



THE UNIVERSITY OF TEXAS

MDAnderson
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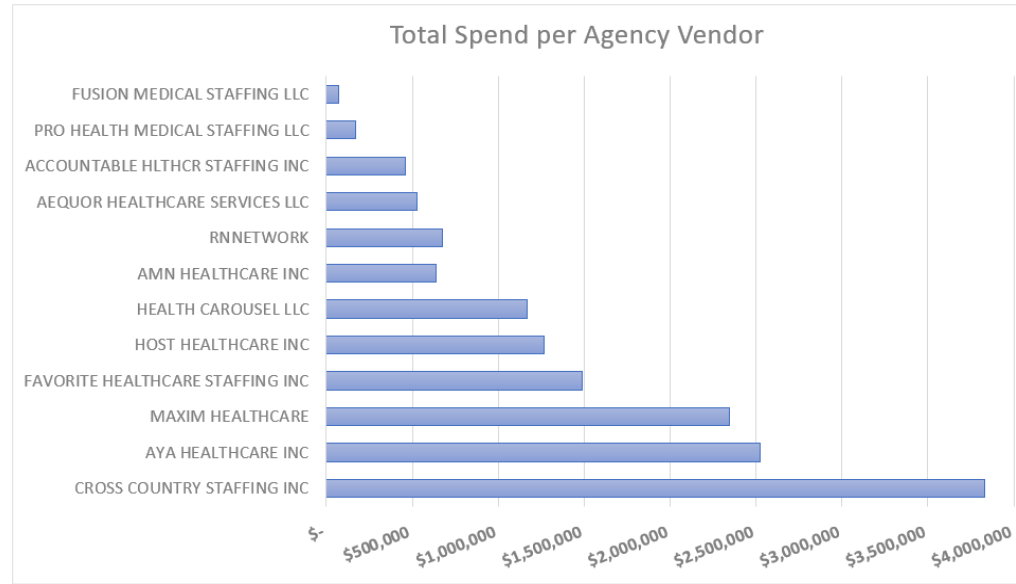
Department of Internal Audit
Audit No. MDA 23-103

Agency Contract Labor

Executive Summary

The Nursing Resource Center at the Institution partners with selected nursing agencies to provide agency personnel to all inpatient and outpatient areas. At the height of the pandemic, the demand for agency contract labor increased nationwide. The Nursing Resource Center and leadership within nursing units manage the agency contract laborers operationally, while Nursing Administration, General Accounting and Accounts Payable facilitates the payment to the vendors.

From September to December 2022, the institution had paid over \$15M to twelve vendors, as detailed in the chart to the right. See **Appendix B** for the top ten departments with highest agency vendor spending.



At the start of Fiscal Year (FY) 2023, the Nursing Administration and General Accounting quickly launched and implemented a new and effective process that ensures timely payments to the vendors, as well as timely expense reporting.

Audit Results

Internal Audit conducted a review of contract provisions and governance over agency contract labor, including accuracy and timeliness of payments, during September – December 2022. While the new process delivers several strengths, we identified opportunities to further enhance the process, as follows:

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> Governance over vendor selection is centralized Determination of bill rate is based on average market rates New process effectively ensured timely expense reporting Institution was quick to adopt new process changes Manual calculations are materially accurate 	<ul style="list-style-type: none"> Resolve and prevent duplicate vendor payments Update policy to reflect current process Revise contract language for rate flexibility Improve efficiency and accuracy of payments Ensure payment is based on approved timecards

Further details are outlined in the Detailed Observations section. Less significant issues were communicated to management.

Management Summary Response:

Management agrees with the observations and recommendations and has developed action plans to be implemented on or before September 1, 2023.

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

The courtesy and cooperation extended by the personnel in Nursing Resource Center and Nursing Administration are sincerely appreciated.



Sherri Magnus, CPA, CIA, CFE, CRMA, CHIAP
Vice President & Chief Audit Officer
June 29, 2023

Detailed Observations

Observation 1: **Resolve and Prevent Duplicate Vendor Payments**

RANKING: Medium

A process has not been implemented to prevent duplicate payments to Agency Vendors. In January 2023, General Accounting identified instances where agency contract vendors were sending manual invoices for services that had already been paid via the new batch payment process, thus resulting in duplicate payments. Accurate payments are required per the institutional ADM0106 "Accounts Payable" policy.



A manual review of payments made during December 2022 and January 2023 identified \$623K in duplicate payments. Duplicate payments that occurred from September to November 2022 have not yet been quantified. Accounts Payable has been manually reviewing exceptions that have occurred and making progress to recoup the duplicate payments.

Recommendation

A process should be implemented in coordination with Accounts Payable to resolve all duplicate payments and implement controls to prevent future duplicate payments from occurring.

Management Action Plan

Responsible Executive: Rosanna Morris
Department/Division Executive: Carol Porter
Owner: Abraham George
Due Date:9/1/2023

The Division of Nursing has canceled any remaining Purchase Orders with our vendors to prevent Accounts Payable to inadvertently submit a voucher for Nursing approval that maybe submitted by a vendor. In addition, Nursing will partner with Accounts Payable/General Accounting on recouping of any remaining duplicate payments.

Observation 2:

Update Policy to Reflect Current Process

RANKING: Medium

The policy related to temporary agency nursing personnel was last updated October 2022, which included language detailing the prior invoicing process that ended in FY22. Upon inquiry, management agreed this was an oversight and began to revise the wording to reflect current processes. Drafting of this policy revision is still in progress has not yet been finalized. When policies do not reflect current process changes, it is difficult to train employees and hold them accountable.



Recommendation

Management should continue to update policies to reflect current practices.

Management Action Plan

Responsible Executive: Rosanna Morris
Department/Division Executive: Carol Porter
Owner: Maryann Patterson
Due Date: 9/1/2023

The policy related to temporary agency has been updated to reflect new practice and is scheduled to be presented to the Nursing Executive Policy and Procedure Committee for official approval.

Observation 3:
Revise Contract Language for Rate Flexibility

RANKING: Medium

Contract rates for Case Managers and Surgical Technicians exceeded the caps set forth in the overarching contract with the agency vendor. Agency vendor contracts (the "Contract") specify minimum/maximum bill rates for various job types. Contract language does not, however, allow flexibility to increase rates above the maximum to respond to market volatility. Without such flexibility, the institution may not be able to recruit the necessary agency contractors to meet required staffing ratios.



Recommendation

In partnership with Legal Services and Sourcing, revisions should be made to the agency vendor contracts, allowing for rate flexibility in circumstances of unforeseen market volatility. Additionally, current contracts should be amended to align with the market rates being paid to agency staff.

Management Action Plan

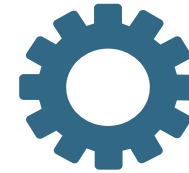
Responsible Executive: Rosanna Morris
Department/Division Executive: Carol Porter
Owner: Zagui Paredes
Due Date: 9/1/2023

Nursing will work with Sourcing and Legal Services to ensure contract language and rate ranges are appropriate to address future market volatility.

Observation 4:
Improve Efficiency and Accuracy of Payments

RANKING: Medium

The new payment process, implemented in September 2022, required manual intervention without an appropriate secondary review process in place. The lack of a review process has resulted in some inefficiencies and overpayments to vendors, albeit insignificant thus far.



As institutional policy requires timely and accurate payments, a secondary reviewer would mitigate potential delays or errors when processing payments. Additionally, Nursing has partnered with the University of Texas System's Collaborative Business Services to automate parts of this process.

Recommendation

Management should implement a review process for vendor payment calculations to ensure accurate payments. Additionally, management should continue automating the process to improve efficiency.

Management Action Plan

Responsible Executive: Rosanna Morris
Department/Division Executive: Carol Porter
Owner: Abraham George
Due Date: 9/1/2023

Nursing is currently in the process of training a new backup to assist with reviewing of calculations and processing vendor payments. Nursing is also continuing its work to automate payments with UT Systems automation team.

Observation 5:

Ensure Payment is Based on Approved Timecards

RANKING: Medium

Kronos is the institution's timekeeping system and the basis for agency contract vendor payments. While a manual process exists to review and approve agency staff's timecards, this approval is not consistently documented in Kronos. A review of 100 Kronos timecards identified 77 instances where approval from a unit/area nurse manager was not documented within Kronos. Institutional policy requires the weekly review of timecards by a manager, timekeeper, or delegate. Inaccurate timecards could result in overpayments to agency vendors.



Upon further inquiry with several unit/area managers, we learned that the nursing units do not have access to perform documented review in Kronos. Management has been working through this known issue to mitigate this risk.

Recommendation

Management should continue to partner with Information Services to approve agency staff timecards within Kronos. Pending this implementation, management should implement processes to ensure timecard approvals within unit/areas are communicated to the agency staff's direct manager, confirming that agency staff time has been approved prior to payment.

Management Action Plan

Responsible Executive: Rosanna Morris
Department/Division Executive: Carol Porter
Owner: Christina Zachariah
Due Date:9/1/2023

Nursing Resource Center (NRC) nurse manager is entering "blank template shifts" into Kronos for all areas that are outside of inpatient nursing. This will allow all areas to review and approve timecards in Kronos. NRC timekeeper will serve as backup to the unit leaders/timekeeper for time reconciliation/approvals.

Appendix A

Objective, Scope and Methodology:

The objective of the review is to review the process for evaluating each agency to determine whether the terms and provisions of the contract have been met. In addition, to assess the frequency at which each agency is utilized and the process for making those decisions. Our review was for the period of September 1, 2022 through December 31, 2022, and related periods.

Our procedures included but not limited to the following:

- Reviewed relevant organization policies and procedures.
- Interviewed key personnel responsible who oversee agency contract labor and process agency vendor payments throughout the institution.
- Interviewed key personnel who directly function within the units/areas where agency contract labor is assigned.
- Validated accuracy and completeness of Kronos timecard data and contract rates used to calculate payments, including correction entries made for instances of over/underpayment.
- Reviewed reasonableness of geolocations of punch in/out in relation to agency contract labor assigned areas.
- Reviewed Kronos manager approvals and evaluated timeliness.
- Reviewed whether contractor's individual contract rates were in alignment with the agency vendor's contract rate range and the institution's established rate range matrix.
- Reviewed potential duplicate payment instances and discussed with key finance personnel on recoupment efforts.
- Identified vendors which have continued to send manual invoices in FY23, potentially resulting in duplicate payments.

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.

Audit Team: Melissa Prompntagorn (Lead), Amy Li, Denise Frolick

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.*”

Appendix B

The institution currently has agency contract staffing throughout at least 31 different areas, with most agency staff residing in the Nursing Resource Pool. This is a general assignment group for trained clinical nursing staff who are onboarded to meet the operational needs of the institution. Typically, a base contracted term of thirteen weeks is agreed upon, with possible eight-week extensions. Additionally, agency staff may be assigned to one area the first thirteen weeks and may transfer to a different area upon a second contract term. Below are the top ten departments which had the highest agency vendor spending:

