

**The University of Texas Health Houston (UTHealth Houston)
Internal Audit Annual Report for 2024**

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 2024

Audit Number	FY 2024 Audit Plan Audit / Project	Description	Status	Report Date
<i>Assurance Engagements</i>				
23-100	Conflict of Interest (carried forward from FY 2023)	Review of potential undisclosed faculty conflict of interests.	Complete	10/12/2023
23-104	Expenditure Review (carried forward from FY 2023)	Review approval/processing controls around non-PO, travel, entertainment, and other expenditures including previous expenditures for compliance with UTHealth Houston and state guidelines	Complete	2/28/2024
23-106	Medical School Practice Plan (MSRDP) (carried forward from FY 2023)	Review compliance with MSRDP process or bylaws. Will be performed based on assessed risk	Complete	8/16/2023
23-111	CIM – Human Resources (carried forward from FY 2023)	Review of operational and financial controls of Human Resources.	Complete	1/30/2024
23-200	PeopleSoft Access (carried forward from FY 2023)	Review controls around HCM/FMS access.	Complete	3/5/2024
23-203	Legacy EMR Migration (carried forward from FY 2023)	Review controls and timelines around legacy EMRs to be migrated to Epic.	Complete	8/29/2023
23-205	Privileged Access Management (carried forward from FY 2023)	Review controls around privileged access management tool (CyberArk).	Complete	10/23/2023
24-100	Payroll Expenditures	Review of payroll expenditure processing and controls including atypical transactions.	Complete	5/28/2024
24-101	Epic Work Queues	Review controls around work queues in Epic.	Cancelled – included in FY2025 Audit	

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			Plan	
24-102	Expenditure Review	Review approval processing controls around non-PO, travel, entertainment and other expenditures at selected schools or departments.	Cancelled – reassessed risk in relation to remainder of Audit Plan	
24-103	Institutional Compliance	Review using the OIG 7 Components of an effective Compliance Program	Cancelled – Compliance at UT System will be undergoing an external review. Will await results to reassess risk	
24-104	SPH Regional Campuses	Review of regional space needs in preparation for the completion of the new SPH building in Houston (TMC 3).	Cancelled – reassessed risk in relation to the remainder of the Audit Plan	
24-105	AI Governance	Review of controls over the use of externally available AI	Cancelled – included in FY2025 Audit Plan	
24-106	Data Consortia	Review governance controls around data consortia where UTHealth Houston serves as custodian.	Completed	9/10/2024
24-107	MSRDP	Review compliance with MSRDP process or bylaws. Will be performed based on assessed risk.	Cancelled – included in FY2025 Audit Plan	
24-108	Dental School Practice Plan (DSRDP)	Review of compliance with DSRDP process or bylaws. Will be performed based on assessed risk.	Cancelled – included in FY2025 Audit Plan	
24-109	CIM – Diagnostic & Interventional Imaging	Review the operational and financial controls of the McGovern Medical School, Department of Diagnostic and Interventional Imaging.	In Progress	
24-200	LabArchives	Review controls around the LabArchives application.	Complete	9/9/2024
24-201	SaaS Backups	Review controls around Software-as-a-Service tool (Druva) for Teams/One Drive/Exchange Online backups.	In Progress	
24-202	Active Directory	Review controls around Active Directory.	Complete	4/1/2024
24-203	Windows Server Patching	Review controls around Windows Server patching. Meets biannual assessment requirement for compliance with TAC 202.	In Progress	

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24-204	Mobile App Development and Publishing	Review controls around mobile application development and publishing.	Complete	5/23/2024
24-407	TEC Assurance	Assess UTHealth Houston's compliance with TEC §51.3525.	Complete	8/9/2024
Required Engagements				
24-400	Financial Statements FY2023	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
24-401	Financial Statements FY2024	Interim work for FY 2024 financial statements.	Complete	Report issued by Deloitte at UT System level
24-402	Assist SAO/External Auditors	Provide assistance to the State Auditor's Office and other external audit functions.	Complete	No report issued
24-403	THECB	Provide an opinion on revenue and expenditures reporting on program funds.	Complete	12/14/2023
24-404	Epic Security Certification	Annual requirement to verify IT Security's control certification to Epic.	Complete	3/25/2024
24-405	TEA Compliance (CLI)	Report on controls over the security of TEA data	Cancelled - not required for this Fiscal Year	
24-406	JAMP	Provide an opinion on revenue and expenditures reporting on program funds.	Complete	11/20/2023
Follow-Up				
24-700	Follow-Up	Hours designated to perform periodic follow-up to validate the status of implementing outstanding recommendations.	Complete	9/1/2024

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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 2025 annual risk assessment. It was not assessed as a high risk and therefore not included in the FY2025 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

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Report No.	Name of Project	High-Level Consulting Engagement / Non-audit Service Objective(s)	Observations / Results and Recommendations
23-303C	Medical Devices Advisory (carried forward from FY 2023)	Review controls over medical devices are adequate and functioning as intended	Results communicated to the department
24-303A	Medical Devices Advisory	Review controls over medical devices are adequate and functioning as intended	Results communicated to the department
24-304A	Data Analytics Assistance	Assisting departments with data analytics needs.	Results communicated to the department
24-304C	University Classified Staff Council (UCSC) Advisory	Review controls over UCSC processes are adequate and functioning as intended.	Results communicated to the department
24-306	Development Operations Advisory	Perform an analysis of Development and Public Affairs processes from an efficiency, effectiveness, and economy of operations perspective.	In Progress

IV. External Audit Services Procured

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
Opinion on combined financial statements of UTHealth Houston Behavioral Sciences Campus (an operating unit of The University of Texas Health Science Center Houston) for FY 2022 and 2023	Forvis Mazars, LLP Certified Public Accountants

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V. External Quality Assurance Review (Peer Review)



November 2023

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

In June 2023, The University of Texas Health Science Center at Houston (UTHealth 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). UTHealth 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 A&AS' 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 A&AS 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 A&AS 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 UTHealth 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 US, LLP

A handwritten signature in cursive script that reads "Baker Tilly US, LLP".

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VI. Internal Audit Plan for Fiscal Year 2025

FY 2025 Audit Plan Audit / Project	Budgeted Hours	Description
Assurance Engagements		
MSRDP	400	Review compliance with MSRDP processes/bylaws based on assessed risk.
DSRDP	400	Review compliance with DSRDP processes/bylaws based on assessed risk.
Emergency Preparedness Plan	500	Review the adequacy of UTHH processes and policies developed to respond to emergency events.
Epic Work Queues	550	Review controls around work queues in Epic.
AI Governance	500	Review controls over the use of externally available AI.
Data Center Operations	500	Review controls over the UCT data center. <i>Also meets the biennial compliance requirement with Texas Administrative Code Section 202.</i>
Research Security Program	550	Review controls associated with the research security program as required by National Security Presidential Memorandum 33 (NSPM-33) and TEC 51.956.
Medical Device Network Segmentation	500	Review controls around the segmentation of medical devices from the UTHH network.
Inbound Email Security	550	Review controls around the inbound email security solution (Abnormal).
Engagements Carryforward	800	Carryforward of FY24 financial/IT assurance engagements
Assurance Engagements Subtotal	5,250	
Required Engagements		
Financial Statements FY 2024	90	Review controls over transactions and perform analytical reviews/other procedures assigned as part of the procedures for the FY24 financial statements.
Financial Statements FY 2025	60	Perform interim procedures for the FY25 financial statements.
External Auditor Assistance	200	Assist 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	300	Verify IT Security's control certification to Epic (annual requirement).
Required Engagements Subtotal	700	
Advisory Engagements		

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Management Assistance	100	N/A
UTHH Committees	300	N/A
IT Advisory	800	Assist management in reviewing the following areas: cloud platform security, user access reviews, medical device security, manual patching agreements, patient record access.
TEC 51.3525	300	Assist management in ensuring compliance with TEC 51.3525.
Financial Advisory	600	Assist management in reviewing the following areas: internal controls, expenditures, revenue cycle, patient record releases.
Data Analytics	300	N/A
Advisory Engagements Subtotal	2,400	
Reserve		
Assurance/Advisory Reserve	1,000	Perform assurance/advisory engagements requested by management.
Reserve Subtotal	1,000	
Investigations		
Investigations	300	Review thefts or assist in other risk management functions.
Triage	100	Perform procedures related to compliance intakes or assist other risk management functions.
Investigations Subtotal	400	
Follow-up		
Follow-up	500	Perform periodic follow-up to validate the status of implementing outstanding recommendations.
Follow-up Subtotal	500	
Operations		
External Assistance/Requests	100	Provide assistance to UT System and other external agencies. Includes reporting, processing information requests, and other assistance including reviewing for compliance with TEC 51.9337 <i>Purchasing Authority Required Standards</i> .
Internal Process Improvement	400	Review/update of A&AS audit processes.
Internal Audit Committee	500	Prepare Internal Audit Committee packages and related post-meeting documentation.
FY 2026 Audit Plan	400	Developing annual audit plan using risk assessment techniques as required by Government Code 2102.

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Internal Audit Annual Report	50	Preparation and Posting of the Internal Audit Plan, Internal Audit Annual Report, and other information required by TGC 2101.015.
Staff Meetings	500	Participate in departmental staff meetings.
eCase/IDEA	200	Train, develop, and perform maintenance associated with eCase/IDEA.
Quality Assessment Review	200	Evaluate departmental processes in preparation for the next external quality assessment review (QAR). Yellow Book standards require a QAR every three years.
Operations Subtotal	2,350	
<i>Initiatives and Education</i>		
Professional Activities	163	Writing, publication, external presentations, and participation in professional organizations.
UT System Initiatives	200	Participation in UT System initiatives including committees, workgroups, etc.
CPE/Training	400	Professional trainings and CPE courses to keep certifications active.
Initiatives and Education	763	
Total Budgeted Hours	13,363	

High Risks Not Included in FY 2025 Audit Plan	Explanation / Mitigation	Internal Audit Action
Heavy dependence on partners (e.g., Memorial Hermann, Harris Health) and/or grant agencies for funding resulting in financial uncertainty.	Monitor Developments	Monitor Developments
Significant research expenditures without adequately developed operating plans resulting in increased costs.	Monitor Developments	Monitor Developments
Data consortiums do not have adequate infrastructure support from IT/IT Security resulting in a breach.	Covered by FY2024 Data Consortiums	Report Submitted
Vendor outage resulting in the inability to collect patient revenue.	Monitor Developments	Monitor Developments
Requests for big data coming from various sources may overwhelm our processes and increase the risk of data being released that is not adequately de-identified.	Covered by FY2024 Data Consortiums	Report Submitted
Expansion of the healthcare practice creates difficulty in managing conflicts of interest, resulting in lost providers and	Covered by FY2024 Conflicts of Interest. A&S will continue to monitor developments	Report Submitted

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revenue.		
Out-of-state workers are not adequately managed resulting in increased costs.	Monitor Developments	Monitor Developments
Epic has large amount of functionality that if not fully understood and utilized may result in operational inefficiencies.	Monitor Developments	Monitor Developments
Decentralized nature of the institution could lead to inefficiencies and redundant operations	Monitor Developments	Monitor Developments
Shortage of qualified research coordinators leads to noncompliance and potential loss of funding.	Monitor Developments	Monitor Developments
Inability to recruit candidates to fill open healthcare positions resulting in lost revenue and operational inefficiencies	Monitor Developments	Monitor Developments
Noncompetitive salaries/market adjustments/career paths resulting in inability to retain employees	Covered by FY2024 CIM - Human Resources	Report Submitted
Loss of key employees with no succession planning resulting in lost revenue and operational inefficiencies.	Monitor Developments	Monitor Developments
Inability to adequately perform oversight of our physicians who have medical director roles at our partner institutions resulting in allegations of inappropriate behavior and public relations issues.	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 financial/operational risks and scope of process and age of system for the IT risks.

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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.