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To Whom It May Concern:

The University of Texas Medical Branch at Galveston has completed its A-133 audit for fiscal year ending 2005. As per the reference number 06-71 a Material Weakness Control and Non-Compliance finding was reported for Allowable Costs/Cost Principles, Cash Management, Matching, Period of Availability and Reporting unspecific to any individual research project. This finding was due to UTMB's difficult conversion from a legacy financial system to PeopleSoft Financials in 2004. UTMB undertook a corrective action in a major upgrade to the original PeopleSoft install which occurred July 2005. At the time of the FY2005 A-133 audit our testing of the upgrade was incomplete.

Since that time we have made substantial progress to our systems and controls. During the upgrade many of the previous customizations were removed and a rigorous systems implementation approach was used. A priority focus of the upgrade was the training of the end user and processing units. The training is ongoing and expanding today. In addition to the training, a "help-desk" was established. The help desk is staffed with employees who previously worked in processing units, thereby making them functionally and technically knowledgeable. The help-desk also maintains a list of module specific 'subject matter experts' who also serve as a source of expertise.

UTMB has conducted a significant review of its PeopleSoft financial system through various projects. A "Balance Forward" project entailed reloading the balances that existed at the time of conversation then applying 30 months of transactions to compare against the production PeopleSoft ledger. The variance was .003%. The results of this project established a high level of confidence in our financial system and its reliability to provide management controls .

Staging reports have been developed to identify errors within the billing system. The reports are validated prior to initiating an invoice. Templates have been created as a mechanism of standardizing the worksheets supporting financial reports. Additional staff members have been hired to increase productivity, new processes have been implemented to increase accuracy and regular analysis is performed to reconcile and confirm balances within the system. In November 2005 we voluntarily self disclosed our concerns to the Office of Policy for Extramural Research Administration at NIH and are continuously updating them on our progress as we improve our systems.

Other projects included (1) a review of the contract limit (spending authority) conducted for all UTMB awards to assure that we could not inadvertently invoice more than the value of any given award and (2) implementation of a mechanism for stopping all expenditures on the research account while still allowing for revenue and adjustments, if applicable, related to the final report to be processed.

The processes for 100% reconciliation of effort to salary expense which were re-engineered in FY 2005, continue in FY 2006. These reconciliation processes will continue until a new software program has been implemented that integrates with the PeopleSoft Human Capital Management system. The new software for the Level of Effort reporting and salary reconciliation (InfoEd is the vendor) is under active planning for a Spring 2007 'go live' date. We reviewed billings on grants in FY 2005 for all individuals earning over the salary cap and made any necessary adjustments. This manual process will become automated, less labor-intensive and less subject to human error with the new Level of Effort reporting system.

Two mandatory courses (Financial Management and Level of Effort) have been developed and rolled out for all active Principal Investigators. Through a variety of other targeted courses, the entire research community involved in these two areas will be trained by August 31, 2006.

We would be happy to discuss any of the items above or provide any additional information that you may require.

Kind regards,



William G. New
Associate Dean for Research Administration