

**The University of Texas Health Houston (UTHealth Houston) Internal  
Audit Annual Report for 2023**

**Purpose of the Internal Audit Annual Report:** To provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the internal audit annual report assists oversight agencies in their planning and coordination efforts.

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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 the website**

The Internal Audit Plan and Internal Audit Annual Report is contained within the Reports to the State section of UTHealth Houston’s website as required by Texas Government Code, Section 2102.015. An updated report is provided to the web developer who then posts the information no later than one day prior to the due date for submission to the appropriate reporting state agencies.

**II. Internal Audit Plan for Fiscal Year 2023**

<b>Audit Number</b>	<b>FY 2023 Audit Plan Audit / Project</b>	<b>Description</b>	<b>Status</b>	<b>Report Date</b>
<b>Assurance Engagements</b>				
22-106	Teacher Retirement System (carried forward from FY2022)	Assess processes for identifying and submitting benefits payments	Complete	8/31/2022
22-108	Clinical Research Billing (carried forward from FY2022)	Assess the research billing process within Epic for efficiency and effectiveness	Complete	5/30/2023
22-112	CIM – Neurosurgery (carried forward from FY2022)	Review operational and financial controls of Neurosurgery.	Complete	8/30/2022
22-205	NovoPath (carried forward from FY2022)	Review controls around NovoPath, a Laboratory Information System, which will interface with Epic.	Complete	5/01/2023
23-100	Conflict of Interest	Review of potential undisclosed faculty conflict of interests	In Progress	
23-101	Student Wellness	Review of the efficiency and effectiveness of procedures and processes related to student wellness	Cancelled – reassessed risk in relation to remainder of audit plan.	
23-102	Affiliated Websites	Review of controls around websites that may operate outside of UTHealth Houston.	Cancelled – reassessed risk and will reevaluate the need to perform in the future	
23-103	Regional Campuses -SPH	Review of compliance with policies and procedures related to the operation of the SPH regional campuses	Cancelled – included in the FY 2024 Audit Plan	

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23-104	Expenditure Review	Review approval/processing controls around non-PO, travel, entertainment, and other expenditures including previous expenditures for compliance with UTHealth Houston and state guidelines	In Progress	
23-105	Review and Validation	Audit based on risk in accordance with UTS142.1. Will focus on telecommuting and performance of the required reconciliations.	Complete	10/25/2022
23-106	MSRDP	Review compliance with MSRDP process or bylaws. Will be performed based on assessed risk	Complete	08/16/2023
23-107	DSRDP	Review of compliance with DSRDP process or bylaws. Will be performed based on assessed risk	Complete	07/10/2023
23-108	Committee Composition	Review of Institutional Committees to assess efficiency and effectiveness of operations and attention to a diverse composition	Complete	05/31/23
23-110	CIM - Auxiliary Enterprises	Review of selected Auxiliary Enterprise services in relation to change in management	Complete	03/16/2023
23-111	CIM – Human Resources	Review of operational and financial controls of Human Resources	In Progress	
23-200	PeopleSoft Access	Review controls around HCM/FMS access	In Progress	
23-201	Epic Mobile Applications	Review controls around internal and external mobile applications within Epic.	Cancelled – risk mitigated by addressing in system-specific audits	
23-202	Epic Telemedicine Solution	Review controls around the Epic telemedicine solution (Looking Glass)	Complete	06/09/2023
23-203	Legacy EMR Migration	Review controls and timelines around legacy EMRs to be migrated to Epic	Complete	08/29/2023
23-204	Email Security	Review controls around Exchange Online Protection (cloud-based filtering service for protection against spam, malware, and other email threats). Meets biannual assessment requirement for compliance with TAC 202.	Complete	04/12/2023

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23-205	Privileged Access Management	Review controls around privileged access management tool (CyberArk)	In Progress	
<b>Required Engagements</b>				
23-400	Financial Statements FY2022	Controls over transaction testing, analytical review, and other procedures assigned as part of the financial assurance audit.	Complete	Report issued by Deloitte at UT System level
23-401	Financial Statements FY2023	Interim work for FY 2023 financial statements.	Cancelled – interim assistance not requested by Deloitte	
23-402	Assist SAO/External Auditors	Provide assistance to the State Auditor's Office and other external audit functions	Complete	No report issued
23-403	THECB	Provide an opinion on revenue and expenditures reporting on program funds	Complete	12/21/2022
23-404	Epic Security Certification	Verify IT Security's control certification to Epic. Annual requirement	Complete	01/31/2023
23-405	TEA Compliance (CLI)	Report on controls over the security of TEA data	Cancelled - not required for this year	
<b>Follow-Up</b>				
23-700	Follow-Up	Hours designated to perform periodic follow-up to validate the status of implementing outstanding recommendations.	Complete	8/31/2023

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**Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institutions**

- a. For fiscal year 2024 and 2025, institutions of higher education shall also consider audits of benefits proportionality when developing their annual internal audit plans.
- b. It is the intent of the Legislature that the State Auditor's Office audit at least two institutions of higher education for compliance with benefits proportional provisions during the 2024-25 biennium.
- c. If an audit conducted under subsections (a) and (b) identifies any instances in which an institution has not been compliant with the proportionality requirements provided in Article IX, Sec. 6.08, Benefits Paid Proportional by Method of Finance and received excess General Revenue as a result of this noncompliance, the institution shall submit a reimbursement payment to the Comptroller of Public Accounts within two years from the conclusion from the audit. The Comptroller of Public Accounts shall notify the Legislative Budget Board and State Auditor's Office of all reimbursement payments submitted by an institution of higher education.

Benefits proportionality was considered during the FY 2024 annual risk assessment. It was not assessed as a high risk and therefore not included in the FY2024 Audit Plan.

**Compliance with the Texas Education Code, Section 51.9337(h)**

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 Section 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.”* UTHealth Houston’s Auditing and Advisory Services conducted this required assessment for fiscal year 2022, and found the following:

Based on review of current institutional policy and the UT System Board of Regents’ *Rules and Regulations*, UTHealth Houston has generally adopted all of the rules and policies required by TEC Section 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 Section 51.9337.

**III. Consulting Services and Nonaudit Services Completed**

<b>Report No.</b>	<b>Name of Project</b>	<b>High-Level Consulting Engagement / Non-audit Service Objective(s)</b>	<b>Observations / Results and Recommendations</b>
22-303A	Network Access Consulting	Comparison of network access listing with active directory using data analytics.	Results communicated to the department
23-303B	Data Analytics Assistance	Assisting departments with data analytics needs.	Results communicated to the department
23-303C	Medical Device	Verify < 100 records and	In Progress

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	Advisory	accurately reflected in IT asset inventory (ServiceNow).	
23-304A	Foreign Influence Reporting Advisory	Compliance with National Science and Technology Council Presidential Memorandum (NSPM) 33	Results communicated to the department
22-304F	Microsoft Access Consulting	Yearly review of configuration/functionality changes.	Results communicated to the department

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IV. External Quality Assurance Review (Peer Review)



August 13, 2020

Daniel Sherman, Associate Vice President and Chief Audit Officer  
University of Texas Health Science Center at Houston

In May 2020, The University of Texas Health Science Center at Houston (UT HSC Houston) internal audit (IA) function, Auditing & Advisory Services (A&AS), 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 HSC Houston A&AS engaged an independent review team consisting of internal audit professionals with extensive higher education and healthcare experience to perform an independent validation of A&AS' 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 A&AS, we agree with A&AS' 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 A&AS' 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 HSC Houston 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 The University of Texas Health Science Center at Houston.

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

Very truly yours,

*Baker Tilly Virchow Krause, LLP*

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**V. Internal Audit Plan for Fiscal Year 2024**

FY 2024 Audit Plan Audit / Project	Budgeted Hours	Description
<b><i>Assurance Engagements</i></b>		
Payroll Expenditures	400	Review of payroll expenditure processing and controls including atypical transactions
Epic Work Queues	430	Review controls around work queues in Epic.
Expenditure Review	300	Review approval processing controls around non-PO, travel, entertainment and other expenditures at selected schools or departments
Institutional Compliance	300	Review using the OIG 7 Components of an effective Compliance Program
SPH Regional Campuses	300	Review of regional space needs in preparation for the completion of the new SPH building in Houston (TMC 3).
AI Governance	300	Review of controls over the use of externally available AI
Data Consortia	500	Review governance controls around data consortiums where UTHealth Houston serves as custodian.
MSRDP	300	Review compliance with MSRDP process or bylaws. Will be performed based on assessed risk.
DSRDP	300	Review of compliance with DSRDP process or bylaws. Will be performed based on assessed risk.
Carryforward of Financial Audits	400	Carryforward of FY 2023 Financial Audits
LabArchive	450	Review controls around the LabArchive application.
SaaS Backups	450	Review controls around Software-as-a-Service tool (Druva) for Teams/One Drive/Exchange Online backups.
Active Directory	500	Review controls around Active Directory.
Windows Server Patching	450	Review controls around Windows Server patching. Meets biannual assessment requirement for compliance with TAC 202.
Mobile App Development and Publishing	430	Review controls around mobile application development and publishing.
Carryforward of IT Audits	400	Carryforward of FY 2023 IT Audits



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<b>Assurance Engagements Subtotal</b>	<b>6,210</b>	
<b><i>Required Engagements</i></b>		
Financial Statements FY 2023	100	Controls over transaction testing, analytical review, and other procedures assigned as part of the financial assurance audit.
Financial Statements FY 2024	80	Interim work for FY 2024 financial statements.
Assist SAO/External Auditors	150	Provide assistance to the State Auditor's Office and other external audit functions.
THECB	50	Provide an opinion on revenue and expenditures reporting on program funds.
Epic Security Certification	250	Annual requirement to verify IT Security's control certification to Epic.
TEA Compliance (CLI)	50	Report on controls over the security of TEA data
JAMP	60	Provide an opinion on revenue and expenditures reporting on program funds.
<b>Required Engagements Subtotal</b>	<b>740</b>	
<b><i>Advisory and Consulting Engagements</i></b>		
Advisory Engagements Reserve	300	Performance of advisory engagements requested by management.
Training/Assistance Provided by A&AS	100	Train/educate clients on risk and internal audit concepts, including IDEA.
Institutional Committees	300	Participation in various internal committees.
IT Advisory	800	<p>*Manual Patching Agreements (175): assist management in determining if manual patching agreements are being followed for servers/devices outside of the IT patching process.</p> <p>*Medical Devices (200): assist management in determining if medical devices are accurately reflected in inventory records and PHI is being kept &lt; 100 records for each device.</p> <p>*Microsoft 365 (200): assist management in reviewing the configuration/functionality changes from the prior year.</p> <p>*UTH-Share (200): assist management in reviewing the configuration/functionality changes to Google Workspace for Education from the prior year.</p> <p>*Network Access (25): assist management in reviewing appropriateness of access by performing quarterly comparison (using data analytics) of network access with active directory</p>

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Financial Advisory	600	*Revenue Cycle (100): assist management in reviewing Epic-related revenue cycle management. *Privacy Alert Monitoring (200): assist management in determining if privacy alerts from FairWarning are reviewed and resolved. *Data Analytics Assistance (200): assist departments with data analytics needs. *SB475 Compliance (100 hours)
Clinical Space Utilization Advisory	450	Assist management with an analysis of clinical utilization from an efficiency, effectiveness, and economy of operations perspective.
<b>Advisory and Consulting Engagements Subtotal</b>	<b>2,550</b>	
<b>Reserve</b>		
Management Requests/Emerging Risks	930	Allow for flexibility to add audits as additional risks are identified or to address rapidly changing areas.
<b>Reserve Subtotal</b>	<b>930</b>	
<b>Investigations</b>		
Investigations	400	Perform work related to potential thefts or in assisting other risk mitigating functions
Triage	100	Perform work related to triage/compliance complaint cases
<b>Investigations Subtotal</b>	<b>500</b>	
<b>Follow-up</b>		
Follow-up	600	Hours designated to perform periodic follow-up to validate the status of implementing outstanding recommendations.
<b>Follow-up Subtotal</b>	<b>600</b>	
<b>Development - Operations</b>		
UT System/External Requests	100	Time devoted to various external reporting requirements, information requests and other types of assistance provided to external agencies and reviewing for compliance with TEC 51.9337 Purchasing Authority Required Standards.
Internal Process Improvement	200	Periodic review and updating of audit processes by management and staff.
Internal Audit Committee	500	Preparation of documents and reports presented at the quarterly meetings and related post meeting documentation.

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FY 2025 Audit Plan	400	Development of annual audit plan using risk assessment techniques as required by Government Code 2102.
Internal Audit Annual Report	50	Preparation and posting of the Internal Audit Plan, Internal Audit Annual Report, and other information as required by TGC 2101.015.
Staff Meetings	600	Recurring departmental staff meetings.
TeamMate/IDEA Development & Maintenance	150	Maintenance and development of TeamMate database and IDEA.
Quality Assessment Review	150	Departmental process evaluation in preparation for next year's external quality assessment. Yellow Book standards require a QAR every three years.
Business Interruption	100	System outages, UTHealth Houston closures, etc.
<b>Development - Operations Subtotal</b>	<b>2,250</b>	
<b><i>Development – Initiatives and Education</i></b>		
Professional Activities	106	Writing, publication, external presentations, and participation in professional organizations.
UT System Initiatives	150	Participation in UT System initiatives including committees, workgroups, etc.
Continuing Professional Education	450	Professional trainings and CPE courses to keep certifications active.
<b>Development – Initiatives and Education</b>	<b>706</b>	
<b>Total Budgeted Hours</b>	<b>14,486</b>	

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<b>High Risk Topics Not Included in FY 2024 Audit Plan</b>	<b>Explanation / Mitigation</b>	<b>Internal Audit Action</b>
Business Associate Agreements	Monitor developments, executive management function	Monitor Developments
Visa sponsorship requirements	Performed as part of compliance work	Monitor Developments
Recruiting	Monitor developments	Monitor Developments
Policies and procedures	Monitor developments, addressed as part of each assurance engagement	Monitor Developments
Reliance on partners for funding	Monitor developments, executive management function	Monitor Developments
Federal grant compliance	Covered in 20-105 Grants and Contracts Financial Controls	Report Submitted
Social media accounts	Monitor Developments	Monitor Developments
Hazardous materials and waste	Monitor Developments	Monitor Developments
Underrepresented minority compliance	Monitor Developments	Monitor Developments
Administrative burdens	Monitor Developments	Monitor Developments
Epic cost increases	Monitor Developments	Monitor Developments
Epic dashboard accuracy	Monitor Developments	Monitor Developments
Expansion planning	Monitor Developments	Monitor Developments

Our risk assessment methodology included interviews and questionnaires to update the annual risk assessment. The identified risks were organized into institution-wide areas such as financial management, human resources management, and purchasing/warehousing. We developed detailed risk assessments of high-risk areas of research, information technology, and patient care. For each identified risk, probability and impact were determined using three to seven factors such as regulatory environment and frequency of identification in responses for the

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financial/operational risks and scope of process and age of system for the IT risks.

**VI. External Audit Services Procured in Fiscal Year 2023**

Service	Provider
Opinion on financial statements of UT Physicians (a component unit of The University of Texas System)	Blazek & Vetterling LLP Certified Public Accountants
Financial Statements FY 2023 Assurance Work	Deloitte and Touche LLP (Deloitte) Certified Public Accountants
Financial Statements FY 2024 Assurance Work	Deloitte and Touche LLP (Deloitte) Certified Public Accountants
Financial Portion of the Statewide Single Audit	State Auditor's Office
Texas Federal Portion of the Statewide Single Audit	State Auditor's Office
Cancer Prevention and Research Institute of Texas (CPRIT) Program	Deloitte and Touche LLP (Deloitte) Certified Public Accountants

**VII. Reporting Suspected Fraud and Abuse**

UTHealth Houston's home page contains a link to information on how to report suspected fraud, waste, and abuse. The information has a link to the State Auditor's fraud reporting website and its hotline number, as well as information on the various ways to report suspected fraud internally. Institutional policies and procedures address the requirement to report fraud and the Standards of Conduct Guide, applicable to all employees, addresses the reporting of fraud. The intranet sites of the departments of Institutional Compliance and Auditing & Advisory Services contain information and links for reporting suspected fraud.