

December 18, 2012

To: Giuseppe Colasurdo, M.D., President *ad interim*
The University of Texas Health Science Center at Houston

Re: Report on Family Practice Residency Program Fiscal Year 2012
Annual Financial Report - #13-107

We have completed our audit of the Family Practice Residency Program Fiscal Year 2012 Annual Financial Report (AFR). This annual audit is required by the Texas Higher Education Coordinating Board (THECB) and is part of our FY2013 audit plan. The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

BACKGROUND

THECB provides appropriated funds to help operate and maintain family practice residency programs in Texas. The purpose of the funds is to educate and train family practice residents and encourage them to locate their practices in underserved urban and rural areas of the state, which may ultimately lead to improved medical care for citizens in those areas. The Family Practice Residency Program was originally funded \$136,331. Additional funds in the amount of \$51,129 were carried forward from FY2011 bringing the total FY2012 funding to \$187,460. The intent of these funds is to directly support the education and training of 35 full-time family practice residents.

OBJECTIVE

The objective of this review was to provide an opinion regarding revenues and expenditures related to THECB funds awarded during FY2012 and reported on the Family Practice Residency Program FY2012 Annual Financial Report.

SCOPE AND METHODOLOGY

Audit procedures included review of the THECB agreement and tests of transactions. The audit period was September 1, 2011 through August 31, 2012.

AUDIT RESULTS

Agreement with General Ledger and Expenditure Testing: Auditing and Advisory Services (A&AS) traced amounts reported on the FY2012 AFR to the general ledger and noted no exceptions. Our audit work indicates there were no non-payroll expenditures made during fiscal year.

Capital Expenditures: As required by the agreement between the Family Practice Residency Program and the THECB, a current listing of all equipment purchased with THECB funds is to be submitted along with our audit opinion and the FY2012 AFR. Our audit work indicates there were no equipment purchases during FY2012.

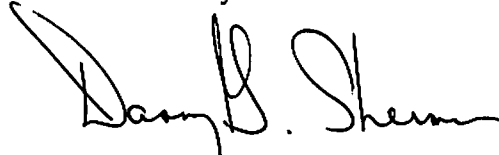
Payroll Expenditures: To verify whether individuals were paid from THECB funds, we reviewed a query of all expenditures to identify payroll transactions posted to THECB funds. Our audit work indicates there were 5 employees paid from these funds during FY2012. We tested three individuals to determine if the employees worked on the project. Our audit work indicates that the individuals paid from the project's funds worked on the project, and their time and effort reports have the appropriate approvals.

Unexpended Funds: A&AS reviewed the treatment of unexpended funds from the prior year and found that the Department of Family and Community Medicine followed the appropriate process and carried forward prior year unexpended funds of \$51,129 to the FY2012 budget to be expended. According to the FY2012 AFR all funds were expended with no carry forward to the FY2013 budget.

CONCLUSION

In our opinion, the AFR being reported to the THECB fairly presents revenues and expenditures related to FY2012 THECB award.

We would like to take this opportunity to express our appreciation for the courtesy and cooperation extended to us by the employees of the Departments of Family and Community Medicine and Post-Award Finance. If you have any questions or concerns about these matters, my staff and I are available at 713-500-3270 to discuss them with you.



Daniel G. Sherman, CPA, CIA
Assistant Vice President

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cc:	Audit Committee	Carlos Moreno, M.D.
	Kevin Dillon	Victoria Briscoe
	Linda Lindloff	Elizabeth Mayer, THECB
	Ernest Jacquez, THECB	Rolf Montalvo, M.D.

Auditor Assigned: Kenneth E. Hopkins

Issue Date: December 18, 2012