



*Office of Internal Audit*

August 2, 2016

Dr. Kirk A. Calhoun, President  
UT Health Northeast  
11937 U. S. Hwy 271  
Tyler, TX 75708

Dear Dr. Calhoun:

As part of our FY 2016 Audit Plan, we have completed an Audit of Key Outsourced Functions. The objective of the audit was to assess processes and controls associated with certain key outsourced operational functions and institutional oversight of these activities. The audit focused on three important outsourced contracted functions including institution-wide food services, housekeeping and biomedical equipment services. Our assessment of processes and controls over these functions is included in the detailed report.

This audit was conducted in accordance with guidelines set forth in The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*. We appreciate the assistance provided by management and other personnel and hope the information presented in our report is helpful.

Sincerely,

Gail Lewis  
Interim Director, Chief Audit Executive

Enclosure

cc:

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# **Audit of Key Outsourced Functions**

**August 2, 2016**

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OFFICE OF INTERNAL AUDIT  
11937 US HIGHWAY 271  
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**UT Health Northeast  
Audit of Key Outsourced Functions  
FY 2016**

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**Audit Report**

***EXECUTIVE SUMMARY***

We assessed processes and controls associated with three key outsourced operational functions and the associated institutional oversight of the activities. These functions included institution-wide food services provided by Morrison Health Care, Inc., housekeeping services provided by Hospital Housekeeping Systems, LLC and biomedical equipment services provided by Crothall Facility Management, Inc. Focusing on risks for the external business relationships our assessment revealed the following areas where the institution is performing well and areas needing improvement.

**Strengths**

- The AVP for Facilities Operations is organizationally responsible for the functions of food, housekeeping and biomedical equipment services and he meets regularly with each of the three contractor's on-site management and is actively monitoring each contractor's performance.
- Agreements with the three contractors were made in adherence with the institution's bidding and contracting policies and procedures.

**Improvements Needed over Processes and Controls**

- The Office of the AVP for Facilities Operations is obtaining Certificates of Insurance from the contractors but they need to begin verifying that the types of insurance coverage and limits agree to the contract requirements.
- The Office of the AVP for Facilities Operations needs to implement procedures for monitoring and validating the contractor's adherence with UT Health Northeast policies in the areas of:
  - Background Checks
  - Access to UT Health Northeast Facilities
  - Training
- The Office of the AVP for Facilities Operations should implement procedures for better managing contract and other payments to ensure adherence with the agreement in effect.

The scope of the audit was September 1, 2015 through February 29, 2016.

***BACKGROUND***

An Audit of Key Outsourced Functions was completed as part of our FY 2016 Audit Plan in the area of risk-based audits. UT Health Northeast has entered into various external business relationships in the regular course of operations with a focus on providing a higher quality and level of services at reasonable costs.

This audit focused on institution-wide food, housekeeping and biomedical equipment service functions. Some services such as food services, housekeeping and biomedical equipment services were traditionally performed internally but for the past several years these services have

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been provided by external contractors who are able to provide the staffing, expertise and technical skills needed. For each of these functions there is a detailed agreement between UT Health Northeast and the contractor. These services operate with the contractor's on-site management and staff and the Associate Vice President for Facilities Operations is responsible for institutional oversight of the functions. These three functions combined costs the institution approximately \$3.6 million annually and result in approximately one hundred contractor's employees accessing UT Health Northeast facilities each day. Each of the three contractors has limited access to UT Health Northeast's confidential information.

***AUDIT OBJECTIVE***

The objective of this audit was to assess processes and controls associated with outsourced key operational functions and institutional oversight of these activities.

***AUDIT SCOPE AND METHODOLOGY***

The audit included three significant outsourced business support functions. The three business support function relationships reviewed include biomedical equipment services provided by Crothall Facility Management, Inc., institution-wide food services provided by Morrison Management Specialists, Inc. and institution-wide housekeeping services provided by Hospital Housekeeping Systems, LLC. The scope of the audit was the first six months of FY 2016 (September 1, 2015 to February 29, 2016). Data for prior years was used for comparison when warranted.

UT Health Northeast maintains a contract database in the Meditract system which includes all institutional and affiliated East Texas Quality Care Network contracts and agreements. This database does not specifically identify contracts resulting from outsourced operational functions and management does not have a listing of these functions. As a result, to identify the inventory of outsourced operational functions we reviewed the contract database to identify contracts and agreements resulting from the institution's outsourcing of key functions that met certain criteria. The criteria we used defined key outsourced functions as institutional support functions that are important in day-to-day operations where contractor's staff is on-site daily to perform operations traditionally performed internally. The three functions of biomedical equipment services, food services and housekeeping services met our criteria. We consulted with several members of key management who concurred with our assessment and significant outsourced business support functions identified for inclusion in the audit.

We excluded from the population of contracts, revenue generating contracts and agreements in the areas of healthcare delivery, partnerships, affiliations and grants since an audit was completed earlier in FY 2016 that focused upon these relationships.

Upon reviewing the agreements between UT Health Northeast and the three contractors and applicable UT Health Northeast policies and procedures we focused procedures on evaluating processes, controls and institutional oversight on the following areas of risk:

- Internal Oversight Responsibility
- Contractor's Performance

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- Bidding Processes
- Contracting Processes
- Insurance Coverage
- Contractor's Employees
  - Background Checks
  - Access to Facilities and Information Technology
  - Training
- Financial Transactions

To achieve the audit objective we:

- Reviewed applicable policies, procedures, guidelines and agreements to gain an understanding of requirements and expectations relative to outsourced business functions.
- Interviewed internal management who is responsible for overseeing the outsourced functions and on-site management of the contractors under review to identify processes and controls that have been implemented to ensure adherence with UT Health Northeast policies, procedures and the agreements.
- Reviewed documents, as needed, to validate the existence of controls and procedures.
- Reviewed processes and documents for monitoring the contractor's performance.
- Tested a sample of payments made to the three contractors under review and payments made to other vendors for goods and services relative to the operational functions performed by the contractors. We determined whether payments were appropriate and made in accordance with the agreements.

This audit was conducted in accordance with guidelines set forth in The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*.

***RESULTS***

We assessed UT Health Northeast's processes and controls in place for entering into and maintaining external business relationships with the three contractors that provide institution-wide functions of food, housekeeping and biomedical equipment services. The results of our assessment are as follows:

**Internal Oversight Responsibility**

Organizational responsibility for monitoring the contractor's performance and managing the external business relationship for the three contracted functions under review including food services, housekeeping services and biomedical equipment services was informally assigned to the UT Health Northeast Associate Vice President, Facilities Operations. He has the experience and is at an appropriate level within the organization structure to properly manage the business relationships. However, these responsibilities for external business relationships were not formally documented within the Associate Vice President's job description. Prior to issuance of the audit report, the Associate Vice President of Facilities and the Office of Human Resources updated his job description to document responsibilities relative to the outsourced business functions.

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**Ranking:** Low

**Contractor's Performance**

For the three outsourced functions under review, the Associate Vice President, Facilities Operations is organizationally responsible for continually monitoring the contractor's performance to ensure it meets the institution's requirements and standards and is consistent with the scope of work that the institution and contractor agreed upon. The Associate Vice President is actively meeting with each of the three contractor's on-site management on a weekly basis to discuss each function's operational results and to discuss issues that arise so that these can be promptly addressed. We reviewed sample periodic reports provided by each of the three contractors and believe these reports along with the regularly scheduled meetings reflect that institutional management has procedures in place for effectively monitoring the performance of the three contracted functions under review. No issues were identified concerning the institution's monitoring of the contractors' performance.

**Bidding Processes**

Under the oversight of the Purchasing Department, the Office of the AVP for Facilities Operations followed appropriate bidding processes when entering into and renewing the agreements for the three outsourced functions under review. Contractor selections were made based upon scoring by the institution's vendor selection process and team. Bids were appropriately solicited. For two of the three contractors, selection was made due to the contractor presenting the lowest bid for the services. For one of the three contractors, the contractor selected was the sole bidder for the services although bids were appropriately solicited. No issues were identified concerning the institution's adherence to required bidding procedures.

**Contracting Processes**

Under the oversight of the UT Health Northeast Office of Legal Affairs, the Office of the AVP for Facilities Operations followed policies and procedures for processing and approval of contracts and agreements that are prescribed within UTS 145 Processing of Contracts and UT Health Northeast Contracts Policy when entering into and renewing agreements for the three outsourced functions under review. The three agreements under review were processed according to UT System and UT Health Northeast policies and procedures. No issues were identified concerning the institution's adherence with prescribed guidance concerning contract processing and approval of contracts.

**Insurance Coverage**

The Office of the Associate Vice President for Facilities Operations has processes in place for obtaining Certificates of Insurance from contractors when agreements are finalized or renewed. However, processes are not in place for verifying the contractor has at least the minimum insurance coverage and limits required by the agreements. Certificates of Insurance provided by Crothall Facility Management, Inc., Morrison Health Care, Inc., and Hospital Housekeeping Systems, LLC reflect that these three contractors acquired at least the types and level of insurance coverage required by the agreements, except as noted below:

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- Crothall Facilities Management, Inc. has either not acquired or not reported to UT Health Northeast that they have "Employee Dishonesty Coverage" of at least \$1,000,000.
- Morrison Health Care, Inc. has either not acquired or not reported to UT Health Northeast that they have "Employee Crime Insurance" of at least \$1,000,000.
- Hospital Housekeeping Services initially did not report coverage for Third Party Employee Crime Insurance or Director and Officer Liability Insurance. On April 8, 2016 Internal Audit informed the Office of the Associate Vice President of Facilities Operations about this contractor's insurance coverage deficiencies and the on-site manager for the contractor immediately provided an updated Certificate of Insurance form that documented the required coverage of \$500,000 for "Third Party Employee Crime Insurance" that based upon the effective date was in effect but had not been reported to UT Health Northeast. Effective on April 16, 2016 the contractor acquired the Director and Officer Liability Insurance coverage required by the agreement in the amount of \$1,000,000 to resolve their coverage deficiency.

**Ranking:** Low

**Recommendation #2:** The Office of the AVP for Facilities Operations should collaborate with on-site management of Crothall Facilities Management, Inc. and Morrison Health Care, Inc. to ensure insurance coverage is either reported to UT Health Northeast or deficiencies are resolved. The Office of the AVP for Facilities Operations needs to implement procedures for validating that contractors consistently carry insurance coverage of at least the minimum amounts required by the agreements.

**Management's Response:** The Office of the AVP for Facilities Operations has obtained updated Certificates of Insurance from Crothall Facilities Management, Inc. and Morrison Health Care, Inc. documenting that these vendors have in force "Employee Dishonesty/Crime Insurance Coverage of at least \$1 million that is required by the agreements. This office will implement procedures for validating the amount and types of insurance coverage required by the agreements are in effect and documented within Certificates of Insurance documents provided to the institution.

**Implementation Date:** September 1, 2016

**Contractor's Employees**

*Background Checks*

UT Health Northeast's policy "Criminal Background Checks" requires the performance of background checks for all employees, contractors, sub-contractors and others who perform services within the institution's facilities. Agreements with the three contractors under review who operate within the institution's facilities also have specific language within the agreements to support the background check policy requirements. Contractors are responsible for reporting to the UT Health Northeast Police Department their compliance with the background check requirements prior to allowing their employees or sub-contractors to perform

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services within the institution's facilities.

We found contractors are not consistently reporting their compliance with the background check requirements to the UT Health Northeast Police Department. We performed implementation and design testing of a sample of nine (9) current contractor employees and one sub-contractor for the three contractors under review and found that for five of the nine (56%) employees tested and the one sub-contractor tested, no form was on file within the Police Department to document the contractors' compliance with the background check requirement. However, information was obtained directly from the contractors or Department of Public Safety database that supports that background checks were performed for four of the five personnel whose Exhibit A form was not on file in the institution's Police Department. The one remaining deficiency involved a long-term employee of the contractor whose background check was performed during a time period when these were completed by UT Health Northeast Police Department who has not retained these records on file for time periods exceeding six months.

Crothall Facilities Inc. does not have documentation available to support whether background checks were performed for employees of one of their sub-contractors who regularly perform services at the UT Health Northeast facilities. Also, the sub-contractor has not registered with the vendor credentialing services currently used by the institution.

**Ranking:** Low

**Recommendation #3:** The UT Health Northeast Police Department should collaborate with the AVP of Facilities Operations and the three outsourced contractor's management to implement processes for periodically reconciling contractor's employee records with the forms on file in the institution's Police Department to ensure policy requirements for performing background checks and reporting compliance with background checks is consistently completed to support UT Health Northeast's policy and requirements in the agreements between UT Health Northeast and the contractors. In addition, better communication methods need to be implemented to ensure timely reporting of compliance with background check requirements for the contractor's new hires and sub-contractors who will be performing services on the institution's campus. The Police Department needs to implement procedures that require proof of completion of background checks prior to issuing a UT Health Northeast identification badge or parking sticker to a contractor's new hire or sub-contractor.

**Management's Response:** The UT Health Northeast Police Department will collaborate with the three contractors under review to ensure proof of background checks are received before allowing contractor's employees to begin work in the facilities. The UT Health Northeast Police Department has implemented procedures to require that documentation is on file to support that a background check has been completed for each contractor's new hires before issuing an identification badges. The Police Department will implement procedures for periodically reconciling the proof of background check forms with the contractor's active employee reports and provide the results to the Office of the AVP for Facilities Management.

The AVP for Facilities Management will implement procedures for ensuring that any employees

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of sub-contractors hired by the contractors that perform services in UT Health Northeast facilities have registered with the vendor credentialing service used by the institution.

**Implementation Date:** September 1, 2016

*Access to Facilities*

The UT Health Northeast Police Department has prescribed policies and procedures for managing and controlling key and electronic access to the institution's facilities. However, for the three outsourced functions under review the contractor's employee check-out processes are not adequate to ensure UT Health Northeast identification badges and keys are promptly returned to the UT Health Northeast Police Department for deactivating electronic access to the facilities and key safe and for updating key and access records. The institution's Police Department does not have procedures in place for periodically reconciling key and electronic access records with on-site contractors to ensure access is appropriate and access records are accurate.

The key and electronic access records maintained by the UT Health Northeast Police Department indicate the following inappropriate access to the institution's facilities:

- Four former employees of Crothall Facility Management, Inc. are listed in key records to have retained keys to UT Health Northeast facilities and one former employee of the contractor has active electronic access to the institution's facilities.
- Four former employees of Morrison Health Care, Inc. have key access to the institution's facilities.
- When Audit initially reviewed key and electronic access records, twelve former employees of the Hospital Housekeeping Systems, LLC had active electronic access to UTHNE facilities (3 had a combination of electronic access to facilities and the Housekeeping key safe and 9 had electronic access to facilities). When the contractor was notified about the inappropriate access, the contractor's on-site management immediately de-activated electronic access for eight of the twelve former employees identified. There are still 2 of the contractor's former employees who are not considered active employees who have active electronic access to UTHNE facilities.

**Ranking:** Low

**Recommendation #4:** The Associate Vice President of Facilities Operations, who is responsible institutionally for oversight of the three contracted functions under review, should collaborate with each of the three contractor's on-site management and the UT Health Northeast Police Department to de-activate all inappropriate contractor access to facilities. Each of the three contractor's on-site managers should implement procedures for consistently and promptly notifying the UT Health Northeast Police Department when the contractor's employees are terminated or no longer need access to the facilities. Contractors should promptly return to the institution badges and keys checked out to their employees. Procedures need to be implemented for the on-site contractor's management and institution's Police Department to begin to periodically reconcile key and access reports to the contractors' active employee listing to ensure

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access is appropriate and records are accurate.

**Management's Response:** The AVP for Facilities Operations will collaborate with the contractors and the UT Health Northeast Police Department to ensure badge access is deactivated for the inappropriate access identified within the audit. For UT Health Northeast keys reflected in the key records to be checked out to former employees of the contractors, efforts will be made to locate these keys and key records will be updated as appropriate. If needed, key cores will be changed out to reduce risks to the institution.

The UT Health Northeast Police Chief will remind each of the three contractor's on-site management of the need for promptly notifying the UT Health Northeast Police Department when their employees are terminated or no longer need access to facilities. The contractors will be reminded that it is their responsibility to ensure UT Health Northeast keys and badges are promptly returned to the institution's Police Department when their employees are terminated or no longer need access to campus facilities.

The UT Health Northeast Police Chief will implement processes for obtaining each contractor's active employee or termination reports each month for reconciling these records with institutional mechanical key and badge access reports.

**Implementation Date:** September 1, 2016

*Training*

UT Health Northeast requires that all employees and contractor's employees who perform services on-site for the institution receive annual training in UT Health Northeast policies and procedures. The Office of the Associate Vice President for Facilities Operations, on-site contractor's management, and Office of Human Resources are jointly responsible for ensuring the contractor's employees have completed institutional annual training requirements in accordance with institutional policy. The Office of Human Resources is responsible for developing and providing training modules to the contractors who have chosen to train their employees via in-service and staff meetings. The Office of Human Resources is also responsible for tracking and monitoring completion of annual training.

The Office of the Associate Vice President for Facilities Operations, on-site contractor's management and the Office of Human Resources do not have processes in place for consistently ensuring that on-site contractors who are under this office's oversight are consistently making sure their employees receive new employee orientation or annual training in policies that are applicable to the performance and confidentiality requirements of their job as required by UTHNE policies and the formal agreements between UTHNE and the contractors. We found that employees of Crothall Facility Management, Inc. had received the required in-service training. Compliance with the training requirements is better monitored for this contractor since all of their employees' training is tracked through the Performance Manager system managed by the Office of Human Resources.

Morrison Health Care, Inc. has selected the option of having their on-site management receive

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training tracked by the Performance Manager system and the on-site management is responsible for training their staff using training materials provided by the Office of Human Resources. Morrison's management has provided the required in-service training to all employees, except for one employee who did not received training in fiscal 2015.

The Hospital Housekeeping Systems, LLC (HHS) on-site management has selected the option for their on-site management training to be provided and tracked through the Performance Management system. The on-site management is responsible for providing in-service training to their employees using training materials provided by the Office of Human Resources. This contractor's employees had not received any training in the institution's policies since the current on-site manager began to oversee functions in June 2015 at the UT Health Northeast facility. Also, the on-site management had not received notification by the Office of the Associate Vice President for Facilities Operations or the Office of Human Resources that he was delinquent in reporting the contractor's compliance with training requirements. Immediately upon learning of the deficiency, the on-site contractor requested training materials from the Office of Human Resources and held in-service training for his employees. Internal Audit performed a subsequent review and found that in May 2016 the HHS contractor had trained all but five (5) of the fifty (50) employees who provide services at UT Health Northeast facilities.

**Ranking:** Low

**Recommendation #5:** The Office of the Associate Vice President for Facilities Operations should collaborate with the Office of Human Resources to implement a process for tracking and monitoring each contractor's adherence with institutionally required training requirements. The Office of the AVP for Facilities Operations should collaborate with the on-site management of Morrison Health Care, Inc. and Hospital Housekeeping Systems, LLC to ensure the identified training deficiencies are fully resolved and processes are in place for training their employees annually.

**Management's Response:** The Office of the AVP for Facilities Management will implement procedures to ensure contractors that they have oversight responsibility for obtain UT Health Northeast Office of Human Resources prescribed new employee or annual training as required by institutional policies and the agreements in effect. This office will collaborate with on-site management of Morrison Health Care, Inc. and Hospital Housekeeping Systems, LLC to ensure the six training deficiencies identified are resolved.

**Implementation Date:** September 1, 2016

**Financial Transactions**

The Office of the Associate Vice President for Facilities Operations is responsible for managing expenses and requisitioning payments for the contracted services under review and for payments to other vendors for related services. Separate institutional accounts have been designated for each of the three outsourced functions under review to properly record the revenue and expenses related to each function. The Associate Vice President for Facilities Operations is the signature authority for each of the three accounts and a designated UT Health Northeast Administrator

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must approve purchases that exceed the Associate Vice President's authority level. Contractors have no signature authority on the UT Health Northeast accounts. During the six-month period under review expenses related to these outsourced functions combined totaled approximately \$2.4 million and were recorded in the following three institutional accounts in which transactions were selected for testing:

<u>Speedchart</u>	<u>Description</u>
220300	Biomedical Engineering
313400	Food & Nutrition Services
313500	Housekeeping

We tested a sample of 40 transactions totaling approximately \$1.8 million (76% of the total dollars) combined for the outsourced contractors including Crothall Facility Management, Inc., Morrison Management Specialists, Inc. DBA Morrison Health Care, Inc. and Hospital Housekeeping Systems, LLC. The sample was selected from three separate institutional accounts that are reserved for paying expenses related to the three agreements and related services provided by the contractors. Partial payments made from other accounts were also included in testing when part of a sample transaction selected. We found that payments made directly to these three contractors, payments made on behalf of the contractors, and payments made to other vendors to cover costs for additional related services were properly approved, adequately supported, valid business expenses and made in accordance with agreements in effect. There were no exceptions noted for Crothall Facility Management, Inc. expenditures tested for the period. However, for Morrison Health Care, Inc. and Hospital Housekeeping Systems, LLC the following issues were identified:

Morrison Health Care, Inc.

UT Health Northeast pays Morrison Health Care, Inc. directly for monthly institution-wide catering service costs incurred by the institution. These total monthly charges are accumulated and invoiced by the contractor and subsequently paid by the institution from one account in which transactions are properly approved by that account's budget authorities as required. However, the institutional process for allocating these catering costs each month to the departments that used the catering services is not adequate to ensure budget authorities approve these catering transfer costs charged to their accounts. The documentation supporting the cost transfers and related approvals include catering requests processed through Morrison Health Care's My eCatering system. The My eCatering system that is used by the contractor for processing and approving catering requests is not currently set up to ensure that catering request orders are approved by only the UT Health Northeast budget authorities on the institutional accounts charged for the expense. When we reviewed the access reports for this system we found that access is set up for UT Health Northeast employees who have no signature authority on the institution's accounts to be able to approve transactions charged to them. Select other users who are not UT Health Northeast employees or Morrison Health Care, Inc. employees have authority within the catering system to initiate catering requests using the UT Health Northeast account. In addition, the on-site Manager for Morrison's has authority to approve ordering transactions which result in charges to UT Health Northeast accounts although he has no actual approval authority on the institution's accounts. The catering system's design appears to

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be conducive to proper authorization of orders and approval by departmental account budget authorities and the system retains proper documentation but access has not been set up or maintained adequately to ensure properly documented approval by UT Health Northeast budget authorities for catering requests made by the institution.

**Ranking:** Low

**Recommendation #6:** The Associate Vice President for Facilities Operations should collaborate with Morrison Health Care's on-site management to implement controls within the catering system to ensure catering requests are approved by budget authorities of accounts where the expenses are charged. A method should be implemented for keeping the My eCatering system access controls up-to-date. Access to the My eCatering system needs to be revised to deactivate access for users who are not employees of UT Health Northeast or Morrison Health Care, Inc. and begin to set these users up under an account other than UT Health Northeast's account. If this method is not satisfactory with the contractor, the AVP for Facilities Operations should develop and implement an alternate method of approving the catering transfer costs charged to separate accounts.

**Management's Response:** The Office of the AVP for Facilities Operations has begun collaborating with the contractor and institutional departments to update UT Health Northeast's account in the contractor's My eCatering system. Access will be revised to properly restrict approval of catering requests and related charges to UT Health Northeast accounts used to the institution's designated account budget authorities. To keep the system updated, the departments that use the catering system will be responsible for ensuring that the contractor is notified when there is a departmental change in employees who order or approve catering requests. State account codes will be removed from the system. Users who are not employees of UT Health Northeast or Morrison's will be removed from the institution's account.

**Implementation Date:** December 31, 2016

Hospital Housekeeping Systems, LLC

Payments made for contracted housekeeping services during the period of October 1, 2015 through February 29, 2016 were not made in agreement with contract amounts. The contract was amended effective October 1, 2015 which changed the monthly amount due from \$126,120.87 to \$129,853.36; however, the contractor inadvertently continued to bill the previous contract amount of \$126,120.87 and the Office of the Associate Vice President for Facilities Operations approved and paid the incorrect amounts. UT Health Northeast needs to submit a supplemental payment to Healthcare Housekeeping Services, LLC in the amount of \$26,238.48 for additional payments due during the period of October 1, 2015 through May 31, 2016. The required increase in payments was delayed from October 2015 to November 2015 due to the delayed opening of two clinics for which the increased charges applied.

UT Health Northeast made a supplemental payment of \$4,146.44 to the contractor which was not covered in the agreement in effect. This was a separate billing for an extra day of the contractor's services that occurred February 29, 2016 as a result of the number of days in the

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year increasing from 365 to 366 since 2016 was a Leap Year. Beginning on October 1, 2015, the agreement in effect denotes the contractor's charges \$1,558,240.36 annually with amounts charged monthly in equal installments of \$129,853.36 but does not denote the number of days in a month or year. The agreement did not address the requirement of additional charges to cover an extra day for Leap Year or denote charges were calculated on a 365 day year so Internal Audit could not validate the appropriateness of this payment.

UT Health Northeast paid expenses of \$669.08 for cleaning supplies, office supplies and long-distance phone charges which by agreement are the responsibility of the contractor as specifically detailed in the agreement in effect.

**Ranking:** Low

**Recommendation #7:** The Associate Vice President for Facilities Operations should collaborate with the on-site management of Hospital Housekeeping, LLC and submit a supplemental payment of \$26,238.48 to the contractor to correct errors in contract payment amounts made to the contractor during November 1, 2015 to May 31, 2016.

The Associate Vice President should analyze the supplemental payment of \$4,146.44 made to the contractor for the extra day of services due to Leap Year and expenses paid by the institution for goods and services totaling \$669.08 specifically denoted in the agreement as the responsibility of the contractor. The AVP for Facilities Operations should consider the need to request reimbursement from the contractor for costs that are the responsibility of the contractor.

The Office of the Associate Vice President for Facilities Operations should implement procedures for better managing contract and other payments to ensure adherence with the agreement in effect.

**Management's Response:** To correct the contract payment deficiencies identified, UT Health Northeast requested from the contractor an invoice for the additional amount due of \$26,238.48 to cover payment shortages during the period of November 2015 through May 2016. This invoice was paid by the institution on June 2, 2016 in the amount of \$26,238.48. Prior to issuance of the audit report, on August 2, 2016 the contractor issued a credit to UT Health Northeast in the amount of \$4,146.44 for the additional day of services charged in Leap Year. The AVP for Facilities Operations will further analyze the supplemental payments totaling \$669.08 and request reimbursement from the contractor for amounts deemed appropriate. The Office will begin to monitor contract and supplemental payments more closely to ensure these are made in adherence with the agreement in effect.

**Implementation Date:** September 1, 2016

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***CONCLUSION***

Processes and controls and internal management oversight of the three key outsourced functions of institution-wide food, housekeeping and biomedical equipment services under review were assessed and the results were detailed.



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Gail Lewis  
Interim Director, Chief Audit Executive