

# **UT Southwestern** Medical Center

## **Revenue Cycle: Cash Management Audit**

**Internal Audit Report 20:09**

**September 30, 2020**

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## **Executive Summary**

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### **Background**

The UT Southwestern Medical Center Revenue Cycle Operations group relies on clinics and the Ambulatory Business Office (Business Office) to maintain effective cash management processes and controls to collect payments (cash, checks and credit card), track and record patient account payment transactions and to make timely bank deposits, which improves cash flow and reduces overall collection costs. The clinics report to respective Clinical Academic departments and have dual accountability to Ambulatory Operations. Clinic leadership teams are responsible for having controls for patient payment collection before or at the time of service, tracking and posting payments to patient accounts and turning over payments to the Business Office.

The Business Office team reports to the Associate Vice President, Revenue Cycle Operations and consists of six employees including one supervisor, four reconciliation specialists and a clerk. The Business Office serves approximately 90 clinics across the Medical Center and on a daily basis reconciles on average 350 individual Epic collection drawers. The team is responsible for the on-campus ambulatory clinic cash management oversight and acts as the custodian of all ambulatory clinic cash fund bags. The function is also responsible for assigning cash bags to authorized clinic employees and for performing reconciliation and monitoring processes and controls including performing surprise clinic cash audits. On a daily basis, the Business Office team receives and reconciles cash bags and alerts clinic leadership when cash bags are not received. Monies not turned in within 48 hours are reported to the Police Department for investigation.

The Epic system application is used for patient payment transactions. Ambulatory employees post patient payments in the Epic Cash Drawer module at the time of service. The Business Office compares individual Cash Drawer reconciliations to the Epic Deposit Tool for completeness and then generates the daily deposit reports.

### **Scope and Objectives**

The Office of Internal Audit has completed its Revenue Cycle: Cash Management audit. This was a risk based audit and part of the fiscal year (FY) 2020 Audit Plan.

The audit scope period included cash activities and processes from September 2019 to July 2020. The review included assessing the adequacy and effectiveness of processes, oversight and monitoring controls to ensure:

- Accurate cash collections, transfers and reconciliations
- Safeguarding cash
- Accurate and timely payment deposits
- Appropriate Epic Cash Drawer application access controls

## Executive Summary

Audit procedures included interviews with stakeholders, review of policies and procedures and other documentation, substantive testing and data analytics. We conducted our examination according to guidelines set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

### Conclusion

Overall, the Business Office cash management controls are working as intended; however, there are opportunities to automate cash and Epic payment posting reconciliation processes and improve system reporting to reduce the risk of inaccurate patient account and cash reporting and theft of cash. Opportunity also exists for improving the Business Office's responsibility for monitoring of clinic cash security controls to improve controls over cash.

In addition, clinic credit card machine chip defects need to be addressed to prevent continued duplicate credit card payment transactions and daily reconciliation discrepancies requiring excessive manual effort to resolve inaccurate payment postings. The credit card duplicate payments increase risk of patient dissatisfaction and increase risk of errors and inefficiencies when duplicate amounts have to be individually reviewed and resolved. Finally, the current security access monitoring needs improvement to ensure that clinics return cash fund bags to the Business Office when employees terminate or change responsibilities to reduce the risk of theft of cash.

Included in the table below is a summary of the observations along with the respective disposition of these observations within the UT Southwestern internal audit risk definition and classification process. See Appendix A for Risk Rating Classifications and Definitions. There were no priority or high rated issues identified in the audit.

Priority (0)	High (0)	Medium (4)	Low (2)	Total (6)
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Key improvement opportunities risk-ranked as Medium are listed below.

- **#1 Enhance the Business Office Cash Reconciliation Procedures and Cash Application Functionality** – The cash reconciliation process is incomplete and does not include a cumulative daily comparison to the Epic Deposit Tool to ensure all Epic payment postings have been reconciled to cash collections, increasing the risk of inaccurate daily cash reconciliations and misstatement of cash balances.
- **#2 Improve Functionality of Credit Card Processing** – Defective clinic credit card machine chip readers require a second swipe transaction resulting in duplicate patient credit card transactions and increased effort to reconcile and resolve daily credit card transaction discrepancies.

## Executive Summary

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- **#3 Reinforce Compliance with Ambulatory Clinic Cash Policies and Procedures** – Clinic cash security controls are not adequate to protect and secure cash bags. Daily cash fund bag amounts are not validated by clinic leadership as required by the Ambulatory Cash Fund policy increasing the risk of theft of cash or inaccurate reporting.
- **#4 Strengthen Cash Drawer System Access Reporting** – Business Office personnel rely on manual reporting of employee terminations and role changes to ensure assigned cash fund bags are returned. There are terminated employees who still have an assigned cash fund bag that has not been returned increasing the risk of theft of cash, inappropriate cash posting transactions and inaccurate cash fund reporting.

We would like to take the opportunity to thank the individuals included in this audit for the courtesies extended to us and for their cooperation during our review.

Sincerely,

Valla F. Wilson, Vice President and Chief Audit Executive, Office of Internal Audit

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## Executive Summary

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## Detailed Observation and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating: Medium ●</b></p> <p><b>1. Enhance the Business Office Cash Reconciliation Procedures and Cash Application Functionality</b></p> <p>Reconciliation processes and controls need to be improved. The cash reconciliation process is manual, labor intensive and incomplete. The current process requires manual comparison of individual cash deposits to the Epic Cash Drawer postings. There is not a cumulative daily comparison report to the Epic Deposit Tool to ensure all Epic payment postings have been reconciled to cash collections.</p> <p>The Epic Deposit Tool does not provide a historical view to allow for the review and verification of past deposited and unreconciled funds. The Tool contains unreconciled posted payments totaling \$11,000 from January 2019 through current, increasing the risk of inaccurate daily cash reconciliations and misstatement of cash balances.</p> <p>In addition, the credit card reconciliation is incomplete and does not include procedures for validation of credit card transactions to Epic system patient account postings to identify missing or inaccurate transactions.</p>	<ol style="list-style-type: none"> <li>1. Update reconciliation procedures to ensure all user Epic payment postings are reconciled to the Epic Deposit Tool.</li> <li>2. Coordinate with Information Resources to develop Epic reporting to support verification of daily cash amounts received to posted Epic patient payments.</li> <li>3. Evaluate the open and outstanding Epic Deposit Tool amounts, resolve and clear the balances. Determine the root cause of system reporting errors when the deposit balances have been entered and generated.</li> <li>4. Develop performance metrics to aid in monitoring of timeliness of bank deposits to meet the UT System requirement.</li> </ol>	<p><b><u>Management Action Plans:</u></b></p> <ol style="list-style-type: none"> <li>1. &amp; 2. We will coordinate with Information Resources to develop a custom report modifying the existing PB093 report to use for the reconciliations.</li> <li>3. We will review and update the records in the Deposit Tool. We will identify the root cause of the outstanding amounts and implement procedures to monitor and correct in a timely manner.</li> <li>4. We will work with the Revenue Cycle Accounting Control team to identify and incorporate metrics for monitoring deposit timeliness.</li> </ol> <p><b><u>Action Plan Owners:</u></b></p> <ol style="list-style-type: none"> <li>1. &amp; 2. Supervisor Accounting, Medical Group Revenue Cycle - QA Analytics Director, Revenue Cycle &amp; Business System, IR Health Systems Associate Vice President &amp; Chief Data Officer</li> <li>3. Supervisor Accounting, Medical Group Revenue Cycle - QA &amp; Analytics</li> <li>4. Director, Revenue Cycle &amp; Business System, IR Health Systems</li> </ol>

## Detailed Observation and Action Plans Matrix

Observation	Recommendation	Management Response
<p>A review of the reconciliation spreadsheets and Epic data identified the following deficiencies:</p> <ul style="list-style-type: none"> <li>Employee and department naming conventions and abbreviations were inconsistent and therefore made it difficult to have automated data matching from the manual individual cash drawer reconciliations tracked on an Excel spreadsheet to Epic transaction data in order to ensure completeness.</li> <li>The Business Office does not track and monitor compliance with the UT System timely deposit requirement as only the date of collection is recorded in the Excel spreadsheet and not the date of deposit.</li> </ul>		<p><b><u>Target Completion Dates:</u></b></p> <ol style="list-style-type: none"> <li>and 2. October 31, 2020</li> <li>Completed</li> <li>November 30, 2020</li> </ol>



## Detailed Observation and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating: Medium</b> ●</p> <p><b>2. Improve Functionality of Credit Card Processing</b></p> <p>There are credit card machines used in the clinics that have chip reader flaws and are causing transaction discrepancies including duplicate credit card transactions on patient's accounts. These duplicate transactions are due to the machine reflecting error messages for credit card swipes due to chip reader flaws requiring a second swipe transaction. This resulted in patient credit card refunds having to be processed for 143 patients across 45 clinic locations totaling \$16,500 from May 2019 through March 2020.</p> <p>In addition, this flaw results in increased effort to resolve credit card transaction discrepancies. Daily bank deposit balances do not reconcile to patient account transactions and must be individually reconciled to identify duplicate entries and outstanding discrepancies. Total duplicate transactions, totaling \$27,000 from May 2019 through March 2020 across 50 clinic locations, have been identified and required individual reconciliation to clear.</p> <p>These credit card data integrity issues compromise credit card merchant agreement expectations and cause lack of patient confidence and increased risk of patient dissatisfaction.</p>	<ol style="list-style-type: none"> <li>1. Report the volume of the duplicate credit card transactions to the vendor.</li> <li>2. Coordinate with Information Resources and the vendor to determine the root cause of the credit card machine issues to improve functionality and correct the deficiencies. Alternatively, replace the credit card machines causing the problems.</li> </ol>	<p><b><u>Management Action Plans:</u></b></p> <ol style="list-style-type: none"> <li>1. Duplicate credit card transaction data has been submitted to the vendor.</li> <li>2.             <ol style="list-style-type: none"> <li>a. Met with the merchant processor and Epic to review details of the issue. Routine meetings are being scheduled with Information Resources, Epic and the merchant processor to troubleshoot and determine the root cause.</li> <li>b. Functionality was recently released and placed into Production to remove the secondary approval for decline by device. Industry standards recommend ensuring approval is obtained from the card issuer and not relying on the secondary device approval. Since this update was recently installed we will monitor over the next 30-60 days to evaluate if discrepancies are reduced.</li> <li>c. Epic is delivering an updated credit card reconciliation report that should assist in identifying true duplicates to reduce the time needed to refund amounts to patient credit cards. Discrepancies will still need to be manually cleared to ensure accurate credit card reporting.</li> <li>d. As part of the long-term goal, we will continue to meet with Epic and the merchant processor to monitor improvements and develop plans improve functionality.</li> </ol> </li> </ol>

## Detailed Observation and Action Plans Matrix

Observation	Recommendation	Management Response
		<p><b><u>Action Plan Owners:</u></b>            Director, Revenue Cycle &amp; Business System,            IR Health Systems            Assistant Vice President and Chief Information            Officer, University Hospitals            Director Revenue Cycle Accounting QA &amp;            Analytics, Medical Group Revenue Cycle QA &amp;            Analytics</p> <p><b><u>Target Completion Dates:</u></b></p> <ol style="list-style-type: none"> <li>1. Completed</li> <li>2. a. Develop short term plan – November 30, 2020                  b. Monitor auto-void update - October 30, 2020                  c. Implement new Epic reconciliation report – November 31, 2020                  d. Develop long term plan (if needed) – February 28, 2021</li> </ol>

## Detailed Observation and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating: Medium ●</b></p> <p><b>3. Reinforce Compliance with Ambulatory Clinic Cash Policies and Procedures</b></p> <p>Clinic cash collection policies and procedures are not consistently followed resulting in inadequate cash security controls. Clinic supervisors and managers are not consistently performing cash fund bag counts to confirm completeness and accuracy of required fund bag totals in compliance with the Ambulatory Cash Fund policy to safeguard cash and prevent loss/theft.</p> <p>Clinic employees are not consistently reporting bag shortages to the Business Office and are not storing cash bags and cash collections in locked drawer during business hours. In addition, when employees change positions, cash bags are not always returned to the Business Office timely.</p>	<ol style="list-style-type: none"> <li>1. Perform refresher training for CSAs, Supervisors and Managers on the ambulatory policy requirements for handling cash and change fund bags.</li> <li>2. Coordinate with department leadership and the Ambulatory Operations team to strengthen clinic monitoring and tracking of cash deposits to ensure required controls are in place.</li> <li>3. Confirm cash bags are returned to the Business Office for the employee who terminated and the two employees who changed job functions for the on-site clinic visits.</li> </ol>	<p><b><u>Management Action Plans:</u></b></p> <ol style="list-style-type: none"> <li>1. The Aston Business Office team in coordination with the Ambulatory Operations team will provide refresher training for clinic personnel on requirements for handling cash and change fund bags.</li> <li>2.             <ol style="list-style-type: none"> <li>a. The Business Office and Ambulatory Operations teams will update the Ambulatory Cash Fund policy to provide additional clarity on roles and responsibilities.</li> <li>b. Procedures will be updated to describe the steps to follow when missing funds are identified or there the Clinic Manager has a concern with cash handling.</li> <li>c. A checklist will be created to provide clinic managers with an easy reference guide to ensure the required controls are in place within their clinic.</li> <li>d. Training will be provided to clinic leadership teams to describe the policy updates and highlight the control requirements.</li> </ol> </li> <li>3. Clinic leadership returned the cash bags to the Business Office.</li> </ol>

## Detailed Observation and Action Plans Matrix

Observation	Recommendation	Management Response
		<p><b><u>Action Plan Owners:</u></b></p> <ol style="list-style-type: none"> <li>1. Supervisor Accounting, Medical Group Revenue Cycle - QA Analytics Director, Ambulatory Business Services, Ambulatory Services</li> <li>2. Director, Ambulatory Business Services, Ambulatory Services Supervisor Accounting, Medical Group Revenue Cycle - QA Analytics</li> <li>3. Oral &amp; Maxillofacial Surgery Clinic Supervisor Psychiatry Clinic Supervisor</li> </ol> <p><b><u>Target Completion Dates:</u></b></p> <ol style="list-style-type: none"> <li>1. October 31, 2020</li> <li>2a. and 2b. October 31, 2020 – Policy updated</li> <li>2c. and 2d. November 30, 2020 – Checklist guide updated and training plan developed</li> <li>4. Completed</li> </ol>

## Detailed Observation and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating: Medium ●</b></p> <p><b>4. Strengthen Cash Drawer System Access Reporting Procedures</b></p> <p>Clinic or department leaders are responsible for notifying the Business Office when an employee terminates or no longer has cash responsibilities and need to return their assigned cash fund bags.</p> <p>As a result, cash bags may remain in the clinics increasing the risk of theft of cash, inappropriate cash posting transactions and inaccurate cash fund reporting.</p> <p>In addition, there is not an automated process to notify the Business Office when an employee terminates so the Business Office is aware that cash fund bags should be returned and access to the Epic Cash Drawer module is a change. During the onsite clinic review, employees no longer had cash collection responsibilities but were found to still have Cash Drawer system access.</p>	<ol style="list-style-type: none"> <li>1. Disable user accounts for the identified employees who are no longer working at the institution or no longer have cash fund related responsibilities.</li> <li>2. Follow up with clinic leadership to ensure any physical cash fund bags for terminated employees are returned to the Business Office.</li> <li>3. Implement a process to deactivate Epic Cash Drawer access for employees who transfer to roles that do not require cash drawer access.</li> <li>4. Establish automated reporting for the Business Office to identify Epic Cash Drawer users that have terminated or changed roles so clinic managers and supervisors are notified in a timely manner to return cash bags to the Business Office.</li> </ol>	<p><b><u>Management Action Plans:</u></b></p> <ol style="list-style-type: none"> <li>1. We are removing terminated employees and employees who no longer require access from the Cash Drawer module.</li> <li>2. The Business Office team is following up with clinic leadership to ensure any cash bags are returned to the Business Office for terminated employees.</li> <li>3. We are coordinating with the Clarity team to create notifications for employees who terminate or transfer to another role and no longer need EPIC cash drawer module access.</li> <li>4. We are coordinating with the Clarity team to have an automated notification created for terminated employees. A notification will be sent to the Business Office, so they can contact the clinic to return physical cash bags.</li> </ol> <p><b><u>Action Plan Owners:</u></b></p> <ol style="list-style-type: none"> <li>1. Director, Revenue Cycle &amp; Business System, IR Health Systems</li> <li>2. Supervisor Accounting, Medical Group Revenue Cycle - QA &amp; Analytics</li> <li><del>3.</del> Director, Revenue Cycle &amp; Business System, IR Health Systems</li> <li>4. Director, Revenue Cycle &amp; Business System, IR Health Systems</li> </ol>

## Detailed Observation and Action Plans Matrix

Observation	Recommendation	Management Response
		<p><b><u>Target Completion Dates:</u></b></p> <ol style="list-style-type: none"> <li>1. October 31, 2020</li> <li>2. October 31, 2020</li> <li>3. November 30, 2020</li> <li>4. December 31, 2020</li> </ol>
<p><b>Risk Rating: Low ●</b></p> <p><b>5. Resolve the Open Cash Drawer Balance</b></p> <p>One Epic Cash Drawer includes multiple cash amounts totaling \$23,901 that have not been reconciled from 2009 through 2012, increasing the risk of inaccurate cash account balances. The drawer was created when the Epic Deposit Tool system was implemented and intended to be a placeholder for older transactions for CMC Academic deposits from 2009 thru 2012.</p> <p>Due to the age of these transactions and limited resources, the individual transactions have not been reviewed and validated to ensure the funds were actually collected and deposited.</p> <p>Unresolved amounts may result in inaccurate daily cash reconciliations and misstatement of general ledger cash balances.</p>	<ol style="list-style-type: none"> <li>1. Coordinate with Revenue Cycle leadership to develop a plan for resolving these aged amounts in the open cash drawer.</li> <li>2. Evaluate and resolve the open cash drawer balance to ensure accurate recording.</li> <li>3. Deactivate the open cash drawer so subsequent amounts are not posted to this drawer.</li> </ol>	<p><b><u>Management Action Plans:</u></b></p> <ol style="list-style-type: none"> <li>1. We developed a plan to resolve the aged amounts in the open cash drawer account with the Revenue Cycle leadership team.</li> <li>2. Then we implemented the plan and reviewed and resolved the open cash drawer balances.</li> <li>3. We deactivated the open cash drawer account.</li> </ol> <p><b><u>Action Plan Owners:</u></b></p> <p>Supervisor Accounting, Medical Group Revenue Cycle-QA &amp; Analytics</p> <p>Director Revenue Cycle Accounting QA &amp; Analytics, Medical Group Revenue Cycle QA &amp; Analytics</p> <p><b><u>Target Completion Dates:</u></b></p> <p>Completed</p>

## Detailed Observation and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating: Low ●</b></p> <p><b>6. Update Clinic Processes to Match Ambulatory Policies</b></p> <p>The Ambulatory cash handling policy does not reflect current cash reconciliation processes that have been eliminated due to increased courier costs and updated Business Office daily reconciliation exception reporting.</p> <p>The policy states that the signed User Batch Reports should be returned to the clinics for confirmation of Business Office completion of daily reconciliations and filing for future reference. This step has been eliminated due to the associated increased courier costs and the Business Office is scanning these reports and retaining them as a part of their daily reconciliation support. The Business Office reports any reconciliation discrepancies to the individual clinics for immediate resolution.</p> <p>Lack of current documented procedures increases the risk of inaccurate transaction reporting and inconsistent clinic processes and procedures across the Medical Center.</p>	<ol style="list-style-type: none"> <li>1. Re-evaluate and update as applicable the “AMB 2.04 Change Fund Bag Handling and Deposits of Payments” policy and procedure to ensure agreement of clinic processes to Ambulatory policy and procedures.</li> <li>2. Communicate and provide training to clinic personnel on the updated policy and procedure.</li> </ol>	<p><b><u>Management Action Plans:</u></b></p> <ol style="list-style-type: none"> <li>1. We will update the policy to reflect current practices and confirm appropriate controls are in place.</li> <li>2. We will provide training to the clinic personnel on the updated policy.</li> </ol> <p><b><u>Action Plan Owners:</u></b></p> <p>Supervisor Accounting, Medical Group Revenue Cycle-QA &amp; Analytics</p> <p><b><u>Target Completion Dates:</u></b></p> <ol style="list-style-type: none"> <li>1. October 31, 2020</li> <li>2. November 30, 2020</li> </ol>

## Appendix A – Risk Classifications and Definitions

As you review each observation within the Detailed Observations and Action Plans Matrix of this report, please note that we have included a color-coded depiction as to the perceived degree of risk represented by each of the observations identified during our review. The following chart is intended to provide information with respect to the applicable definitions and terms utilized as part of our risk ranking process:

<b>Risk Definition- The degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management.</b>	<b>Degree of Risk and Priority of Action</b>	
	<b>Priority</b>	An issue identified by Internal Audit that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.
	<b>High</b>	A finding identified by Internal Audit that is considered to have a high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level. As such, immediate action is required by management in order to address the noted concern and reduce risks to the organization.
	<b>Medium</b>	A finding identified by Internal Audit that is considered to have a medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action is needed by management in order to address the noted concern and reduce the risk to a more desirable level.
	<b>Low</b>	A finding identified by Internal Audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action should be taken by management to address the noted concern and reduce risks to the organization.

It is important to note that considerable professional judgment is required in determining the overall ratings presented on the subsequent pages of this report. Accordingly, others could evaluate the results differently and draw different conclusions. It is also important to note that this report provides management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.