2019	Budget	% of Total
FY20 Risk Assessment and Audit Plan Development <i>Completed</i>	400	
Internal Audit Development <i>Completed</i>	450	
External Audit Support (i.e., State Auditor's Office (SAO) and other agencies) <i>Completed</i>	328	
Staff/Management Meetings <i>Completed</i>	750	
Development - Operations Subtotal	2,528	13.5%
Development - Initiatives and Education		
Training for Internal Audit <i>Completed</i>	800	
Interim Chief Compliance Officer Role <i>Completed</i>	760	
System Audit Initiatives (workgroups, committees, research, etc.) <i>Completed</i>	250	
Development - Initiatives and Education Subtotal	1,810	5.80%
Total	15,783	100.00%

Explanation of Deviations from Fiscal Year 2019 Audit Plan

The FY 2019 Audit Plan noted above represents a modified plan that was approved by the Institutional Audit Committee in April 2019. Modifications to the audit plan were due to several reasons, including unplanned changes in staff and available staff hours, and further assessment of risks (approximately a year after original assessment) which revealed certain areas were undergoing reorganization or other management initiatives. The modified plan represented a reduction in total FY 2019 hours from 18,208 to 15,780. Key changes included:

- A new project added for the Chief Audit Executive serving as Interim Chief Compliance and HIPAA Privacy Officer while a national search was conducted for a new permanent replacement.
- Reduced consulting project hours to allow for time to complete key risk based audits scheduled for FY2019.

- Reduced Change in Management Reviews for Key Leaders Audit hours with a new risk assessment and new leader self-assessment approach.
- Deferred Sponsored Programs Administration Audit and Clinical Trials Audit to FY2020.
- Cancelled Southwestern Health Resources – Financial Reviews due to SWHR requirement for external audit firm to perform reviews.

Compliance with the Purchasing and Contracting Requirements for Higher Education Institutions

Senate Bill 20 (84th Legislative Session) made several modifications and additions to Texas Government Code (TGC) and Texas Education Code (TEC) related to purchasing and contracting. Effective September 1, 2015, TEC 51.9337 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."

A compliance audit was performed in FY2019. The Chief Audit Executive concluded that the Medical Center was in compliance with the purchasing and contracting requirements for higher education institutions. Based on the review of current institutional policy and the UT System Board of Regents' Rules and Regulations, UT Southwestern Medical Center has generally adopted all of the rules and policies required by TEC 51.9337. Review and revision of institutional and system 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

Activity	Impact
Performed investigations of certain complaints received through Medical Center's EthicsLine.	Provides the Medical Center with investigation resources and identifies opportunities for enhancement of existing controls.
Information Resources - PeopleSoft Implementation Documentation and General Controls Review	Coordinates assessment of the PeopleSoft version 9.2 implementation documentation and selected general controls.
Capital Construction Projects	Participates in monthly audit progress meetings, along with management to review initial observations, discuss implementation of action plans and reviews reports issued by the construction audit firms.
Epic Optimization Project	Coordinates with management to provide input and guidance on risks, internal controls and best practices.
Business Resumption and Disaster Recovery Planning	Provides independent consultation and guidance to help the Medical Center address Emergency preparedness and Business Continuity risks.
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).
Internal Control and Fraud Awareness Training	Provides training to Medical Center management and employee on internal controls and fraud awareness.
Leadership Foundations – Internal Audit Awareness Leadership Training	Provides training to Leadership Foundations class participants on the role of internal audit, leaderships role for internal control framework, fraud prevention and reporting responsibilities

Activity	Impact
<p>Participation in the following Committees or work groups:</p> <ul style="list-style-type: none"> • African American Employee • Business Resource Group –Business Administrative Systems Governance Committee • Engagement Steering Committee • Executive Compliance Committee • Financial Administrative Group • Historically Underutilized Businesses Coordinating (HUB) Committee • Human Talent and Work Environment Committee • Information Systems Acquisition Committee • Information Security and Privacy Steering Committee • Master Data Management - Master Reports Management Governance • Policy Executive Committee • Revenue Integrity Committee • SWHR Executive Compliance Committee • Six-Year Plan Steering Committee • Student System Steering Committee • University and Professional Billing Compliance Committee (UPBCC) • UT System Risk Assessment Work Group • UT System Shared TeamMate Project – Technical Team • UT System TeamMate Governance Committee • UT System IT Risk Assessment Methodology Steering Committee • UT System Consulting Workgroup Chair • UT System External Quality Assurance Review Team 	<p>Participates in committees and focused groups, providing consultation on process improvement, development of new processes, institutional initiatives, emerging issues in risk management, and audit initiatives.</p>

Activity	Impact
Professional Involvement in External Audit Professional Organizations	Provides professional assistance or participation in the following associations and committees of the 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).

IV. External Quality Assurance Review (Peer Review)

A Quality Assurance Self-Assessment was completed in FY 2017 and External Validation was completed in Q1 FY 2018. Independent consultants from Baker Tilly performed the external validation review. The next Quality Assurance review is scheduled for FY2020.



September 22, 2017

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

In September 2017, The University of Texas Southwestern Medical Center (UTSW) Office of Internal Audit (OIA or IA) 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). UTSW OIA engaged an independent review team consisting of three internal audit professionals with extensive higher education and healthcare experience to perform an independent validation of UTSW'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 Institute of Internal Auditor'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, UTSW and the University of Texas System Administration 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 Southwestern Medical Center and The University of Texas System Administration.

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



V. Internal Audit Plan for Fiscal Year 2020

The internal audit plan for FY 2020 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 2020 Internal Audit Plan.

FY 2020 Audit Plan	Budget	% of Total
Assurance Engagements		
Animal Resource Center - Controlled Substances Audit	250	
Asset Management Audit	350	
Controlled Substance Audit	400	
Ambulatory - Procurement Audit	300	
Business Affairs - Employee Relations Audit	250	
Institutional Advancement - Office of Technology Development Audit	350	
Human Resources - Recruiting Audit	350	
Revenue Cycle - Charge Capture Review/Reconciliation Audit	200	
Revenue Cycle - Cash Collections Audit	300	
CORE Facilities/Recharge Center Audit	200	
Change In Management Reviews for Key Leaders	800	
Payroll Confirmation Audit	200	
Third Party Vendor Relationships Audit	250	
Sponsored Programs Administration Audit	350	
Research Data Protection and Validation Audit	300	

FY 2020 Audit Plan	Budget	% of Total
UTS 142.1 Compliance and Monitoring Plan Audit	100	
IT - Cybersecurity Network Security Audit	350	
IT - Business Continuity Preparedness - Critical Data Backup and Network Resiliency Audit	350	
IT - General Controls Audit	350	
Assurance Engagements Subtotal	6,000	30.5%
Advisory and Consulting Engagements		
Consulting General	500	
System Development Consulting (Risk areas such as project management, controls design, data conversion, user testing, and security access)	500	
Epic System Consulting	300	
IT - Continuous Monitoring	300	
Facilities Management Consulting	200	
Admissions Process Review	300	
Clinical Trials Management System Consulting	600	
Capital Projects	200	
SWHR Consulting	600	
Management training offerings such as Internal Control & Fraud Awareness/Leadership Foundations Training and Other courses and presentations	400	
ERM Initiative	400	
Institutional Committee Meetings	250	
Advisory and Consulting Engagements Subtotal	4,550	23.1%

FY 2020 Audit Plan	Budget	% of Total
Required Engagements		
Joint Admission Medical Program (JAMP) Audit	200	
Texas Higher Education Coordinating Board (THECB) Audit	100	
Texas SB20 Compliance Audit *	100	
T&E - Direct Reports Audit	150	
T&E - President's Office (support to UT System)	40	
Annual Financial Report Audit Support	400	
Proportional Funding of Benefits Review	200	
Required Engagements Subtotal	1,190	6.0%
Investigations		
Investigations	2200	
Investigations Subtotal	2,200	11.2%
Follow Up		
Q1 Follow Up / Sustainability	150	
Q2 Follow Up / Sustainability	150	
Q3 Follow Up / Sustainability	150	
Q4 Follow Up / Sustainability	150	
Follow Up Subtotal	600	3.0%

FY 2020 Audit Plan	Budget	% of Total
Reserve		
Audit Plan Reserve for Emerging Risks	800	
FY2019 Audit Plan Carryforward	500	
Reserve Subtotal	1,300	6.6%
Development - Operations		
Annual Internal Audit Report	100	
Audit Committee Reporting	500	
FY2021 Risk Assessment and Audit Plan Development	400	
External Audit Support (i.e., State Auditor's Office (SAO) and other agencies)	250	
Staff/Management Meetings	750	
Quality Assurance Review	350	
Development - Operations Subtotal	2,350	11.9%
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	7.6%
Total Budgeted Hours	19,690	100.0%

* Indicates coverage in capital budget controls, or any other limitation or restriction in the General Appropriations Act as well as contract management.

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
- High quality patient safety for patients of faculty practice
- Preserve Medical Center brand while expanding business relationships
- Monitoring of regulatory environment
- 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:

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

VI. External Audit Services Procured in Fiscal Year 2019

During FY2019, the Medical Center did not procure any internal audit assurance services from external providers. The following is a list of audits in progress or completed by outside agencies at the Medical Center in FY2019.

External Auditor/ Organization	Purpose
Cancer Prevention Research Institute of Texas - CPRIT (performed by Weaver)	Independent Auditor's Report - Schedule of Expenditures of State Awards for the CPRIT Program, and Report on Program Compliance and Internal Control over Compliance
Centers for Medicare & Medicaid Services (CMS)	External CMS contractor review (CERT)
Centers for Medicare & Medicaid Services (CMS)	External CMS contractor review - NOVITAS Solutions (Billing) E/M Coding Review Focus
Centers for Medicare & Medicaid Services (CMS)	External CMS contractor review - NOVITAS Solutions Targeted Probe

External Auditor/ Organization	Purpose
Centers for Medicare & Medicaid (CMS) KEPRO	Quality Improvement Organization (Billing): Two Midnight Short Stay Review - Clements University Hospital. Mandated review conducted by QIOs of short-stay outliers
Centers for Medicare & Medicaid (CMS) Recovery Audit Contractor (RAC)	RAC review - Medicare NOVITAS DRG Validation
Deloitte	Annual Financial Report (AFR) Audit (FY2018 Year End Testing and FY2019 Interim Testing)
Patient Centered Outcomes Research Institute (PCORI)	Research Compliance Review
State Auditor's Office (SAO)	Audit A-133 Statewide Single Audit for FY 2018 (Research & Development Cluster and follow up on prior year findings)
State Comptroller's Office Post Payment Audit (State's Schedule of Expenditures of Federal Awards or SEFA)	Compliance Audit by the Fiscal Management Division of the Comptroller of Public Accounts - Validate the Medical Centers' compliance for payroll, purchase, procurement and travel expenditures
United States Department of Health & Human Services (HHS)	Grant Monitoring Review – Pass-through Funding for Medical Center physician practicing at Parkland (Dallas) County Hospital
United States Department of Labor Office of Federal Contract Compliance Program (OFCCP)	Compliance Review - Institutional Executive Order Affirmative Action Program
United States Department of Veterans Affairs (VA)	Education Compliance Visit – Office of Student Enrollment Services

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.