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A Limited Review on Management Controls at the University of Texas Health Science Center at San Antonio

August 1997

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Key Points of Report

A Limited Review on Management Controls at the University of Texas Health Science Center at San Antonio

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Overall Assessment

The University of Texas Health Science Center at San Antonio (Health Science Center) has adequate controls in place over planning and budgeting in the South Texas/Border Region Health Professional Education Initiative (Initiative) and Area Health Education Center (AHEC) programs. Further, significant issues identified in the 1993 management control audit have been addressed.

Key Facts and Findings

- Administration of Initiative programs could be enhanced if line and staff responsibilities for the Initiative were more closely aligned. Also, recent changes in the General Appropriations Act have placed restrictions on administrative expenses and placed more emphasis on program development. To maintain the current level of programs, management must either curtail costs or increase institutional funding.
- The Health Science Center was not in technical compliance with an AHEC grant administrative requirement. Monies for medical education programs were allocated directly to the component schools administering the programs instead of being channeled through the AHECs as required by the grant.
- The Health Science Center has outlined a Strategic Plan consistent with their statutory functions and formulated action plans and developed policies and procedures to ensure the University's goals and objectives are achieved. However, the component schools, with the exception of the Medical School, have not yet completed their individual strategic and action plans.
- The Medical Service Research and Development Plan (Plan) is continuing to centralize its billing operations as recommended by the State Auditor's 1993 management control audit. Also, opportunities exist for strengthening internal controls in various areas of Plan administration.

The University of Texas Health Science Center at San Antonio is in a unique position to address the education and health needs of South Texas and the Border region. It is imperative that they continue to make progress in the challenges presented here.

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This audit was conducted in accordance with Government Code, Sections 321.0132 and .0133.

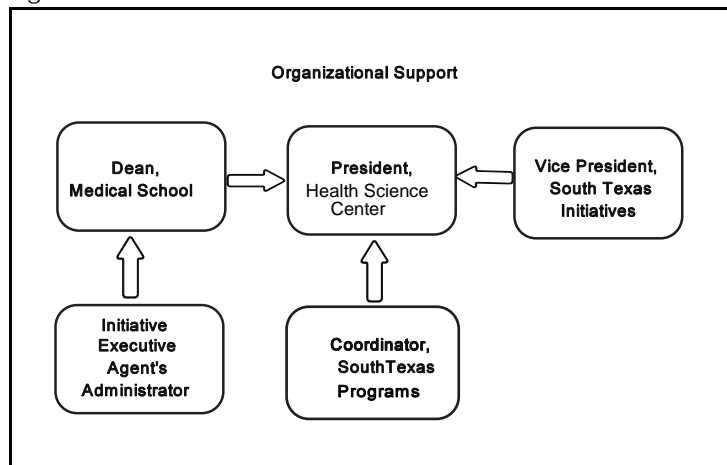
Overall Assessment

The University of Texas Health Science at Center San Antonio's (Health Science Center) management controls over the South Texas Border Region Health Professional Education Initiative and Area Health Education Center planning and budgeting are adequate to ensure they are efficient. Further, the Health Science Center has positively addressed significant issues identified in the 1993 management control audit. The Health Science Center has developed a institutional strategic plan and an administrative office has been upgraded to oversee the development of strategic initiatives. Also, the billing and collection activities for the Medical Service Research and Development Plan have been centralized as recommended in the report. There are, however, opportunities for improvement.

Section 1:

Administrative Support Over the South Texas/Border Region Health Professional Education Initiative Program Could Be Enhanced

Figure 1



Administration of the South Texas/Border Region Health Professional Education Initiative (Initiative) programs could be enhanced if line and staff responsibilities for the Initiative were more closely aligned. The distributed administrative structure adopted by the Health Science Center for the Initiative requires close coordination among the various groups to ensure the timely and accurate flow of information for effective decision making. A disruption in the flow of information could hamper the effective and efficient administration of the program.

The Initiative program does not have a centralized administrative structure for line and staff responsibilities. Three Health Science Center administrators involved in the management, development, and coordination of Initiative programs have line responsibility and report directly to the President of the Health Science Center. The distributed administrative structure was adopted by management because each of the key Initiative administrators have duties and responsibilities for the program as well as other South Texas activities.

A periodic review of organizational structures is recommended to ensure that intended results are being achieved. Health Science Center management should consider performing an evaluation of line and staff responsibilities and individual job descriptions of Initiative administration. Management should determine if the current organizational structure is effective in providing the flow of information required to manage the program. In addition, each key Initiative administrator's job description

should be clearly defined to ensure that duties and responsibilities contribute to the mission and goals of the Initiative program.

Section 1-A:

Funds Appropriated for Administrative Support for the South Texas/Border Region Health Professional Education Initiative Have Been Reduced by 50 Percent

For the next biennium, monies for providing administrative support to Initiative educational programs have been reduced from \$750,000 to \$375,000 for each of the two years. Rider 3.d. of the General Appropriations Act also makes it very clear that none of the program funds may be spent on the campus of the Health Science Center for administrative purposes. The reduction in these funds will make it harder for the Health Science Center to provide the administrative support at its current level. According to management, the Health Science Center provided an estimated \$439,448 in additional funds to support the Initiative programs in fiscal year 1996.

Salaries comprise the largest percentage of administrative expenses. For fiscal year 1997, the Health Science Center budgeted \$407,890 for administrative and professional staff. Salaries for classified employees were budgeted at \$33,000, and \$279,387 was earmarked for faculty salaries. Without cuts in administrative support, the Health Science Center will find it necessary to increase the amount of other institutional funds to support Initiative programs at current levels, or cut programs.

Section 1-B:

Infrastructure Expenditures Versus Program Expenditures

During our review of Initiative budgeting and expenditures, we found that for fiscal year 1996, the Infrastructure budget of \$750,000 was used to fund salaries throughout the Health Science Center. Some of these salaries were paid to faculty and staff not directly associated with the Initiative program. Legislative concerns were also raised about certain costs charged to the programs. This situation may have occurred as a result of the wording used in the initial appropriation rider and misunderstanding as to the intent of the appropriation. After negotiations with the Legislative Budget Board, the Health Science Center agreed to reallocate some program expenditures to Infrastructure.

Recommendation:

We recommend the Health Science Center perform an evaluation of line and staff responsibilities and individual job descriptions of Initiative administration. Management should determine if the current organizational structure is effective in providing the flow of information required to manage the program. In addition, management should ensure that each key Initiative administrator's job description clearly defines his or her Initiative role and responsibility as well as other duties.

Management must also continue to ensure that controls remain in place to ensure Initiative funds are expended in accordance with the Appropriations rider.

Management's Response:

The planning and implementation of the STBI program has been extremely complex, not only for the Health Science Center, but also for the planning groups within each of the regions with which we have worked to establish effective programs. We agree completely that it is appropriate to continually review the organizational structure used in this effort, and we will make more effective use of the communications committee which was established to improve the flow of information among all involved. Additionally, we concur that it is appropriate to have periodic review of all administrator job descriptions to be sure that the role and responsibility mesh with the duties of the individual assigned.

The reduction of infrastructure funding from \$750,000 per year in the current biennium to \$375,000 per year in the next biennium beginning September 1, 1998, will cause some difficulty in meeting the intent of the legislature that we develop and deliver quality educational programs and in fulfilling the obligation of the institution to continue those programs initiated during the current biennium. The institution feels a strong obligation to continue adequate support of the programs, and we will find some way to continue the infrastructure support from other funds. The intention of the rider related to infrastructure funding is to make clear that none of the program funds in other portions of the rider are used for infrastructure purposes. We are in agreement with the provisions of that rider.

Section 2:

Health Science Center Not In Technical Compliance With An Area Health Education Center Program Requirement

A Health Science Center internal audit report found that the Health Science Center was not in technical compliance with an Area Health Education Center (AHEC) grant administrative procedure. Since the inception of the AHEC program, the Health Science Center has directly allocated the federal dollars to the component schools providing programs through the AHECs instead of passing the money to the centers first and then having the centers transfer the money back to the Health Science Center. Because the monies were ultimately destined for the schools, this practice saved time and saved the centers the trouble of accounting and handling the monies. However, according to the funding grant, 75 percent of the federal funds utilized must be spent in the AHECs. The internal audit report also states that of the funds expended by the institution, 75 percent or more of the funds were expended for programs or for operational costs of the AHECs.

The internal auditor recommended that management should expend the program funding through the AHECs as required by the Public Health Service Act.

Section 2-A:

Area Health Education Centers Target South Texas

The AHEC program, sponsored by the Health Science Center with federal money, is a health education program targeting the South Texas area from San Antonio to the Lower Rio Grande Valley. The AHEC program is now in its seventh year of a nine-year federal funding commitment. The program has established five not-for-profit centers to assist in the accomplishment of their goals.

The AHEC program is a long-term initiative. For each center, year one is the feasibility and planning stage of the center. Year two is the development stage, and years three through six are the operational stages. No center can be supported by federal funding for more than six years. Therefore, in the fifth and sixth years, federal funding for the centers is phased down and the center is expected to supplant federal dollars with state or private monies.

Figure 2

Area Health Education Centers

	Location	Established
Lower Rio Grand Valley Center	Weslaco	1991
South Coastal Center	Corpus Christi	1993
Mid Rio Grande Border Center	Laredo	1994
Winter Garden Border Center	Eagle Pass,	
	Del Rio, Uvalde	1995
Alamo Center	San Antonio	1995

The Lower Rio Grande Valley (LRGV) Center is no longer receiving federal funding through the AHEC program. It is currently in its seventh year of operations and has entered into a service agreement with the Health Science Center. This service agreement is basically a funding mechanism using Initiative money and allows the LRGV Center to continue to operate. If the center

does not obtain funding commitments from other sources, the LRGV Center will be forced to close. While the Health Science Center may elect to renew its service agreement with the LRGV Center for another year, it is not obligated to do so. Should the LRGV AHEC close, the Health Science Center would be forced to find another channel for health education programs in the Lower Rio Grande Valley.

Recommendation:

We recommend that the Health Science Center comply with the recommendations of the internal auditor and come into full compliance with the requirements of the Public Health Service Act. Further, we recommend that the Health Science Center continue to work with the AHECs, to develop other sources of revenue. It would be in the best interest of the Health Science Center, the AHECs, and South Texans if the relationships developed over the years are fostered and nurtured.

Management's Response:

As was indicated in the formal response to the internal audit report, the AHEC program office is developing contracts for all program funds to flow through the

regional centers so that we will be in full compliance with Section 746(a)(1) of the Public Health Service Act governing AHEC grants. This procedure will be in place and will be followed for all federal funds administered through the AHEC program beginning October 1, 1997, the new federal fiscal year.

UTHSCSA staff will continue to work with the AHEC advisory committees and 501(c)3 corporations in each of the regions to develop other sources of revenue and to maintain and enhance the relationships that have developed over the several years of the AHEC existence.

Section 3:

Strategic Planning Follow-Up

In response to the recommendations made in the State Auditor's 1993 Management Control Audit (*The University of Texas Health Science Center at San Antonio Management Control Audit*, SAO Report No. 93-076, March 1993), the Health Science Center formed the Institutional Strategic Plan Committee and was charged by the President to develop an Institutional Strategic Plan. The Institutional Strategic Plan was developed and approved in November 1994. In addition, in January 1997, management approved the restructuring and renaming of an administrative position to give greater emphasis to the planning function. The position of Executive Assistant to the President was retitled as Vice President for Institutional Planning and Effectiveness, and the assigned duties and responsibilities were modified to give greater emphasis to the planning function.

Section 3-A:

Component Schools Should Complete Strategic and Action Plans

Figure 3

Health Science Center Component Schools

Dental School
Medical School
School of Nursing
School of Allied Health Science
Graduate School of Biomedical Sciences

The Health Science Center has outlined a Strategic Plan consistent with its statutory functions and formulated action plans and developed policies and procedures to ensure the University's goals and objectives are achieved. However, with the exception of the Medical School, the component schools have not yet completed their individual strategic and action plans.

Section 3-B:

Strategic Planning Process

Strategic planning is a long-term, future-oriented process of assessment, goal-setting, and decision-making that maps an explicit path between the entity's present state and its vision of the future. Planning at any entity level outlines a course of action which, if executed, enables desired results to be achieved.

Institutions of higher education are required to follow the Texas Strategic Planning Format, which has nine ordered elements. The first two, statewide vision and

functional goals, are developed by the Governor and the Legislative Budget Board. The remaining elements are developed by the entities as they prepare their strategic plans. These remaining ordered elements are: mission, philosophy, external/internal (policy environment) assessment, goals, objectives, strategies, and action plans. In identifying these elements, one must consider the overall attitudes of the key individuals responsible for its preparation, as well as their understanding of the strategic planning process.

In that light, the elements outlined in the Texas Strategic Planning Format were identified as part of the overall process in the development of the Strategic Plan for the Health Science Center. The plan was also determined to be consistent with the school's statutory functions. In addition, specific operating plans were in place and designed to accomplish the various goals, objectives, and strategies of the Health Science Center Strategic Planning Document. However, only the Medical School had completed the most recent Strategic and Action Plans, which aligned with the current overall Strategic Plan of the Health Science Center.

The overall Strategic Plan of The University of Texas Health Science Center at San Antonio can be fully implemented when all the component schools have completed their individual strategic and action plans.

Recommendation:

We recommend that the Medical School's approach to strategic planning and implementation be utilized as a model by all the component schools of the Health Science Center. A successful strategic plan is characterized by both compliance with the reporting requirements and a commitment to implementation of the plan by the institution's leadership. The Health Science Center would receive the benefit of these two characteristics by applying a consistent methodology in preparing the strategic plans for the various component schools.

By using the approach of the Medical School, which mirrors and aligns perfectly with the overall Strategic Plan of the Health Science Center, a more uniform response to the requirements of House Bill 2009 (Strategic Plan Legislation) can be achieved. In addition, efficiencies in research time as well as full support of the plan by the component schools may be realized by working simultaneously with the component schools as they develop their individual strategic and action plans.

Management's Response:

We agree completely that the Medical School's approach to development of the Strategic Plan for that school provides an excellent model for the development of strategic plans by the other four schools of this Health Science Center. In fact, each of the other schools is currently preparing a new strategic plan and these will be completed in time for consideration in the Southern Association accreditation review coming up in FY 1998.

Medical Service Research and Development Plan Centralizes Operations

The Medical Service Research and Development Plan (Plan) is continuing to centralize its billing operations as recommended by the State Auditor's 1993 Management Control Audit. After the management control audit, the Health Science Center contracted with a private firm to study possible approaches to centralizing its billing and collection operations.

While the financial information derived from the Plan is being accurately and completely reported, an internal audit report found that improvements for strengthening internal controls in various areas must be addressed by management.

Section 4-A:

Internal Audit Report Results

In the spring of 1996, a new Plan Director was appointed by the Health Science Center. In accordance with The University of Texas System and institutional policy, an audit of a department is required whenever a change in management occurs. An audit of the Plan's Central Office was subsequently performed by the Health Science Center Internal Audit Department.

The internal auditor's scope of the Plan's audit was comprehensive and covered the areas that were significant to our limited review of management controls. The internal auditor's report found that, although controls were in place, there were areas where improvements could be made. Areas for improvement include internal controls, accounts receivable processing, and third-party payors processing.

The new Plan Director accepted the recommendations of the internal auditor and will institute improvements subsequent to the centralization of the Plan's office.

Recommendation:

We recommend that management continue to implement the recommendations made by the Health Science Center's internal auditor.

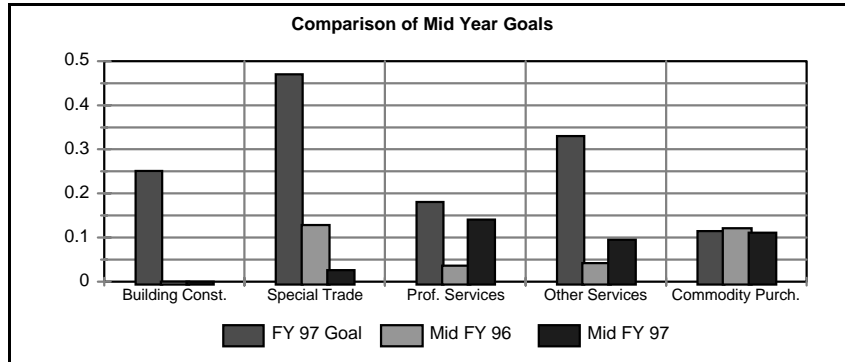
Management's Response:

Management agrees completely that the recommendations made by the internal audit staff are appropriate and will be implemented as outlined in the initial response to the internal audit of MSRDP. Such implementation is on schedule and will continue until completed.

Health Science Center Makes a Good Faith Effort to Increase Historically Underutilized Business Participation

The Health Science Center has made a good faith effort in increasing Historically Underutilized Business (HUB) vendor participation. Although the Health Science

Figure 4



Center met and exceeded only one HUB goal for fiscal year 1996, a mid-year comparison between fiscal years 1996 and 1997 indicates that that Health Science Center is ahead in two categories and on track with one other. The Health Science Center fully expects to meet or exceed three of the five goals for fiscal year 1997.

The Health Science Center, however, was not in full

compliance with the Government Code, 2161. For fiscal year 1997, the Health Science Center did not prepare an estimate of expected contract awards as required by Government Code, Section 2161.183. According to Health Science Center management, the General Services Commission has not provided sufficient information as to the format of the report.

Recommendation:

We recommend that the Health Science Center comply with the requirements of the Government Code and prepare all required reports accurately and in a timely manner. We also recommend that Health Science Center management continue to work with the General Services Commission if there are concerns as to format and report content.

Management's Response:

It is the intention of Health Science Center administration to comply with all requirements of state government, including the various HUB reports required by Government Code 2161. As was pointed out to the auditor during the course of the review, we had received conflicting instructions concerning the report in question from U.T. System administration. We will take steps to make sure that the report preparation is properly coordinated in the future.

Objective, Scope, and Methodology

Objective

The objective of the audit was to conduct a limited review of significant management controls to ensure that management has established and maintained processes and monitoring systems to ensure that The University of Texas Health Science Center is operating efficiently and effectively. In addition, we included procedures to follow up on management's progress in addressing issues identified in the management control audit performed in fiscal year 1993.

Scope

In performing the audit, we evaluated:

- policy management systems over strategic planning
- planning and budgeting of the South Texas/Border Region Health Professional Education Initiatives and Area Health Education Centers
- resource management systems over the Medical Service Research and Development Plan
- performance management systems

Methodology

The audit methodology consisted of data analysis, review of prior year working papers, interviews with The University of Texas Health Science Center staff, and review of physical evidence. In selected areas, tests of controls were performed to determine if the control systems were operating as described. Finally, the results were evaluated against established criteria to determine the control system's adequacy and identify opportunities for improvement. Where possible, we relied on the work of the Health Science Center's internal auditor.

The following criteria were used to evaluate the control systems:

- Statutory requirements
- Federal program requirements
- The University of Texas System policies and procedures
- The University of Texas Health Science Center at San Antonio's policies and procedures
- Key Accountability Control Systems developed by the State Auditor's Office

Other Information

Fieldwork was conducted from May 1997 through July 1997. The audit was conducted in accordance with Generally Accepted Government Auditing Standards.

The following members of the State Auditor's Office performed the audit work:

- Gilberto F. Mendoza, CPA (Project Manager)
- Odilia O. Cruz, CPA
- Michelle J. Cook, CPA
- Shea X. Soria, CPA
- Charles P. Keith, CQA (Audit Manager)
- Deborah L. Kerr, Ph.D. (Audit Director)

Background Information

The Health Science Center Takes A Leadership Role In Health Education

The University of Texas Health Science Center at San Antonio, as the closest medical school to the South Texas Border region, has the leadership role in providing health education to South Texas. Since its inception, the Health Science Center has developed numerous programs in health education to accommodate the health needs of South Texans. It has also attempted to increase health career awareness in elementary and secondary students in the hope of increasing the number of health care professionals from the Border Region.

Two programs have had a direct impact on improving the health needs of the South Texas area:

- The Area Health Education Centers (AHECs); these centers are funded primarily with federal money.
- South Texas/Border Region Health Professional Education Initiative (Initiative); this initiative is funded completely with state money.

According to the Health Science Center's first annual report on Initiative progress, 22 new health professional education programs have been launched, and nine existing programs were enhanced and incorporated into the Initiative. In addition, 12 telehealth sites were equipped with state-of-the-art two-way audio/video teleconferencing systems.

The number of trainees participating in AHEC sponsored training programs increased to approximately 11,000 in fiscal year 1996. In addition, two additional AHECs were established, completing the geographic coverage of South Texas.

The essence of these programs involve long-term initiatives which, by their nature, are slow in developing and implementing. Funding for the AHEC programs must eventually rely on sources other than the Federal Government. The 75th Legislature continued Initiative funding through fiscal year 1999.

Financial Information

The University of Texas Health Science Center at San Antonio had revenues and other additions totaling \$357,171,555 and expenditures totaling \$318,397,620 in fiscal year 1996. The largest amount of revenue and expenses were in the Education and General fund.

Figure 5

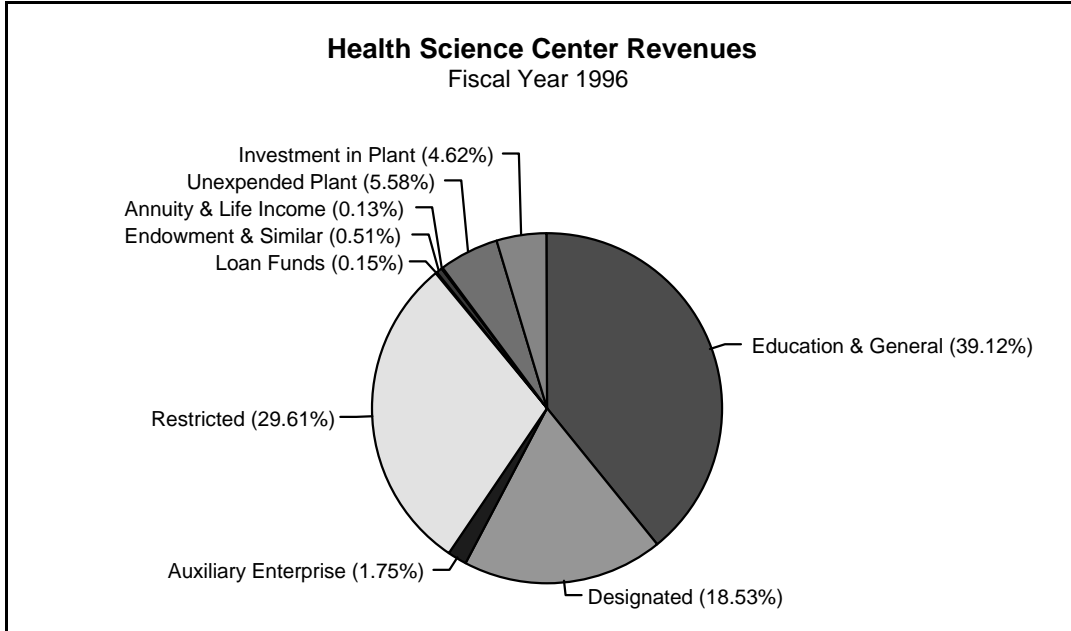
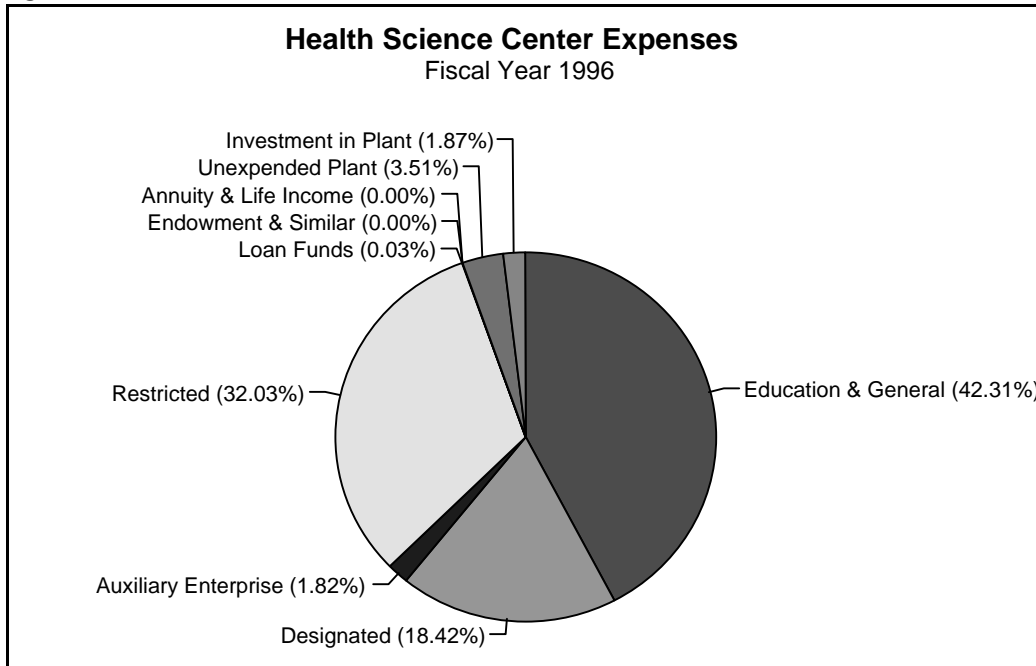


Figure 6



South Texas/Border Region Health Professional Education Initiative Regions

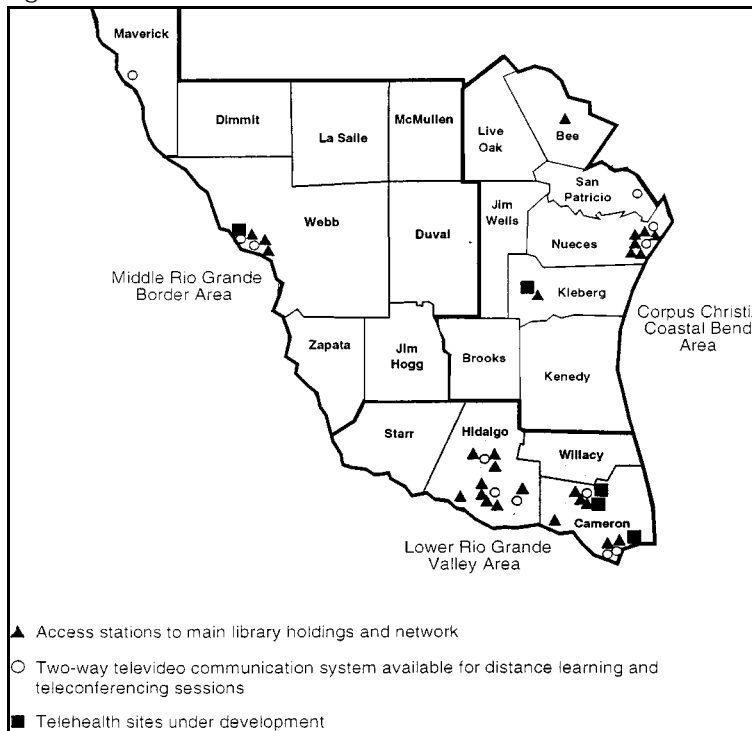
The 74th Legislature established three Initiative regions when it established and funded the South Texas/Border Region Health Professional Education Initiative program. Each of the regions was allocated a specific dollar amount to be used exclusively in that region.

An important element of the Initiative program is the establishment of remote libraries and telehealth sites. These remote facilities provide tele-conferencing and continuing medical education.

Table 1

Initiative Regions and Appropriations				
	1996	1997	1998	1999
Lower Rio Grande Valley	\$2,661,750	\$3,338,250	\$3,115,784	\$3,115,784
Middle Rio Grande Valley	\$1,472,250	\$2,277,750	\$1,947,365	\$1,947,365
Corpus Christi and Coast Bend	\$1,587,000	\$2,913,000	\$2,336,839	\$2,336,839

Figure 7



Area Health Education Center Regions

The mission of the South Texas AHEC program is to enhance the health status and, thus the quality of life if the residents in South Texas. Since 1990, five AHEC regions have been established in the South Texas Area. Funding is primarily through a federal grant. However, each AHEC region will eventually supplant its federal funding with private or state funding. Some AHEC programs are being funded through Initiative monies.

Figure 8

