

University of Mississippi Medical Center Audit Report Summary

The University of Mississippi, particularly the Oxford Campus, has achieved great things and Chancellor Dan Jones deserves a great share of the credit for those achievements.

However, the Board of Trustees of State Institutions of Higher Learning must consider more than the Oxford Campus in making decisions. The Board's fiduciary duties require that other matters entrusted to the Board's responsibility, including the University of Mississippi Medical Center, are considered. The Board must be even-handed with all eight universities, including the Medical Center, in overseeing their financial affairs.

The concerns that have led to the decision not to renew the contract of Dr. Jones all relate to the financial affairs of the University of Mississippi Medical Center. As the Board, it is our constitutional duty to provide the same oversight over UMMC that it does over the rest of the universities. Certainly, these issues could have been addressed, but, over a period of years, they were not addressed to the Board's satisfaction.

UMMC has an annual budget of \$1.6 billion and represents almost 40 percent of the total budget that is the responsibility of the Board of Trustees, so the Board must take these concerns very seriously.

These concerns include numerous failures to comply with Board policy, failure of UMMC staff to implement a system of internal controls over contract management; failure to ensure receipt of rebates and property; and failure of staff to staff to conduct and present proper financial analysis of financial transactions and conduct reasonable due diligence. Some examples in the [audit report](#) include:

- 1) Numerous failures to comply with Board policy
 - 32 contracts that contained aggregate total expenditure of \$250,000 or more were not properly submitted to the Board for approval in violation of Board Policy 707.01 (p.31)
 - 7 lease contracts with aggregate expenditures of \$100,000 or more were not submitted to the Board for approval in violation of Board Policy 707.01 (p. 33)
 - 30 lease contracts in an amount less than \$100,000 required Commissioner approval under Board Policy 707.01 but were not submitted for proper approval (p. 34)
 - UMMC unilaterally and without authority adopted a policy that lease contract of 1 year or less than \$5,000 in aggregate did not require Board approval which contradicts Board Policy 707.01 (p. 34)
 - 5 grant funded contracts did not receive Board approval even though expenditures exceeded \$250,000 in violation of Board Policy 707.01 (p. 35)
- 2) Failure of UMMC staff to implement a system of internal controls over contracts management
 - MCL interview with UMMC staff revealed that there is no contracts management system in place at UMMC (p. 11)
 - Infor (Lawson) software includes a contract management software system purchased by UMMC in 2008 but has not yet been implemented by UMMC (p.11)
 - MCL reported that there is no clear process to ensure that rebates owed to UMMC under its contracts are received and that no one is assigned to track receipt of rebates (p. 25)

- MCL reported that there is no Accounts Receivable department for revenue contracts and that \$482,970 was not received as revenue due under UMMC leases at the time of the report (p. 67)
 - MCL reports that there are 25 contracts that were possibly overspent from July 1, 2009 to June 30, 2014 (Exhibit 14). (p.59)
- 3) Rebates and receiving property
- MCL reports that a Gamma Knife on which payments totaling \$2.4 million were made by UMMC and expected for delivery in 2009 has not yet been received. (p 70)
- 4) Items that were not properly procured under state law
- MCL reports that there were 6 contracts where payments were made after the required CP-1 expired or where costs exceeded CP-1 approval. (p 69-70)
 - MS Dept. of Information Technology approval was required for a vendor contract but not sought by UMMC. (p. 66)
 - MS-ITS approval for required changes for a vendor was not sought by UMMC. (p. 68)
 - There were four contracts submitted to IHL requesting approval for spending levels in excess of the amounts approved by ITS (p. 59-60)
 - MCL reported that UMMC was unable to provide documentation showing that five contracts were legally procured (indicating either illegal procurements or inadequate record keeping by UMMC) (p. 45-46, 52, 68)

The audit confirmed that UMMC has taken inadequate steps to improve the efficiency and effectiveness of the financial management of UMMC with respect to purchasing.

The decision was not related to the involvement of the Board in the search for the Vice Chancellor of the University of Mississippi Medical Center. The Chancellor determined and drove the search process and the Board's involvement in the process. Under longstanding Board policy, the Board approves hiring decisions at the dean level and above. At the conclusion of the search process, which included bringing two finalists to the UMMC campus to meet with stakeholders, the Chancellor submitted one candidate for approval. The Board approved the candidate recommended by the Chancellor. Board members expressed opinions and asked questions about the search process, but in the end Board policy and the intuitional process was followed.

While the quality of education and patient care at UMMC is without question, the Board cannot overlook its longstanding concerns regarding the business and financial affairs. The Medical Center is on firm financial footing, but the Board's concerns center on the failure or reluctance of UMMC to cooperate fully with the Board on these matters created a loss of confidence that these issues would be resolved adequately and in a timely manner.

The webcast of the meeting is available online:

http://www.mississippi.edu/board/webcast/embed_150323.asp

The Audit Report is available online:

http://www.mississippi.edu/finance/downloads/ummc_report_on_aup_sept_26_2014.pdf