



UT Health

San Antonio

Internal Audit &
Consulting Services

December 8, 2016

Edward H. Kennerdell
Senior Director of Patient Financial Services
7703 Floyd Curl Dr.
San Antonio, Texas 78229

Dear Mr. Kennerdell,

Internal Audit and Consulting Services has performed the following agreed upon procedures at your request in preparation for the upcoming vendor audit to be conducted in December 2016 by an external audit firm on behalf of 3M. It is our understanding that \$609,202 of expenses were incurred by UT Medicine due to vendor noncompliance with the contractual service agreement with 3M for the CodeRyte CodeAssist System. You requested that we verify the UT Medicine schedule of expenses for costs incurred during the 14 month period of June 2015 through July 2016 to determine the accuracy of the schedule and adequacy of supporting documentation. Based on our review, we recommend providing additional supporting documentation to the external auditors and adjusting the expense schedule for the following errors noted:

CodeComplete Invoice Expenses

We were provided for our review, seven (7) of the 15 invoices related to coding services rendered by CodeComplete totaling \$81,203, which we agreed to the expense schedule without exception. However, management should locate the remaining eight invoices totaling \$140,518 prior to the audit to substantiate the full expense amount reported on the schedule.

Project Staff Salary Expenses

The salary expenses were overstated by a combined \$29,134 for a director and supervisor due to pay rate changes and benefit calculation assumptions used in the expense schedule.

Pathology and Radiology Coding Float Pool Expenses

The expenses were overstated by \$10,044 (*Radiology 5,966 and Pathology 4,078*) due to a summarization error because data was downloaded by accounting period (invoice posting date) versus actual dates worked.

Billing Staff Overtime Expenses

The staff overtime expenses were overstated by \$189 (*Radiology \$144 and Pathology \$45*) because data was summarized by accounting period (two payroll weeks) versus the dates overtime was actually worked.

This engagement was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Respectfully Submitted,

Angela D'Anna, CIA, CPA, CFE, CISA, CHC
Chief Audit Executive

cc: Michael E. Black, Senior Executive Vice President and Chief Operating Officer
Dale Flowers, Chief Administrative Officer, Healthcare
Francisco González-Scarano, M.D., Dean, School of Medicine Executive Vice President for Medical Affairs
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