Report on Dental Service Research and Development Plan- Oral Maxillofacial Surgery Clinic- 
#13-111

We have completed our audit of the Dental Service Research and Development Plan for the Oral 
Maxillofacial Surgery Clinic located in Smith Tower. This audit was performed at the request of 
the UTHHealth Audit Committee and was conducted in accordance with the International Standards 
for the Professional Practice of Internal Auditing, and satisfies the annual audit requirement of 
University of Texas System Administrative Policy 155, Dental Service Research and Development 
Plan (DSRDP).

BACKGROUND

The Dental Branch established a DSRDP which provides guidance for the School of Dentistry 
(SoD) Clinic and the Oral Maxillofacial Surgery (OMS) Clinic. OMS clinic oral surgeons provide 
dental and medical treatment to patients at Smith Tower as well as at Memorial Hermann 
Hospital.

The OMS Clinic uses two systems to manage its patient base: Axium is used to record dental 
charges and GE Centricity Business (GE) is used to record medical charges. In fiscal year 2012, 
the OMS Clinic generated $832,000 in total revenue.

OBJECTIVES

The objective of this audit was to determine if there are adequate and effective controls over cash, 
billing, collections, accounts receivable, accounts receivable follow-up, and system user access.

SCOPE AND METHODOLOGY

Auditing and Advisory Services (A&AS) reviewed controls related to cash, billing, collections, 
and accounts receivable. In addition, we reviewed management oversight of access to the Axium 
and GE systems used by the OMS Clinic.

Test work included a comparison of supporting documentation for the daily receipts and activity
reports against Axium and GE posting reports, PeopleSoft Financial Management System (FMS) 
deposits and a review of medical billing collection rates.
AUDIT RESULTS

Cash Controls
The OMS clinic accepts cash, checks, and credit card payments for the patient’s portion of the bill and also receives payments by mail. Since both dental and medical services are provided, receipts are provided using either Axium or GE. A spreadsheet is maintained to track daily transactions and is used as a reconciliation tool.

According to the UTHealth Cash Handling Manual, “The custodian of the fund is fully responsible for the safekeeping of the fund and for its proper usage...” Also, “Funds should be counted and reconciled by the custodian...” All transfers of cash items between persons – either within a department, between departments or between UTHealth and the bank – must be documented and signed by both persons.

This clinic maintains a $100 Change Fund. However, they often receive substantial cash payments from patients. We noted that although a designated custodian was assigned, several members of the staff had access to the change fund as well as the daily receipts. The clinic would benefit from having stronger separation of duties and establishing a clear chain of custody of the change fund and clinical receipts.

Recommendation 1: We recommend that the Oral Maxillofacial Surgery Clinic develop and implement improved controls over cash handling. These controls should include at a minimum the procedures outlined in the Cash Handling Manual.

Management’s Response: There will only be one custodian of the Change Fund. This individual will be the only person accessing the cash box. If anyone needs change, staff will coordinate with the custodian. If the custodian is out of the office, even if only for lunch, the change fund will be signed over to another Smith Tower staff member, and the money will be counted in front of the custodian. Upon return, the box will be transferred back to this person via a verification count and sign off. Also, the custodian will be the one to initial the daily income log, showing that there is $100 in the box.

Responsible Party: Carmen Cabrera  
Implementation Date: June 30, 2013

BILLING, COLLECTIONS, AND ACCOUNTS RECEIVABLE

Dental

Charge capture, billing, collection, and accounts receivable follow up are performed by OMS clinic personnel.

Charge Capture and Billing: Charge entry is performed by OMS clinic personnel who obtain the encounter forms completed by the oral surgeon. The majority of charges submitted for payment are sent through a hard copy bill. Since the billing process is largely manual, A/R follow up needs to be performed early to ensure all charges have been submitted for payment.

A&AS obtained the clinic schedule for three separate dates of service (September 12, November 2, and November 16, 2012). For each patient scheduled, we verified whether the appointment was
kept and if charges were posted and posted timely. From our review, we identified that all charges were posted to Axium and within a reasonable amount of time.

**Collections:** Using the same sample of charges from the billing review, we obtained evidence that each charge was paid and accurately posted to patient's accounts, and that each payment was in accordance with the contract.

**Accounts Receivable:** Follow-up is performed by running an aging report and an outstanding insurance report from Axium every 30 days. Account balances aged over 30 days from the date of billing are noted with follow-up work performed by the Clinic Manager.

**Medical**

Charge capture and entry of charges into GE is performed by OMS clinic personnel. Billing, posting of payments, and accounts receivable follow up are performed by McKesson personnel. McKesson is an outsourced billing and collections company.

**Charge Capture and Billing:** Charge entry is performed by OMS clinic personnel who enter the charge into GE from the encounter form prepared by the oral surgeon.

A&AS used the same sample of three dates of service that were previously selected to review dental charge capture and billing. We verified that medical bills were submitted in a timely fashion and that accurate payments were received and appropriately applied to patients accounts.

Clinical departments that bill through GE are assigned a McKesson account manager. Each account managers is responsible for providing service to several departments throughout the medical school. In January of 2013, the OMS clinic was assigned a new account manager by McKesson who also serviced Radiology, Neurology, and Family Practice Medicine departments. As of April, McKesson began the process of restructuring their process workflows for accounts receivable. In May of 2013, the account manager resigned and OMS was assigned a new representative within the week. Because of these events and the small size of the practice, OMS has had difficulty in receiving service and obtaining useful reports from McKesson.

We performed analysis of medical gross billings and net collections and noted that the net collection rate for FY13 is 19% of gross charges against 24% in FY12. Based on this collection rate, OMS is projected to have FY13 income of $350,000 against $465,000 for FY12. This is approximately a 25% drop, while gross charges are projected to be fairly flat.

Several reasons were provided by the previous McKesson account manager as the causes of the drop in collections. We performed a review of these explanations to determine the impact of each in order to develop suggestions for correction. We noted from our analysis, the suggested causes had a minimal effect on net collections.

As a result, we expanded our analysis to look at high dollar billings to review how well these charges are being paid and to note the level of A/R follow-up. We noted an inconsistent level of work documented in GE. Some of these billings showed no A/R follow-up being performed. We selected 22 encounters where the patient had insurance, representing over $343,000 in gross
billings that had not been paid or had minimal payments made. These charges resulted in total payments of $9,400. Most of these examples had billing dates that were aged six months or longer. We reviewed the level and frequency of account follow-up recorded in the GE billing system. We noted various reasons for the low reimbursement rate. Four from the sample were not paid because the charges were submitted past the filing deadline and another was not billed because a request for additional information was not responded to by the clinic. We found that if a charge received some amount of payment, follow-up work was not performed. For example, a $42,000 bill received payment of $812 with no additional account follow-up noted in the system.

Based on our review, the OMS clinic should work with their McKesson representative to identify large billings and ensure adequate accounts receivable follow-up is performed.

System Access

We obtained a list of individuals with access to Axium and/or GE and verified employment status as well as job duties as specified in the job description. The processes to control user access to the GE and Axium systems are adequate and functioning.

CONCLUSION

The Oral Maxillofacial Surgery Clinic has many effective processes around charge capture, billing and collections on the dental side of the operation. Efforts are being put forth to standardize reports and provide more accurate data to be used in evaluating clinic performance. Improvements should be made in the cash controls of the clinic, particularly by limiting the number of employees that have access to the change fund.

We noted challenges on the medical side of the operation pertaining to the accounts receivable and collections. We suggest that OMS work with their McKesson account representative to develop better controls over collections.

We would like to thank the Oral Maxillofacial Surgery Clinic management who assisted us during our review.

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