UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

COLLEGE OF PHARMACY
DEPARTMENTAL REVIEW

REPORT NO. AR2019-14

UNIVERSITY OF HOUSTON SYSTEM
Internal Auditing Department
Houston, Texas 77204-0930
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MEMORANDUM

TO: Mr. Peter K. Taaffe
Chair, Audit and Compliance Committee

Dr. Renu Khator
Chancellor/President, UHS/UH

FROM: Don F. Guyton
Chief Audit Executive

DATE: February 7, 2019

SUBJ: Internal Audit Report – UH College of Pharmacy, Departmental Review

I have attached for your review the final draft of the above referenced internal audit report. This report has been distributed to/discussed with key personnel of the University of Houston and University of Houston System. This report is summarized as follows:

Executive Summary:

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in the College of Pharmacy. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant risk exposures and control issues. We noted that the College was not in compliance with certain policies. Management agreed to implement action plans for certain areas of non-compliance and informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

This audit report is scheduled to be included in the agenda materials for the February 28, 2019, meeting of the Audit and Compliance Committee of the Board of Regents. Please let me know if you have any questions.

Attachment

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UNIVERSITY OF HOUSTON
COLLEGE OF PHARMACY
DEPARTMENTAL REVIEW

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in the College of Pharmacy. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant risk exposures and control issues. We noted that the College was not in compliance with certain policies. Management agreed to implement action plans for certain areas of non-compliance and informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

The attachments listed below contain additional information related to the departmental review and the College:

- Compliance Matrix
- Action Plan
- Instances of Non-Compliance
- Background
- Financial Summary

Don F. Guyton
Chief Audit Executive
January 18, 2019

University of Houston System
Internal Auditing Department

University of Houston
College of Pharmacy
Departmental Review

COMPLIANCE MATRIX	
Compliance Area	
Management Oversight	**(1)**
Policies, Procedures, Required Training, And Reporting	**(3)**
Cost Center Management	**(1)**
Payroll	**(3)**
Human Resources	**(1)**
Change Funds And Cash Receipts	✓
Procurement And Travel Cards	**(1)**
Departmental Expenses	✓
Contract Administration	✓
Property Management	**(3)**
Scholarships	✓
Research	**(2)**

✓ **Fully Complies**
ϴ Opportunity for Improvement
( ) Number of Instances of Non-Compliance
N/A Not Applicable

University of Houston System
Internal Auditing Department

UH College of Pharmacy, Departmental Review - AR2019-14
Action Plan

Est. Compl. Date	Responsibility for Action Name/Title	Action To Be Taken
Risk Level: High	**Medium**	**Low**
April 30, 2019	Lasaundra Cotright Executive Director of College Business Operations Dean's Office	Prepare and approve cost center verifications in a timely manner.
April 30, 2019	Lasaundra Cotright Executive Director of College Business Operations Dean's Office	Restore deficit budgetary balances to a zero or a positive amount.
April 30, 2019	Lasaundra Cotright Executive Director of College Business Operations Dean's Office	Work with the appropriate office to resolve the outstanding items and deactivate expired grant cost centers.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UNIVERSITY OF HOUSTON
COLLEGE OF PHARMACY
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. We recommended and management agreed to implement action plans to address the areas of non-compliance indicated by an asterisk below. In addition, management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

Management Oversight

- The Continuity of Operations Plan was not submitted timely.

Policies, Procedures, Required Training, and Reporting

- The Baseline Standards were not submitted timely.
- Mandatory and role-based training was not completed by all applicable employees.
- Conflict of Interest Disclosure Forms were not completed by all applicable employees.

Cost Center Management

- Cost center verifications were not always prepared and approved timely.*

Payroll

- Payroll suspense was not cleared timely.
- Employees were not clocking in and out to record time worked.
- Payroll verification reports were not adequately reviewed.

Human Resources

- An eTermination Checklist was not completed timely.

Procurement and Travel Cards

- An expense report was not approved timely.

Property Management

- The Designation of Property Custodian forms were not completed timely.
- Annual inventories were not completed timely.
- Request for Authority to Remove Equipment from Campus forms were not renewed timely.

Research

- Grant cost centers had deficit budgetary balances.*
- Expired grant cost centers were not deactivated.*

University of Houston System
Internal Auditing Department

University of Houston
College of Pharmacy
Background Information

Background provided by the College:

The College of Pharmacy offers a Doctor of Pharmacy degree and a Master of Science degree in pharmacy leadership and administration. The College also offers Doctor of Philosophy degrees in Pharmaceutics, Pharmacology and Pharmaceutical Health Outcomes and Policy.

The College, which is accredited by the American Council for Pharmacy (ACPE) and holds a membership in the American Association of Colleges of Pharmacy, is one of 142 pharmacy colleges in the United States with accredited professional degree programs. More than 62 basic science and clinical faculty, as well as nearly 610 adjunct faculty and preceptors, offer the 508 current professional students and 91 graduate students diverse and experienced faculty members.

The College has facilities on the University of Houston campus in the Health 2 Building which houses research laboratories, classrooms, and contemporary pharmacy practice laboratories. In addition, the College has been a member of the Texas Medical Center (TMC) since 1980. At TMC, students have the opportunity to train with physicians, medical students and members of our clinical faculty.

Budget/Financial Summary:

During fiscal year 2019, with a faculty of 68 FTE and a staff of 88 FTE, the College administered over 478 cost centers with an overall operating budget of $26,786,975.

The following table presents the fund balance reconciliation for the College for FY 2018:

Beginning Fund Balance (9/1/2017)	$ 5,619,630
Revenues	7,832,957
Expenditures	(25,861,177)
Transfers/Other	21,933,681
Ending Balance (8/31/2018)	$ 9,525,091

UNIVERSITY OF HOUSTON
COLLEGE OF PHARMACY
SUMMARY OF REVENUES AND EXPENDITURES

Description	FY 2018	FY 2017
Revenue		
Endowment Income Distribution	$ (106,842)	$ (100,373)
Federal Grants and Contracts	(5,466,637)	(4,682,720)
Federal Pass Through Grants - State	(196,154)	(157,272)
Grants and Contracts	(237,490)	0
Other Fees	(85,198)	(89,933)
Other Revenue Sources	(113,315)	0
Private Gifts, Grants and Contracts	(1,301,457)	(1,117,863)
Sales and Service - E & G	(213,629)	(295,114)
State Grants and Contracts	(112,235)	(884,197)
Total Revenue	$ (7,832,957)	$ (7,327,472)
Cost of Goods Sold		
Cost of Goods Sold	$ 0	$ 0
Total Cost of Goods Sold	$ 0	$ 0
Payroll		
Salaries and Wages	$ 14,727,842	$ 14,313,714
Fringe Benefits	2,095,640	1,966,229
Total Payroll	$ 16,823,482	$ 16,279,943
Maintenance and Operations		
Academic Service	$ 61,398	$ 35,751
Advertising Promotion and Public	66,421	56,328
Communication and Transportation	341,965	127,980
Construction Expenses	522	308
Contracting Services	676,457	550,216
Employee Expenses	165,639	162,244
Facilities and Grounds Supplies	29	13
Financial Aid	117,052	243,141
Financial Tax and License Cost	9,665	7,092
General Services	207,439	202,039
General Supplies	737,539	972,298
Health and Clinic Supplies	30,762	12,722
Indirect Cost	1,882,211	1,843,659
Lab Research Supplies	419,041	418,404
Legal Services	6,710	(500)
Misc Supplies and Materials	1,089	4,812
Other Recurring Expenses	190,980	185,741
Parts and Furnishing	491,348	489,679
Pass Through	1,210,934	654,739
Printing, Copying, and Reproduction	72,881	39,844
Professional Services	1,290	15,501
Rental Lease and Royalties	381,768	143,634
Routine Repair	140,720	121,502
Special Program and Events	57,354	44,407
Travel	252,445	354,900
Total Maintenance and Operations	$ 7,523,659	$ 6,686,454
Capital Outlay		
Capital Outlay	$ 1,514,036	$ 1,622,860
Total Capital Outlay	$ 1,514,036	$ 1,622,860
Total Cost of Goods Sold, Payroll, M&O, and Capital Outlay	$ 25,861,177	$ 24,589,257