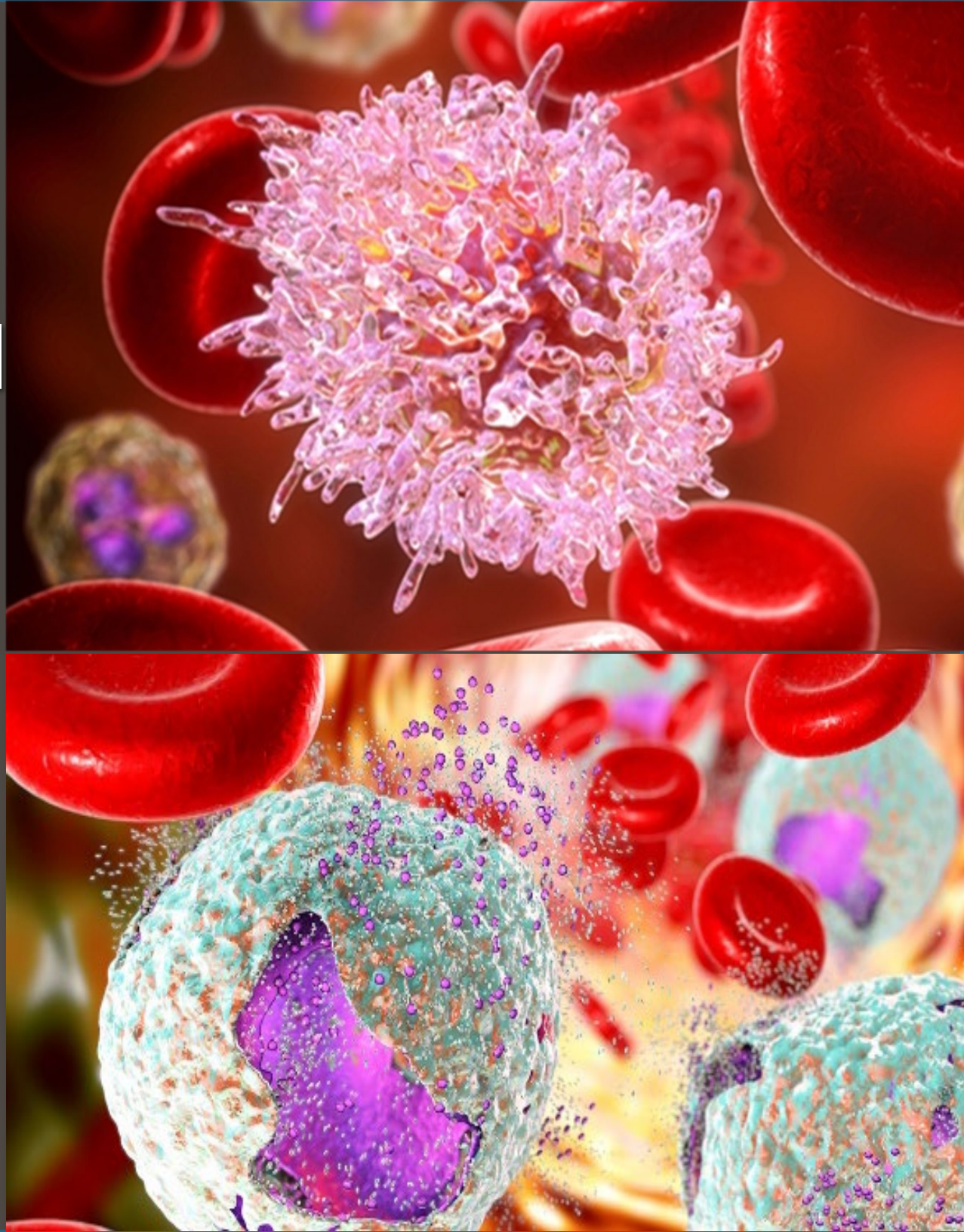


Leukemia Departmental Review

Audit No. MDA22-105

*Audit Team: Rachel Bourns,
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and Randy Ray*

3/25/2022



Executive Summary

The Department of Leukemia is internationally regarded as having one of the largest and most successful leukemia cancer programs, employing approximately 404 FTEs including 57 faculty members and generating \$30.4M in professional revenue in FY21. The department is one of few cancer centers in the nation with a federally funded, leukemia focused, SPORE (Specialized Program of Research Excellence), vast range of clinical trials and access to innovative therapies utilized to create customized treatment plans for each patient.

The Department has implemented proper controls over leave management for their 400+ employees. Additionally, controls are in place to ensure professional charges, totaling over \$30M in FY21 are appropriately captured for services rendered. Further, the department demonstrated financial stewardship by ensuring monthly statistical sampling/expenditure review are certified timely and adequately documented. We did, however, identify opportunities for improvement in the following areas:

During the course of our review, we also identified an observation related to idle and excessive IT assets as well as the protection of IT assets that has been communicated to the Division of Cancer Medicine leadership under separate cover.

Management Summary Response:

Management agrees with the observations and recommendations and has developed action plans to be implemented on or before August 31, 2022.

Appendix A outlines the objective, scope and methodology for project.

The courtesy and cooperation extended by the personnel in Leukemia are sincerely appreciated.

Area	Priority	High	Medium
Effort Reporting		●	
Cost Allocation			●
Subrecipient Monitoring			●
iLabs User Access			●
Overtime			●
Progress Reports			●

Sherri Magnus

Sherri Magnus, CPA, CIA, CFE, CRMA, CHIAP
 Vice President & Chief Audit Officer
 March 25, 2022

DETAILED OBSERVATIONS

1. Improve Effort Reporting

Ranking: HIGH

In some instances, it appears effort is certified based on payroll distribution instead of actual effort spent on a project. According to federal guidelines and the Institution's Effort Certification policy, employees must certify the accuracy of effort spent on sponsored projects. While payroll distribution describes the sources of an employee's salary, effort certification describes the employee's actual effort on a project.

Non-compliance with federal regulations relating to effort reporting on federal grants may result in penalties and fines and possible loss of future funding for the Institution.

Recommendation:
Management should enhance controls to ensure that certified effort, especially for federal grants, reflects actual effort spent on projects.

Management's Action Plan:
Management will coordinate with the principal investigators to ensure that actual effort is captured and reported as required by federal regulations and institutional policy. Additionally, the Department Administrator will coordinate with the institutional workgroup to identify additional solutions.

Responsible Executive: Dr. Welele Tereffe
Division/Department Executive:
Dr. Christopher Flowers
Owner: Mary Silverstein
Due Date: August 31, 2022

2. Allocate Shared Costs for Grant Expenditures

Ranking: MEDIUM

Lab supplies and expenses are shared among projects, which include Federal and Private Industry sponsors, and are not consistently allocated to the related grants based on a reasonable methodology. Federal regulations require that such costs be allocated to a project in proportion to the associated activities. When costs are not allocated accordingly, federal projects may incur costs not associated with the project.

Recommendation:
Management should develop and implement a reasonable cost allocation methodology for shared lab supplies.

Management's Action Plan:
The department's principal investigators expect their staff to distribute shared costs between all of their funded projects. Management will implement a process to ensure that shared costs are allocated among projects to ensure compliance with federal regulations.

Responsible Executive: Dr. Welele Tereffe
Division/Department Executive:
Dr. Christopher Flowers
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3. Enhance Subrecipient Monitoring		Ranking: MEDIUM
<p>The Subrecipient Monitoring Policy requires Principal Investigators (PI) to manage sub-awards by evaluating the subrecipient’s overall progress and retaining technical reports of that progress. The PI or designee are required review and approve every invoice prior to payment, and in doing so, certify that the Subrecipient has performed in accordance with the contractual agreement and applicable federal regulations.</p> <p>The Department does not have evidence that the Principal Investigators or their designee have reviewed and approved invoices prior to payment. When invoices are not reviewed as required, the risks are increased that payments may be made for costs that are not in accordance with the agreement. Additionally, noncompliance with state and institutional regulations increases the risk of loss of federal funding.</p>	<p><u>Recommendation:</u> The Department should enhance processes and controls to ensure subrecipient invoices are reviewed and approved by Principal Investigators as required.</p>	<p><u>Management’s Action Plan:</u> <i>Management will implement a process to ensure that all invoices are reviewed and approved by the PI via email and will maintain copies since this is no longer managed by GCA.</i></p> <p>Responsible Executive: Dr. Welela Tereffe Division/Department Executive: Dr. Christopher Flowers Owner: Mary Silverstein Due Date: August 31, 2022</p>
4. Review iLabs User Access		Ranking: MEDIUM
<p>The Flow Cytometry Lab activities are managed through iLabs. iLabs is a core facility management software, utilized by all MD Anderson core grant facilities, with two key roles, administrative and financial manager. The department has 12 individuals with access to iLabs, 10 of the 12 have an administrative role within the application, which allows the ability to edit and delete service requests, reservations, billings and invoices. According to Management, facilities staff requires the administrative role in order to perform their daily job functions. Institutional policies mandate that appropriate internal controls should be established over financial activities.</p>	<p><u>Recommendation:</u> Management should evaluate the number of individuals with iLabs administrative access and determine who truly needs the access for their role.</p>	<p><u>Management’s Action Plan:</u> <i>In an attempt to address the concerns highlighted, lab management will be testing limited user roles to determine if they will allow for the appropriate business need for each member. Management will evaluate whether this impacts the core’s primary function of supporting research and make adjustments to assigned roles as necessary.</i></p> <p>Responsible Executive: Dr. Welela Tereffe Division/Department Executive: Dr. Christopher Flowers Owner: Dr. Jared Burks Due Date: August 31, 2022</p>

5. Correct Overtime Error		Ranking: MEDIUM
<p>The department is not consistently monitoring employee pay differences involving overtime. During the period, a Kronos error occurred, allowing four exempt employees to improperly receive overtime pay totaling \$3,365, without required HR approval. In discussions with HR Compensation, we learned that this was a system error. According to institutional policy, exempt employees are not eligible for overtime unless approved by HR Compensation. The department's monitoring process did not identify this error at the time.</p>	<p><u>Recommendation:</u> The department should collaborate with HR Compensation to correct the overtime payments and enhance internal monitoring of overtime pay.</p>	<p><u>Management's Action Plan:</u> <i>Management will enhance monitoring of overtime to include a review for eligible positions. Management will coordinate with Kronos Dimensions to identify reporting solutions that will support monitoring.</i></p> <p>Responsible Executive: Dr. Welela Tereffe Division/Department Executive: Dr. Christopher Flowers Owner: Mary Silverstein Due Date: August 31, 2022</p>
6. Submit Progress Reports Timely		Ranking: MEDIUM
<p>The department has not consistently submitted progress reports for its federal grants within the specified timeframe. For 5 active grants during the period, 2 progress reports were submitted on or after the due date to Office of Sponsored Programs (OSP), which is responsible for submitting, resulting in late submission of the progress reports to the sponsor. Noncompliance with reporting requirements may impact future federal funding.</p>	<p><u>Recommendation:</u> The department should collaborate with OSP and Grants and Contracts to ensure progress reports are submitted timely as required.</p>	<p><u>Management's Action Plan:</u> <i>Management will work with the principal investigators to establish a process to ensure the timely reporting of federally required progress reports.</i></p> <p>Responsible Executive: Dr. Welela Tereffe Division/Department Executive: Dr. Christopher Flowers Owner: Mary Silverstein Due Date: August 31, 2022</p>

Appendix A

Objective, Scope and Methodology:

The objective of the review is to provide a general assessment of the financial, administrative, and compliance controls within the department. Our review of the department covered personnel/Leave management, financial management, asset management, revenue cycle and grants and contracts processes in place for the period of September 1, 2020 thru August 31, 2021 and any related periods.

Our procedures included the following:

- Interviewed key personnel and reviewed relevant organizational policies to understand financial and administrative processes within the Department.
- Examined personnel management processes including timekeeping, overtime and credentialing.
- Reviewed the use and protection of IT assets.
- Tested procurement card transactions and reconciliations for compliance with institutional guidelines.
- Reviewed financial management processes such as monthly statistical sample and certification.
- Reviewed grant administration processes related to effort reporting and certification; allowable expenditures; cost allocation; subrecipient monitoring; timely progress reports; and use of material transfer agreements.
- Reviewed charge capture processes including workqueues, open encounters and monthly reconciliation.
- Reviewed clinical trial invoicing and payments.
- Examined CORE lab service charges, rates, user access and billing.

Our internal audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*. The internal audit function at MD Anderson Cancer Center is independent per the *Generally Accepted Government Auditing Standards (GAGAS)* requirements for internal auditors.

Number of Priority Findings to be monitored by UT System: None

A Priority Finding is defined as “an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.”