THE UNIVERSITY OF TEXAS
MD Anderson ~~Cancer~~ Center

Department of Internal Audit

Colon and Rectal Surgery Departmental Review

Audit Control No. 2023-106

August 30, 2023

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Executive Summary

The Colon and Rectal Surgery Department (the Department), previously part of Surgical Oncology, was established in December 2020 to serve as a leader in minimally invasive surgery for cancers of the colon, rectum and anus. The Department employs approximately 36 FTEs, including 10 faculty members and generated $7.6 million in gross patient revenue for the period of September 2022 through March 2023.

Internal Audit performed a general assessment of the Department's financial, administrative and compliance controls. We concluded that the Department has some processes in place for certain areas of personnel management and financial management; however, opportunities exist to improve daily operations by:

- Performing daily charge reconciliations,
- Optimizing charges for professional services rendered,
- Ensuring that provider notes are finalized and signed in ProVation,
- Enhancing the procurement card reconciliation process,
- Strengthening controls to ensure expenses are allowable and charged to the appropriate funding source,
- Monitoring eShipGlobal shipping transactions for appropriateness,
- Strengthening controls over IT assets to ensure inventory records are complete,
- Consistently reviewing and approving timecards,
- Ensuring all faculty leave is approved by the Department Chair,
- Strengthening controls over extramural leave to ensure accurate recording,
- Educating staff on the importance of Conflict of Interest disclosures, and
- Reevaluating the benefit of clinical studies on hold.

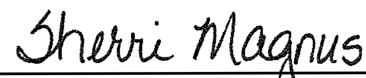
One contributing factor for these control gaps appears to be the continuing need to fully establish the infrastructure necessary to allow the Department the ability to oversee and monitor these key functions. As of March,2023, the transition from Surgical Oncology is still in progress.

Further details are outlined in the Detailed Observations below. Less significant recommendations were discussed with management.

Management Summary Response:
Management agrees with the observations and recommendations and has developed action plans to be implemented on or before February 28, 2024.

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

The courtesy and cooperation extended by the personnel in Colon and Rectal Surgery and Surgical Oncology, are sincerely appreciated.



Sherri Magnus, CPA, CIA, CFE, CRMA, CHIAP
Vice President & Chief Audit Officer
August 30, 2023

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DETAILED OBSERVATIONS

Observation 1: **Ranking: High**
Enhance Administrative Infrastructure

Colon and Rectal Surgery, a relatively new department, is in the process of transitioning from the Surgical Oncology Department. While Surgical Oncology provides administrative support for professional charge capture, IT assets/inventory, grant management and clinical research administration, Colon and Rectal Surgery is responsible for ensuring proper controls are in place to help mitigate risks.

Best practices suggest that People, Processes, and Technology are three components essential for an effective infrastructure and optimal management. In the area of technology, the institution's systems provide the Department with strong support. As the Department matures and assumes responsibility for more financial and administrative activities, ensuring that processes and skilled personnel are in place will be key to the Department's overall success.

As the Department's infrastructure is further developed, areas of focus should include revenue cycle, financial management, personnel/leave management and grant and research administration. Well-developed processes with strong internal controls are necessary to ensure that these activities function as management intended.

Recommendation:
As the Department matures, management should continue to enhance its administrative infrastructure by developing processes and internal controls. These should be supported by appropriately skilled personnel.

Management Action Plan:
Responsible Executive: Dr. Welela Tereffe, Sr. VP and CME
Department Executive: Dr. George Chang, Chair Ad Interim
Owner: Ryan Clarke, Department Administrator
Due Date: 2/28/2024

In 2020, Colon and Rectal Surgery transitioned from Surgical Oncology and became a its own department. In January 2022, a new Department Administrator was onboarded, which led to multiple resource requests and the transition of staff and processes from Surgical Oncology. The Department of Colon and Rectal Surgery will continue to evaluate the people, processes, and technology required to ensure adequate controls are in place. The control gaps identified in each observation will guide the enhancement of resources, workflows, and training needed to mitigate risks.

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Revenue Cycle

Departments are responsible for ensuring that all patient charges are posted in an accurate and timely manner. Revenue cycle activities for the Department include professional charge capture and reconciliation functions for patient revenue generating areas.

Observation 2: **Ranking: Medium**

Reconcile Professional Charges Daily

The Department is not performing daily charge reconciliations as required by institutional policy. According to institutional policy, charges should be reconciled daily. When reconciliations are not performed, errors may go undetected and charges for services rendered may not be captured, resulting in lost revenue.

Recommendation:
Management should develop and implement processes as well as allocate resources to perform daily charge reconciliations as required by institutional policy.

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The Department of Colon and Rectal Surgery will work with the Division of Surgery and Revenue Management to evaluate the best way to manage daily reconciliations. This may include a request for a Clinical Billing Specialist, a shared resource, or improved reporting systems to support daily charge reconciliations.

Observation 3: **Ranking: Medium**

Optimize Charges for Outpatient Services

The Department is not consistently capturing charges for services rendered. During a review of 271 encounters, we identified the following instances where charges were not billed:

- Eight anoscopies, 40 flexible sigmoidoscopies, and 95 Proctosigmoidoscopies, for a total of 143 procedures
- 4 telemedicine visits, with appropriate duration and discussion of treatment plans
- Three new patient visits

Institutional Policy requires that all charges for services rendered be posted in an accurate and timely manner. When charges are not posted, the associated revenues may be lost. Internal Audit was unable to determine the potential lost revenue associated with these services.

Recommendation:
Management should allocate resources to help develop and implement processes to ensure charges are captured for all billable services rendered in an accurate and timely manner, including daily charge reconciliations, as recommended in Observation #2. In addition,

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management should ensure that providers receive guidance on documenting telemedicine visits so that billing can occur.

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The department will provide education to faculty on the institution's charge submission policy, and request training help as needed from IS Shared Services. Status reports will be reviewed regularly at department faculty meetings, and consideration will be given to incorporating new metrics into the department's FRP. To help ensure charge optimization success, the department will work with the Division of Surgery and Revenue Management to evaluate the best way to manage daily reconciliations.

Observation 4: **Ranking: Medium**
Strengthen Controls over ProVation Documentation

For the period of September 2022, through April 2023, we identified 39 encounters with unsigned notes in ProVation. When notes are not finalized and signed by the provider, the charge will not interface with Epic in order for a charge to occur. Institutional Policy requires that all charges for services rendered be posted in an accurate and timely manner. When charges are not posted, the associated revenues may be lost.

Recommendation:
Management should implement controls to ensure that all notes are signed timely by the provider.

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The department will adopt HAL workflows for educating and reminding faculty to complete ProVation notes. Weekly reminders will be sent to faculty to address outstanding notes.

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Financial Management

Departments are responsible for establishing appropriate controls over the Institution's financial resources. Key controls should include but are not limited to properly segregated duties, timely reconciliations for significant financial activities, adequate supporting documentation for transactions, and monitoring to ensure that transactions are authorized, appropriate, accurate and complete.

Observation 5: **Ranking: Medium**

Enhance Procurement Card Reconciliation Process

The procurement card reconciliation process is not adequate to ensure that transactions are appropriate, and the review and approval process occurs as required. For example,

- Procurement card transactions totaling $15,190 were incorrectly charged to other departments.
- Monthly reconciliation logs did not have the required two levels of review and approval.

Institutional guidelines require that procurement card reconciliations be performed, reviewed and approved on a monthly basis to ensure all charges are accurate and correctly allocated. When transactions are not reviewed and approved as required, errors and irregularities may occur and go undetected.

Recommendation:

Management should enhance the reconciliation process to ensure that transactions are correctly allocated. Additionally, management should establish controls to ensure that reconciliations have the required levels of review and approval.

Management Action Plan:

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All expenses in question are being reallocated, and staff will be trained on the procurement card reconciliation process. The department will also implement a second layer of review and approval.

Observation 6: **Ranking: Medium**

Strengthen Controls to Ensure Allowability of Expenses

The Department purchased 180 employee recognition gifts, totaling $7,842, using PRS Development funds. In January 2023, PRS Administrative Services requested that the unallowable expense be reallocated to resolve the deficit and close the account. As of the time of our review, the expense had not been reallocated. According to institutional policy, management is responsible for ensuring fund sources are allowable, prior to approving the transaction. When expenses are unallowable, institutional funds may be used for non-business purposes.

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Recommendation:
Management should strengthen controls to ensure that expenses are allowable. This should include increased oversight by the Department Administrator, including review of purchases and their funding source. Additionally, responsible staff should be trained on purchasing and fund source guidelines, as well as fiduciary responsibility. Finally, management should work with General Accounting to resolve the $7,842 amount.

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The department will work with General Accounting and the Division of Surgery to resolve the expense in question. Staff will be trained on the appropriate use of PRS funds, and future questions about appropriate charges will be directed to PRS Administrative Services. In addition, CRS will implement a transaction approval and reconciliation process to strengthen financial controls.

Observation 7: **Ranking: Medium**
Monitor eShipGlobal Shipments

Shipping activity through eShipGlobal accounts is not being monitored for appropriateness. As a result, the Department shipped personal items without a legitimate business purpose to an individual who had separated from the Institution months prior. Institutional policy prohibits the use of MD Anderson resources for personal benefit.

Recommendation:
Management should strengthen controls to ensure eShipGlobal transactions are monitored for appropriateness.

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In accordance with the institution's policy for managing eShipGlobal accounts, staff will send all eShipGlobal requests to the department's Operations Manager for review and approval.

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Asset Management/Inventory

Effective asset management involves the use of encryption and other security methods to protect sensitive, confidential data that is transmitted and stored on computers and mobile devices. It also involves the safeguarding of assets against loss or theft.

Observation 8: **Ranking: Medium**
Strengthen Controls over IT Assets

According to Institutional policy, Department leadership, including Property Officers, are responsible for developing and implementing processes to account for IT assets within their areas. At the time of our review, 29 IT assets assigned to the Department's employees continued to be on Surgical Oncology's inventory. Without proper accounting, there is an increased risk that any loss or theft of IT assets may occur and not be timely detected.

Recommendation:
Management should complete the transfer of the remaining assets to the Department's inventory.

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All assets will be identified and transferred from the Surgical Oncology Department to Colon and Rectal Surgery.

Leave Management

Workforce Dimensions (WFD) is the official time and attendance tracking system. Effective personnel management includes, but is not limited to, the timely approval of timecards, and accurate and timely recording of extramural (EXT) and employee leave.

Observation 9: **Ranking: Medium**
Consistently Review and Approve Timecards

The Department is not consistently reviewing and approving timecards as required by Institutional Policy. According to management, the Department does not have a designated timekeeper who is responsible for reviewing and approving leave for all employees. For the period January through May 2023, it came to our attention that a non-exempt employee incurred over 63 hours of Leave Without Pay (LWN) due to shortfalls and missed punches that were not corrected. In addition, 10 of 40 employees (25%) had at least one missing timecard approval during this same period. Institutional policy states that timekeepers, managers, or their delegates are responsible for ensuring employee timecards are accurate and that non-exempt employees meet their standard hours if accrual balances are available. When employee time records are not thoroughly review and properly approved, inaccurate time reporting and over or underpayment of payroll may occur.

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Recommendation:
Management should consider a designated departmental timekeeper to ensure all timecards are reviewed for accuracy and approved in accordance to Institutional Policy. Management should correct the non- exempt employee leave to address the mistake previously made relating to shortfalls and missed punches.

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The Colon and Rectal Surgery Operations Manager has been formally designated as the department's timekeeper. In this role she will meet with the Department administrator weekly to review the prior week's timecards for accuracy and make corrections if necessary. Regarding the employee in question, we will review and make corrections as appropriate.

Observation 10: **Ranking: Medium**
Ensure All Faculty Leave is Approved by Department Chair

According to the Faculty Leave Policy, department chairs must approve leave for all faculty within their departments. During this review, it came to our attention that one faculty member leave is not reviewed and approved by the Department Chair. Currently, the faculty leave is manually entered in Kronos by another department. When this occurs, the faculty leave is not routed to the Department Chair for approval which may have an unintended or unplanned impact on departmental operations and patient care.

Recommendation:
Management should coordinate with the other department as well as the Kronos administrator to identify a solution so that leave is appropriately processed with review and approval by the faculty member's Department Chair.

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Effective 8/4/2023, the Ambulatory Logistics team will send an email to the Department Chair (Cc: Dept. Operations Manager) for approval of HAL faculty leave requests before being finalized. By the end of November 2023, Ambulatory Logistics will transition HAL faculty leave management to the Colon and Rectal Surgery Department.

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Observation 11: **Ranking: Medium**
Strengthen Controls Over Extramural Leave

Our review of faculty travel from September 2022 through March 2023 indicated that extramural leave (EXT) is not always accurately recorded, as indicated by:

- One PTO day was incorrectly recorded as EXT for one faculty member, with accompanying personal travel expenses totaling $306.
- Four EXT days were not captured in Kronos.
- Three EXT days incorrectly recorded, therefore which need to be credited before fiscal year end.

Timekeepers, Manager, and their Delegates are responsible for ensuring leave, including extramural, is accurately captured and recorded. When leave is not reviewed for accuracy, errors in leave balances may result.

Recommendation:
Management should strengthen controls to ensure extramural leave is accurately recorded. Additionally, the personal travel expenses identified during testing should be reimbursed to the institution.

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Using the Faculty Academic Leave Policy (ACA0048), faculty and administrative support staff will be provided reeducation on extramural leave requirements, and the department's Operations Manager will reconcile extramural leave requests with the associated activities. Regarding the employee in question, the department is facilitating the reimbursement of personal travel expenses back to the institution.

Grant / Research Administration

Grants management relates to the administrative tasks required to comply with the financial, reporting, and program requirements of federal, state, and private sponsors, as well as institutional policies. It includes but is not limited to progress and financial reporting effort reporting, subrecipient monitoring, conflict of interest, material transfer agreements, timely invoice payments, and shared costs allocation.

Observation 12: **Ranking: Medium**
Educate Staff on Conflict of Interest (COI) Disclosures

In several instances, we noted that host paid travel and honorariums were not disclosed in the COI database. Per Institutional policy (ACA0001), host paid travel and honorariums should be disclosed in the Conflict of Interest Database to ensure that actual or potential conflicts of interest are appropriately managed. Non-disclosure of conflicts may also jeopardize the objectivity and integrity of research.

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Recommendation: Management should educate all staff on Institutional requirements relating to the ensure conflicts of interest are disclosed as required by institutional policy.

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Using the COI Disclosure Matrix, along with the detail provided in the COI Policy (ACA0001), faculty and admin support staff will be provided reeducation regarding when disclosures need to be made. The department's Operations Manager will also track extramural leave requests and travel requests from faculty to evaluate any external funding sources. All COI questions about specific trips will go to COIC@mdanderson.org.

Observation 13: **Ranking: Medium**
Reevaluate Research Studies Currently on Hold

During our assessment of the Department's research activities, we were informed that there are 3 lab studies, 2 Chart/Data Review and 1 Clinical Trial on hold due to lack of resources. When this occurs, benefits to the research activity may be minimal. Institutional guidance states that oversight for research projects should include scientific and financial management, including good stewardship of funds and effort.

Recommendation: Management should reevaluate the benefit of lab studies, chart/data reviews and clinical trials on hold. Consideration should be given to potentially transitioning trials to closure if deemed appropriate.

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As research administrative workflows transitioned to the department's oversight in Spring 2023, the department has initiated regular protocol/grant reviews with each faculty. The frequency of these reviews will vary depending on the type of protocol/grant, but will occur at least annually with each faculty to review all pending and active awards, resource requirements, funding, etc. These meetings will include an evaluation of awards on hold.

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Appendix A - Future Considerations

During our review, we identified the following for the department to consider as potential process improvements as the department continues to evolve and mature:

Revenue Cycle:
- Establish a process to monitor the department's denials on a regular basis.

Grants Management:
- Monitor and track laboratory shipments for pending, active and new Material Transfer Agreements (MTAs).

Asset Management:
- Establish processes to maintain a comprehensive inventory listing as well as to perform a physical inventory count annually.

Personnel/Leave Management:
- Upload conference agendas and other supporting documentation to Travel Authorizations in Concur.

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Appendix B - 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 revenue cycle, financial management, grants management/research administration, IT asset management/inventory, personnel management, and Fellowship program for the period of September 1, 2022 through Mar 31, 2023, and related periods.

Our procedures included but not limited to the following:

- Interviewed key personnel and reviewed relevant organizational policies.
- Examined personnel management processes including timekeeping, extramural leave, and credentialing.
- Reviewed grant management processes.
- Reviewed financial management processes.
- Assessed processes and controls over assets, including protection of IT assets.
- Reviewed revenue cycle and charge capture processes.
- Reviewed clinical trial/research protocols management.
- Reviewed fellowship program for compliance with agreement provisions.

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.*"

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