

MDA22-219 Pulmonary Medicine Departmental Review

November 28, 2022



Executive Summary

Pulmonary Medicine (the Department) consists of a group of physicians and scientists who provide comprehensive consultative evaluation and management for patients with pulmonary disease associated with cancer, critically ill patients, or the workup of undiagnosed lung abnormalities¹. The department is a major affiliate institution for the University of Texas Houston and Baylor College of Medicine Pulmonary and Critical Care Fellowship Programs.

The Department currently employs approximately 75 employees, including 25 faculty members, and was recognized in the FY 2020-2021 U.S. News and World Report as “High Performing” in the Pulmonology and Lung Surgery category. In FY 2022, the Department performed over 28,000 procedures and generated over \$22 million in gross patient revenue. The Department also had 68 active grants with total grant expenditures of \$4.7 million for FY 2022.

Audit Results

Internal Audit conducted a general assessment of the Department’s control processes over its key administrative activities for Fiscal Year 2022. Based on our review, we identified several control gaps that require management to enhance control processes to mitigate the department’s risks by ensuring the accuracy of records, promoting research integrity, protecting information technology (IT) devices, complying with Institutional policies, and federal and state regulations. A summary of observations is outlined below:

AREA	Strengths	Opportunities
<i>Grants/Research Administration</i>	<ul style="list-style-type: none"> • Dashboard was created to track payroll burn rate and allocation of grant expenditures • Progress reports are prepared and submitted timely 	<ul style="list-style-type: none"> • Comply with material transfer agreement (MTA) requirements • Review and approve subrecipients’ expenditures prior to payment • Ensure the accuracy of effort reported and certified • Provide Conflict of Interest education • Ensure timely invoicing for clinical trials
<i>Financial Management</i>	<ul style="list-style-type: none"> • Expenditures are reviewed and monitored by management 	<ul style="list-style-type: none"> • Protect and safeguard IT devices • Enhance monitoring of Procard transactions • Submit and approve annual off-site authorization forms timely
<i>Clinical Operations</i>	<ul style="list-style-type: none"> • Workqueues are monitored daily by the Division and addressed timely by the Department 	<ul style="list-style-type: none"> • Ensure the accuracy of the diagnosis code • Optimize charge capture for Telehealth visits • Reconcile professional charges daily
<i>Personnel Management</i>	<ul style="list-style-type: none"> • Designated individual was assigned to monitor leave balances • Department monitors licensures/ certification 	<ul style="list-style-type: none"> • Review, approve and ensure the accuracy of timecards
<i>Educational Programs</i>	<ul style="list-style-type: none"> • Comprehensive Interventional Pulmonology Fellowship Program exists 	<ul style="list-style-type: none"> • Track and document program activities for the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) Program

¹ Source: Pulmonary Medicine Webpage

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 August 31, 2023.

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

The courtesy and cooperation extended by the personnel in Pulmonary Medicine, Hospital Billing and Collections, Institutional Compliance, and Research Administration are sincerely appreciated.

Sherri Magnus

Sherri Magnus, CPA, CIA, CFE, CRMA, CHIAP
Vice President & Chief Audit Officer
November 28, 2022

DETAILED OBSERVATIONS

Grants/Research Administration

1. Comply with Material Transfer Agreements HIGH	Recommendation	Management Action Plan
<p>Nine research shipments, requiring Material Transfer Agreements (MTAs), were sent without an MTA or a fully executed agreement. Although the Research MTA policy states that Principal Investigators are responsible for complying with sample guidelines, the department must monitor MTAs to ensure appropriate shipping of samples and protection of intellectual property.</p>	<p>Management should implement controls to ensure compliance with institutional requirements. In addition, the department should provide training and education to Principal Investigators (PIs) and responsible staff regarding shipments requiring MTAs.</p>	<p><i>Responsible Executive: Dr. Welela Tereffe Department Executive: Dr. Scott Evans Owner: Denise Holcomb Due Date: 02/28/2023</i></p> <p><i>The department will conduct annual MTA training/education at the beginning of each fiscal year. This will entail the PI submitting a questionnaire to determine if an MTA needed.</i></p> <p><i>All processes will be reviewed annually to ensure they remain valid and updated as needed.</i></p> <p><i>SOP's and/or detailed documentation of these processes will be stored on a department shared drive.</i></p> <p><i>In addition, a monthly eShipGlobal reconciliation will be performed to ensure the status of item(s).</i></p>

2. Monitor Subrecipient Expenses HIGH	Recommendation	Management Action Plan
<p>For FY 2022, the Department had subrecipient expenses totaling \$424,488. However, the Department was unable to provide evidence that the PIs or their designee had reviewed and approved the invoices prior to payment.</p> <p>The Subrecipient Monitoring Policy requires PIs or their designee to review and approve every subrecipient invoice prior to payment. In doing so, the PI is certifying that the subrecipient has performed in accordance with the contractual agreement and applicable federal regulations. 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.</p>	<p>The Department should enhance processes and controls to ensure subrecipient invoices are reviewed and approved by PIs as required.</p>	<p><i>Responsible Executive: Dr. Welela Tereffe Department Executive: Dr. Scott Evans Owner: Denise Holcomb Due Date: 11/30/2022</i></p> <p><i>Pulmonary management implemented a process to ensure all invoices are reviewed and approved, prior to payment, and by the Principal Investigator.</i></p> <p><i>All processes will be reviewed annually to ensure they remain valid and updated as needed.</i></p> <p><i>SOP's and/or detailed documentation of these processes will be stored on a department shared drive.</i></p>

3. Ensure Accuracy of Effort Reporting HIGH	Recommendation	Management Action Plan
<p>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, the PI on each sponsored project will certify the accuracy of effort spent. 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 research funding for the Institution.</p>	<p>Management should enhance controls to ensure that certified effort reflects actual time spent on projects.</p>	<p><i>Responsible Executive: Dr. Welela Tereffe Department Executive: Dr. Scott Evans Owner: Denise Holcomb Due Date: 11/30/2022</i></p> <p><i>The department will implement a process to ensure reported effort reflects actual effort spent on projects.</i></p> <p><i>The Effort Coordinator will provide a monthly report to the PIs, outlining committed effort for review. The PI will confirm actual effort to be certified and processed.</i></p> <p><i>All processes will be reviewed annually to ensure they remain valid and updated as needed.</i></p> <p><i>SOP's and/or detailed documentation of these processes will be stored on a department shared drive.</i></p>

4. Educate Staff on Conflict of Interest HIGH	Recommendation	Management Action Plan
<p>Two faculty members did not disclose Scientific Advisory Board relationships with a biotechnology company. Institutional Policy requires faculty members to disclose all outside activities. Disclosure of conflicts ensures that actual or potential conflicts of interest are appropriately managed. Non-disclosure of conflicts may also jeopardize the objectivity and integrity of research.</p>	<p>Management should ensure faculty are educated on Conflict of Interest disclosures to ensure compliance with Institutional policy and integrity of research.</p>	<p><i>Responsible Executive: Dr. Welela Tereffe Department Executive: Dr. Scott Evans Owner: Denise Holcomb Due Date: 2/28/2023</i></p> <p><i>The department will coordinate with Institutional Compliance to provide training and education on how to properly disclose Conflicts of Interest.</i></p> <p><i>All processes will be reviewed annually to ensure they remain valid and updated as needed.</i></p> <p><i>SOP's and/or detailed documentation of these processes will be stored on a department shared drive.</i></p>

5. Ensure Timely Billing for Clinical Trials MEDIUM	Recommendation	Management Action Plan
<p>For one clinical trial, which ended in Aug 2021, the department did not bill a total of \$20,000 for 4 patients enrolled in the study. Per institutional policy, the PI or his/her designee shall reconcile the research study accounts monthly to ensure that all charges were billed appropriately. Failure to bill the sponsor for study expenses may result in lost revenue for the department.</p>	<p>Management should strengthen controls to ensure that sponsors are invoiced timely for expenses incurred as a result of patients participating in clinical trials.</p>	<p><i>Responsible Executive: Dr. Welela Tereffe Department Executive: Dr. Scott Evans Owner: Denise Holcomb Due Date: 11/30/2022</i></p> <p><i>The Pulmonary Clinical Research Team will provide monthly reports to the Pulmonary Grants Team identifying patients enrolled on each study. The Grants Team will reconcile patients to the sponsor contract and invoice accordingly.</i></p> <p><i>All processes will be reviewed annually to ensure they remain valid and updated as needed.</i></p> <p><i>SOP's and/or detailed documentation of these processes will be stored on a department shared drive.</i></p>

Financial Management			
6. Protect IT Devices	HIGH	Recommendation	Management Action Plan
<p>The Information Resources Security Operations Manual (IRSOM) requires the protection of desktops, laptops, and mobile computing devices that view or store confidential information. As of 7/6/2022, 7 computers did not include sufficient protective measures and 30 mobile devices were not enrolled in AirWatch. Without protective measures, sensitive information could be accessible to unauthorized individuals.</p>		<p>Management should take immediate steps to sufficiently protect all of their IT devices. A monitoring process should be implemented to ensure that all devices continue to be protected. If protective measures cannot be implemented for certain devices, the devices should be decommissioned.</p>	<p><i>Responsible Executive: Dr. Welela Tereffe Department Executive: Dr. Scott Evans Owner: Denise Holcomb Due Date: 2/28/2023</i></p> <p><i>The Department of Pulmonary Medicine will coordinate with Information Technology to ensure all devices are protected.</i></p> <p><i>The department will monitor the protection of all IT assets by generating periodic reports and send reminders as appropriate</i></p> <p><i>All processes will be reviewed annually to ensure they remain valid and updated as needed.</i></p> <p><i>SOP's and/or detailed documentation of these processes will be stored on a department shared drive.</i></p>

7. Safeguard IT Assets	HIGH	Recommendation	Management Action Plan
<p>According to the Computer Equipment Management System (CEMS), the department has 22 devices assigned to terminated employees. For example, a retired faculty member has 8 IT devices including computers, external hard drive, USB backup, and various mobile devices. According to management, no PHI was maintained on these devices; however, Internal Audit was unable to confirm this statement as devices are out of the country. The Property Officer or designee is responsible for collecting, reassigning and/or decommissioning computer equipment. Without proper safeguarding of IT equipment, devices may be accessed by unauthorized users.</p>	<p>Management should coordinate with the appropriate parties, including IT Security, to determine the action necessary to retrieve the institutional assets, lock the devices if necessary, and protect any institutional information.</p> <p>In addition, management should develop a process to ensure all assets are returned, reassigned and/or decommissioned once an employee transfers or is terminated.</p>	<p><i>Responsible Executive: Dr. Welela Tereffe Department Executive: Dr. Scott Evans Owner: Denise Holcomb Due Date: 2/28/2023</i></p> <p><i>Pulmonary Medicine will meet with the appropriate parties to determine if action is needed to retrieve institutional assets.</i></p> <p><i>In addition, the department will strengthen internal controls to ensure all assets are accounted for and accurately recorded.</i></p> <p><i>Unused assets will be sent to the Warehouse for decommissioning as needed. A monthly review of inventory records will be conducted to ensure information is current.</i></p> <p><i>All processes will be reviewed annually to ensure they remain valid and updated as needed.</i></p> <p><i>SOP's and/or detailed documentation of these processes will be stored on a department shared drive.</i></p>	

8. Comply with Procard Guidelines	MEDIUM	Recommendation	Management Action Plan
<p>Our review of ProCard purchases identified recurring transactions. According to Institutional guidance, regular recurring expenses should be paid using the purchase order process with a pre-approved institutional vendor. The procurement card is intended for small dollar, low-volume, and non-repetitive purchases. Purchases that are not made using the appropriate payment mechanism may not result in the best value or be cost-beneficial to the institution.</p>	<p>Management should evaluate its monthly purchasing activity to consider setting up a purchase order for recurring transactions.</p>	<p><i>Responsible Executive: Dr. Welela Tereffe Department Executive: Dr. Scott Evans Owner: Denise Holcomb Due Date: 9/30/2022</i></p>	<p><i>Pulmonary Medicine has implemented a process to establish purchase orders for recurring expenses.</i></p> <p><i>All processes will be reviewed annually to ensure they remain valid and updated as needed.</i></p> <p><i>SOP's and/or detailed documentation of these processes will be stored on a department shared drive.</i></p>

9. Approve Off-Site Authorization Forms MEDIUM Timely	Recommendation	Management Action Plan
<p>The Department is not reviewing and approving off-site authorization forms at the beginning of each fiscal year as required by Institutional policy. In five instances for FY22, the form was not approved, and others were approved during the last week of the fiscal year. Without renewing the form timely, the institution may not be able to track and monitor all off-site equipment.</p>	<p>Management should enhance controls to ensure off-site authorization forms are completed and renewed at the beginning of each fiscal year.</p>	<p><i>Responsible Executive: Dr. Welela Tereffe Department Executive: Dr. Scott Evans Owner: Denise Holcomb Due Date: 10/31/2022</i></p> <p><i>For all assets that are remote, management will ensure employees will complete an Offsite Authorization Form starting FY 2023.</i></p> <p><i>All processes will be reviewed annually to ensure they remain valid and updated as needed.</i></p> <p><i>SOP's and/or detailed documentation of these processes will be stored on a department shared drive.</i></p>

Clinical Operations			
10. Ensure Accuracy of Diagnosis Codes	HIGH	Recommendation	Management Action Plan
<p>According to institutional policy, all charges should be posted with an accurate diagnosis code for the services rendered. We noted 20 instances where the patient's primary diagnosis code was the associated cancer diagnosis, instead of the reason for the actual visit with Pulmonary Medicine. Without a Pulmonary-related primary diagnosis code, these charges could be denied by the insurance provider.</p>		<p>The Department should strengthen its process to ensure accuracy of the patient's primary diagnosis code.</p>	<p><i>Responsible Executive: Dr. Welela Tereffe Department Executive: Dr. Scott Evans Owner: Denise Holcomb Due Date: 8/31/2023</i></p> <p><i>The 20 charges identified are orders for Pulmonary Function Tests or Stress Tests, as needed for standard of care.</i></p> <p><i>The department will work with the Divisions Shared Service Model (SSM) and EPIC team to develop a workqueue to review the documentation to ensure the accuracy of the diagnosis code.</i></p> <p><i>In the interim, Pulmonary Medicine will work with the Division to build a report in order to monitor the accuracy of the primary diagnosis.</i></p> <p><i>All processes will be reviewed annually to ensure they remain valid and updated as needed.</i></p> <p><i>SOP's and/or detailed documentation of these processes will be stored on a department shared drive.</i></p>

11. Optimize Charges for Telehealth Services MEDIUM	Recommendation	Management Action Plan
<p>The Department is not consistently capturing charges for Telehealth visits. We identified 28 completed Telehealth visits without charges. 25 of these cases were telephone call encounters that did not include the duration of the call and/or location of the patient. According to Institutional guidance, this information is required to determine the level of service and the related charge. Internal Audit was unable to determine the potential lost revenue associated with these services.</p>	<p>The Department should ensure all charges are captured for Telehealth services.</p> <p>In addition, management should follow-up with Institutional Compliance to obtain guidance and education for faculty and staff related to Telehealth documentation.</p>	<p><i>Responsible Executive: Dr. Welela Tereffe Department Executive: Dr. Scott Evans Owner: Denise Holcomb Due Date: 3/30/2023</i></p> <p><i>Pulmonary Medicine will coordinate with Institutional Compliance to provide training and education to clinical staff on documentation needed to charge for telehealth encounters.</i></p> <p><i>In addition, as part of the daily charge capture reconciliation the department will run a daily Epic report(s) to monitor telehealth encounters.</i></p> <p><i>All processes will be reviewed annually to ensure they remain valid and updated as needed.</i></p> <p><i>SOP's and/or detailed documentation of these processes will be stored on a department shared drive.</i></p>

12. Reconcile Professional Charges Daily MEDIUM	Recommendation	Management Action Plan
<p>While management reviews the Open Encounters report and addresses items in their workqueues, professional charges are not reconciled daily. According to institutional policy, charges should be reconciled daily. When reconciliations are not performed timely, errors may go undetected and charges for services rendered may not be captured, resulting in lost revenue.</p>	<p>The Department should improve their processes to ensure professional charges are reconciled daily as required by institutional policy.</p>	<p><i>Responsible Executive: Dr. Welela Tereffe Department Executive: Dr. Scott Evans Owner: Denise Holcomb Due Date: 10/31/2022</i></p> <p><i>The department will collaborate with the Division SSM to monitor workqueues and run daily reports to ensure professional charges are reconciled daily.</i></p> <p><i>All processes will be reviewed annually to ensure they remain valid and updated as needed.</i></p> <p><i>SOP's and/or detailed documentation of these processes will be stored on a department shared drive.</i></p>

Personnel Management			
13. Review and Approve Timecards	HIGH	Recommendation	Management Action Plan
<p>The Department is not consistently reviewing and approving employees' timecards. Internal Audit identified a total of 56 employees, out of a sample of 58, whose timecards were not reviewed and approved by the department manager or delegate. Eight employees were non-exempt. According to institutional policy, managers or their delegates are responsible for reviewing each employee's timecard at least weekly. Failure to review and approve timecards may result in inaccurate time reporting and could result in over or underpayment of payroll.</p>		<p>Management should ensure all timecards are reviewed and approved per institutional policy.</p>	<p><i>Responsible Executive: Dr. Welela Tereffe Department Executive: Dr. Scott Evans Owner: Denise Holcomb Due Date: 10/31/2022</i></p> <p><i>The department is establishing delegation assignments for timecard approvals to ensure all timecards are reviewed and approved timely.</i></p> <p><i>All processes will be reviewed annually to ensure they remain valid and updated as needed.</i></p> <p><i>SOP's and/or detailed documentation of these processes will be stored on a department shared drive.</i></p>

14. Ensure Leave is Accurately Recorded MEDIUM	Recommendation	Management Action Plan
<p>The Department uses Webschedule as a source for capturing employee leave, then manually transfers the information to Kronos. For 5 of the 15 employees reviewed, we identified 9 PTO days that were not recorded in Kronos. Per institutional policy, both timekeepers and managers are responsible for reviewing all data sources to ensure timecards are accurately coded. When leave is not recorded accurately, accruals could be over/under stated.</p>	<p>Management should enhance controls to ensure leave captured in Webschedule is accurately recorded in Kronos.</p> <p>Management should consult with Human Resources to determine if leave balances for the identified individuals need to be revised to accurately reflect leave taken.</p>	<p><i>Responsible Executive: Dr. Welela Tereffe Department Executive: Dr. Scott Evans Owner: Denise Holcomb Due Date: 10/31/2022</i></p> <p><i>The department implemented a report to reconcile Web Schedule to Kronos. The timekeeper will use this report to ensure accuracy and the Delegated approver will reconcile the two reports prior to approving.</i></p> <p><i>All processes will be reviewed annually to ensure they remain valid and updated as needed.</i></p> <p><i>SOP's and/or detailed documentation of these processes will be stored on a department shared drive.</i></p> <p><i>Pulmonary Medicine has corrected all missed leave identified during the review.</i></p>

Educational Programs			
15. Track and Document Program Activities	MEDIUM	Recommendation	Management Action Plan
<p>The Department has an agreement with the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM), to provide trainees with research and/or clinical experience in Pulmonary Medicine. The contract states that the Institution is required to provide orientation and performance feedback for all trainees. According to management, departmental orientation is conducted by the Designated Liaison, and performance feedback is provided by phone or Zoom. However, the Department was unable to provide any evidence that these activities occurred. Without maintaining sufficient evidence, the Department may not be able to prove completion of program activities as required by the agreement.</p>		<p>Management should implement processes to ensure sufficient evidence is documented and maintained for program activities.</p>	<p><i>Responsible Executive: Dr. Welela Tereffe Department Executive: Dr. Scott Evans Owner: Denise Holcomb Due Date: 10/31/2022</i></p> <p><i>The department has developed and implemented a process to ensure orientation training and performance evaluations are documented and maintained to support compliance with the terms and provisions of the fellowship program agreement.</i></p> <p><i>All processes will be reviewed annually to ensure they remain valid and updated as needed.</i></p> <p><i>SOP's and/or detailed documentation of these processes will be stored on a department shared drive.</i></p>

Appendix A

Objective, Scope and Methodology:

The objective of this engagement was to provide a general assessment of the financial, administrative, and compliance controls within Pulmonary Medicine. Our review of the Department covered personnel/leave management, financial and assets management, clinical trials, charge capture, grants management, and fellowship/education programs for Fiscal Year 2022 and related periods.

Our procedures included the following:

- Interviewed key personnel and reviewed relevant organizational policies to understand financial and administrative processes within the Department.
- Reviewed grant administration processes related to effort reporting and certification; allowable expenditures; cost allocation; subrecipient monitoring; timely progress reports; conflict of interest; and use of material transfer agreements.
- Reviewed grant and non-grant account activity to determine whether deficit balances were properly resolved.
- Examined personnel management processes including timekeeping, extramural leave, and credentialing.
- Reviewed the results of the Department's 2022 physical inventory and assessed processes and controls over assets
- Reviewed the management and protection of IT assets.
- Reviewed procurement card transactions and reconciliations for compliance with institutional guidelines.
- Reviewed financial management processes such as monthly statistical sample and certification.
- Examined review processes in place over purchased services.
- Reviewed charge capture processes including workqueues, open encounters, outpatient services and reconciliations.
- Reviewed clinical trial invoicing and payments.
- Reviewed fellowship and educational programs for compliance with contractual agreement.

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.”