



A Legislative Summary Document Regarding The University of Texas Medical Branch at Galveston

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The University of Texas Medical Branch at Galveston (Medical Branch) has weaknesses in three contract administration areas that subject state and Medical Branch funds to the risk of loss and abuse. The Medical Branch:

- Does not consistently follow its contract procurement procedures.
- Does not consistently establish contract provisions to hold contractors accountable for services.
- Has not established and communicated detailed guidance on how to monitor contracts.

The Medical Branch also has not consistently followed state requirements regarding the reporting of contracts to the Legislative Budget Board.

The information in the Medical Branch's property accounting system may not accurately reflect some assets. Thirty-four of 233 sample items we reviewed (14.59 percent) were not recorded in the Medical Branch's property accounting system.

As a result of our audit of compliance with Benefits Proportional by Fund requirements, the Medical Branch reimbursed an additional \$722,335 to General Revenue.

Prepared for the 78th Legislature
by the State Auditor's Office

January 2003

SAO No. 03-339

This is not an audit report and, with the exception of any audit report summaries, the material in this document has not been subjected to all of the tests and confirmations performed in an audit.

The University of Texas Medical Branch at Galveston

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Key Findings from Previous Audits and Reviews

January 1, 2001–December 31, 2002

An Audit Report on State Entity Compliance With Benefits Proportional by Fund Requirements

(Report No. 02-069, August 2002)

The University of Texas Medical Branch at Galveston (Medical Branch) submitted its fiscal year 2001 *Benefits Proportional by Fund Report* by the due date and, based on the report, reimbursed General Revenue \$53,905. As a result of our audit, the Comptroller of Public Accounts and the Medical Branch worked together to identify an omission in the information the Medical Branch specified on its *Benefits Proportional by Fund Report*. The Medical Branch subsequently reimbursed an additional \$722,335 to General Revenue.

An Audit Report on State Owned Multi-Categorical Teaching Hospital Account

(Report No. 02-025, March 2002)

The University of Texas Medical Branch at Galveston (Medical Branch) is in compliance with the criteria in Article II, Rider 56, page II-43, of the General Appropriations Act (77th Legislature). Rider 56 regulates the reimbursements that the Medical Branch can receive for the cost of indigent care from the State Owned Multi-Categorical Teaching Hospital Account (Account), which the Department of Health maintains. Rider 56 requires that (1) reimbursements from the Account be based upon a rate equal to 90 percent of the Medicaid fee-for-service rate at the time of service and (2) that the Medical Branch not be reimbursed for patient co-payments received.

The Medical Branch has a sound process in place to ensure that its reimbursement requests meet criteria specified in Rider 56. We verified that reimbursements from the Account did not exceed the appropriate rates, and our testing found no inappropriate reimbursements of co-payments. For the 2000–2001 biennium, the Medical Branch provided \$78 million in indigent care, \$38 million more than it can receive in reimbursements from the Account, which is capped at \$40 million.

A Letter to Management Concerning a Contract Administration Review at The University of Texas Medical Branch at Galveston

(Report No. 02-329, February 2002)

The University of Texas Medical Branch at Galveston (Medical Branch) has weaknesses in three contract administration areas that subject state and Medical Branch funds to the risk of loss and abuse. Specifically, the Medical Branch:

- Does not consistently follow its contract procurement procedures.
- Does not consistently establish contract provisions to hold contractors accountable for services.
- Has not established and communicated detailed guidance on how to monitor contracts.

The Medical Branch also has not consistently followed state requirements regarding the reporting of contracts to the Legislative Budget Board.

Status of Audit Recommendations as of November 30, 2002 (unaudited)	
The Medical Branch has reported the following:	
Partially implemented	4
Total recommendations	4

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Overall, Medical Branch written contract administration policies and procedures adequately cover the significant legal and administrative responsibilities related to contracting activities. In addition, we found no significant problems with the Medical Branch's contractor payment/reimbursement methodology.

An Audit Report on Property Reported as Lost or Stolen

(Report No. 01-032, June 2001)

The results of our statistical testing at four agencies and universities indicate that state property with a total book value of \$12.8 million may be missing. While the percentage of missing items at each of the four entities meets limited available standards for acceptable property loss, improvements in property management procedures could reduce the risk of loss or theft of state assets. The percentage of missing test items varied from 1.7 percent at the Department of Human Services to 3.8 percent at both the Department of Mental Health and Mental Retardation and The University of Texas Medical Branch at Galveston (Medical Branch).

Status of Audit Recommendations¹ as of November 30, 2002 (unaudited)	
The Medical Branch has reported the following:	
Implemented	1
Partially implemented	1
Total recommendations	2
¹ From management letter No. 01-465	

The information in the Medical Branch's property accounting system may not accurately reflect some assets. Thirty-four of 233 sample items we reviewed (14.59 percent) were not recorded in the Medical Branch's property accounting system. The Comptroller of Public Accounts requires agencies to record assets with a book value of \$1,000 or more. While some of the sample items not recorded in the Medical Branch's system may fall below the \$1,000 book-value threshold, other items not recorded in the system were complex medical or electronic equipment, including a dialysis machine, a centrifuge, and a video conferencing monitor. The lack of records for these items increases the risk that they could be lost without the Medical Branch's detection.

Most Recent Performance Measure Certification

Fiscal Year 1998– Fiscal Year 2003

The results of *An Audit Report on Performance Measures at 36 State Entities–Phase 12 of the Performance Measures Reviews* (Report No. 98-040, May 1998) for this entity are summarized below.

Period	Measure	Certification Results
1997	Total number of graduates going into an internal medicine, pediatrics, obstetrics/gynecology, and emergency medicine residency	Certified
1997	Total number of graduates completing first-time licensure	Certified
1997	Total number of filled positions in residency programs	Certified
1997	Total number of filled residency positions in Texas Health Professional Shortage Areas (HPSAs)	Certified
1997	Total number of post-doctoral (PH.D., M.D./D.O., and D.D.S.) research trainee positions	Certified
Total Measures Certified Without Qualification^a		5/5 (100%)
Data Reliability Percentage (Certified and Certified with Qualification)		5/5 (100%)
^a The percentage of unqualified certifications is presented because it is used in determining an entity's eligibility for performance rewards as established in the General Appropriations Act [77th Legislature, Article IX, Sec. 6.31(d)(2)].		

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Category	Definition
Certified	Reported performance is accurate within +/-5 percent, and controls appear adequate to ensure accurate collection and reporting of performance data.
Certified with Qualification	Reported performance is within +/-5 percent, but the controls over data collection and reporting are not adequate to ensure the continued accuracy of performance data.
Factors Prevented Certification	Actual performance cannot be determined because of inadequate controls and insufficient documentation.
Inaccurate	Reported performance is not within +/-5 percent of actual performance, or there is an error rate of at least 5 percent in the supporting documentation.
Not Applicable	A justifiable reason exists for not reporting performance.

Quality Assurance Team Reviews

Conducted by the Legislative Budget Board and State Auditor's Office

Completed Projects

Quality Assurance Team Annual Report – January 2002

The University of Texas Medical Branch at Galveston (Medical Branch) completed the Correctional Managed Health Care Plan – Computerized Patient Record project at a total cost of \$3,975,122.

Ongoing Projects

Quality Assurance Team Annual Report – January 2003

Administrative Systems Replacement (ASR) — The Medical Branch began this project to implement PeopleSoft™ to replace its administrative system in July 2000. Time line and cost increases are due to a delay in the PeopleSoft™ Web-based release. Current expenditures for this project are \$7,657,956.

Project	Function	Initial Budget	Current Budget	Budget Change	Initial End Date	Current End Date	Time Change
ASR	Implement PeopleSoft™	\$17,528,003	\$20,862,750	\$3,334,747	04/30/04	07/31/05	15 months

Information System Vulnerability Assessments

The State Auditor's Office (SAO) and/or the Department of Information Resources performed one or more information system vulnerability assessments at The University of Texas Medical Branch at Galveston between January 2000 and November 2002. Detailed results of this work are confidential under Texas Government Code, Section 2054.077(c). The SAO's Legislative Summary Document titled "Information System Vulnerability Assessments" provides general information about the results of information system vulnerability assessments.