AUDIT REPORT
July 2, 2014

Daniel K. Podolsky, M.D., President
The University of Texas Southwestern Medical Center
5323 Harry Hines Boulevard, MC 9002
Dallas, Texas 75390-9002

Dear Dr. Podolsky:

The University of Texas Southwestern Medical Center (Medical Center) Office of Internal Audit has completed its Medical Service Research and Development Plan (MSRDP) Credit Balance Review. This is a risk based audit and part of the fiscal year 2014 audit plan.

Executive Summary

Background
The Medical Center generates credit balances in its patient accounts as a normal part of the revenue cycle process due in part to the complexities associated with billing and payment activities. Transactions that create credit balances may include charge edits on patient accounts, overpayments by patient or insurer (payor), or incorrect adjustments. When credit balances are identified and researched, it is critical that applicable refunds are sent to the patient or payor in a timely manner. While credit balances only account for approximately seven percent of total MSRDP accounts receivable, or $25 million, proper management of these balances is essential to maintaining favorable relationships with patients and payors. Additionally, proper management is necessary to ensure compliance with Medicare and Medicaid regulations and applicable state regulations such as unclaimed property and escheatment requirements when refunds are returned back to the institution.

Objectives
The objective of the review was to evaluate the effectiveness of the Medical Center’s MSRDP credit balance management processes and to:

- Determine if credit balance accounts were processed and resolved timely through either adjustment or refund;
- Determine if patient refunds and account adjustments were accurate and appropriately approved;
- Determine if duties were properly segregated for processing patient refunds;
- Identify causes of continually occurring credit balances;
- Review outstanding credit balances for timely resolution; and
- Review unclaimed property procedures for compliance with applicable laws and regulations.

Scope
The audit scope period was from September 1, 2012 through March 31, 2014. Additionally, a review of user access and segregation of duties was conducted using data as of March 7, 2014. Audit procedures included interviews with stakeholders, review of policies and procedures and other documentation, substantive
testing and data analytics. Our examination was conducted according to guidelines set forth by the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*.

**Conclusion**

Proper and timely resolution of credit balances, adequate segregation of duties for processing refunds and unclaimed property procedures are necessary to ensure compliance with applicable regulations and maintaining positive working relations with patients, payors and partners such as Dallas County Hospital District (Parkland). Audit procedures around these areas identified one significant issue where processes were not in place to ensure returned checks are handled in accordance with state requirements.

Additional improvement opportunities were identified related to timeliness of credit balance resolution, credit balance account reconciliation, adequate policies and procedures, usage of test accounts, appropriate user access and segregation of duties. Addressing the improvement opportunities identified will assist in ensuring compliance with applicable regulations and maintaining favorable relationships with patients and insurers.

MSRDP Finance management was in the process of contracting with a third party agency for assistance in clearing aged credit balances, which would allow staff to focus on working current credit balances. Management should also evaluate current staffing levels and workflows to ensure that credit balances are processed in a timely manner and consult with Legal Affairs and/or Managed Care to determine if certain low dollar credit balances can be written off based on contract provisions.

In addition to contracting with a third party agency for assistance in clearing aged credit balances, management began to address other issues identified in the report such as management of returned checks and escheatment process, inappropriate user access and excessive test accounts. We appreciate and thank MSRDP Billing Operations and Finance for their cooperation and assistance received during the audit. Specific findings and recommendations can be found in the Detailed Results section of the report.

**Management Response:**

*We agree with the findings in the report. Process improvements have been identified to address the noted findings to ensure the Medical Center is in compliance with applicable regulations and maintains favorable relationships with patients and insurers.*

**Priorities to obtaining desired results include:**

- Implementation of a Returned Check and Escheatment Process;
- Outsourcing of aged credit balances so that Adjustment staff can focus on current credit balances;
- Implementation of Resource Analysis Tool for appropriate allocation of staff to credit work queues;
- Review of managed care contracts for language pertaining to low dollar overpayments and potential write-off; and
- Development of uniform security level access for job functions.

*Target Implementation: 8/31/2014*
Detailed Results

1. Returned Check and Escheatment Procedures

Processes were not in place to ensure returned checks were handled in accordance with state requirements. At the time of the audit, there was approximately $75,000 in returned checks (with some dating back to 2003) stored in filing cabinets located in MSRDP Finance. When a refund check is returned to the Medical Center, MSRDP staff records the returned check on a log and places the check in a locked cabinet for safeguarding. Research on returned refund checks and additional attempts to reissue the refund were initiated only if time permitted. A process to reconcile returned checks to ensure that they were all accounted for was not in place, which could result in misappropriation of checks.

Additionally, a process for adding notes to a patient account with a returned check was not in place, which could result in the reissuance of an additional refund check that may be returned. Finally, an escheatment process was not in place to send unclaimed checks to the Texas Comptroller of Public Accounts office after the expiration of applicable time limits (i.e. three years), resulting in non-compliance with state regulations which could result in fines to the Medical Center.

Recommendation

A. For returned checks dated within the last year, research the patient account and make at least one additional attempt to contact and deliver the refund to the appropriate recipient. For those checks that cannot be delivered and are not greater than three years old, secure checks in a safe to limit physical access.

B. For all returned checks greater than three years old, coordinate with Accounting and the Legal Affairs department to develop a process to appropriately escheat the checks to the Texas Comptroller of Public Accounts in accordance with state regulations.

C. For any checks maintained in the MSRDP Finance department, implement a process to periodically reconcile checks to the tracking log to prevent misappropriation.

D. Implement a process to enter a comment/note in Epic for patients with a returned check to prevent the reissuance of an additional check prior to research being conducted.

Management Response

A. As a result of the audit, Management researched all current returned checks (i.e. from within the last year) and were able to re-issue all but three. These three checks, along with other returned checks greater than one year old were logged and will be secured in a safe and reconciled periodically (in accordance with “C” below). Live checks will be destroyed once confirmation is received that applicable checks have been escheated to the state.

B. Management will coordinate with Accounting, Legal Affairs and Finance to establish an escheatment process to submit returned checks in accordance with State Regulations.

C. A process has been implemented to log all returned checks coming into MSRDP and securing them in a safe while researching. Checks and the log will be reconciled monthly (at a minimum).

D. An Epic adjustment code has been established for returned checks to patients and Management is working to establish a separate code for payor returned checks and any returned checks from the previous IDX system.

Responsible Officials: Kelly Kloeckler, Assistant Vice President for MSRDP Billing Operations

Target Implementation: A, C – Completed; B, D – 8/30/2014
2. **Credit Balance Processing**

Credit balances were not always processed and resolved in a timely manner. Factors contributing to this included a) staff working aged credit balances while also attempting to keep up with current credit balances and b) lack of workflow resource tools to assist in determining which accounts and work queues to best allocate resources.

A. Testing of a sample of 50 credit balances from February through April 2014 identified the following:
   i) 24 (or 48%) were not resolved within 30 days by either adjustment or refund. Untimely processing of credit balances may result in reputational damage with patients and payors, as well as potential non-compliance with state or federal regulations (e.g. Medicare refund requirements).
   ii) A process was not in place to reconcile credit balances generated in Epic PB to the work queues in Epic, to ensure that all credit balances properly interface to a work queue for processing. One (or 2%) was not routed to the appropriate refund queue after being reviewed by the Adjuster. The required documentation was noted in the system that should have routed the account to a refund queue; however, the transfer did not take place. Without proper routing of accounts in the system, refunds may not be processed in a timely manner.

B. Testing of a sample of 50 fiscal year 2014 refunds identified 32 (or 64%) were not issued timely (i.e. issued greater than 30 days after the credit balance was generated).

**Recommendation**

A. Based on resource analysis tools being implemented and as the third party agency begins working on aged credit balances, evaluate staffing levels to ensure that workflows are adequate to ensure timely processing of current credit balances.

B. Consult with Physician & Specialty Contracting and/or Legal Affairs to consider establishing a process similar to the Hospital Patient Financial Services where certain low dollar credit balances are written off based on managed care contract provisions.

C. Consult with Information Resources (IR) to investigate the credit balance account that was not properly routed to a refund queue to determine the cause of the issue and, if applicable, implement a solution.

D. Implement a process to periodically reconcile credit balances generated in Epic PB to work queues to ensure proper interfacing. If feasible, consider establishing a process similar to Hospital Patient Financial Services where a report is generated noting credit balances accounts that did not route to a work queue.

**Management Response**

A. Management will evaluate staffing levels and utilize the Resource Analysis Tool to assist in reassigning work queues and job responsibilities to ensure timely processing of current credit balances.

B. Management will consult with Physician & Specialty Contracting to determine if there is language in our managed care contracts permitting low dollar credit balance write-offs. If this language exists, Management will adjust processes accordingly to begin writing off allowable balances.

C. Management will consult with IR to investigate the account that was not properly routed to a refund queue and work to develop a solution, if applicable.

D. Management will obtain the Operational Summary, Revenue Management and Finance Credit reports in order to begin reconciling credits to work queues on a periodic basis (i.e. monthly at a
minimum). If these reports do not provide the information needed to perform reconciliation, Management will work with Information Resources to develop necessary reports.

Responsible Officials: Kelly Kloeckler, Assistant Vice President for MSRDP Billing Operations

Target Implementation: 8/30/2014

3. Aged Credit Balances

There was an excessive amount of aged credit balances which could mean there were checks that should be issued to patients and payors. Approximately 83 percent of MSRDP’s credit balances (or $20.9 million) were more than one year old, which included $15.9 million that were greater than two years old. These credit balances will need to be researched to determine if there are refunds due to the respective parties. These older balances create the risk of reputational damage with patients and payors, as well as potential non-compliance with state or federal regulations (e.g. Medicare refund requirements). According to MSRDP management, they are in the process of contracting with a third party agency for assistance in clearing these aged credit balances.

Recommendation

A. Based on employee performance metrics, evaluate current staffing levels to ensure that workflows are adequate to ensure timely processing of current credit balances.
B. Consult with Physician & Specialty Contracting and/or Legal Affairs to consider establishing a process similar to the Hospital Patient Financial Services where certain low dollar credit balances are written off.
C. Continue with the plan to coordinate with the third party agency to process and clear aged credit balances.

Management Response

A. Management will evaluate staffing levels and utilize the Resource Analysis Tool to assist in reassigning work queues and job responsibilities to ensure timely processing of current credit balances.
B. Management will consult with Physician & Specialty Contracting to determine if there is language in our managed care contracts permitting low dollar credit balance write-offs. If this language exists, Management will adjust processes accordingly to begin writing off allowable balances.
C. Management has revised workflows and distributed aged balances to the third party agency for review prior to training. Project implementation is in the final stages.

Responsible Officials: Kelly Kloeckler, Assistant Vice President for MSRDP Billing Operations

Target Implementation: 8/30/2014

4. Epic PB User Access

MSRDP Billing Operations security access to Epic Resolute PB did not consistently reflect users’ essential job duties or authority progression within their workgroup. MSRDP Billing Operations administered 208 active user accounts within the Department at the time of the audit and was in the process of acquiring 92 additional user accounts as a result of recent reorganization (consolidation of
MSRDP Revenue Cycle - Billing Operations Administration). A review of MSRDP Billing Operations security access identified the following:

A. Fifteen employees had Epic security classification (i.e. system access) that was not adequately segregated or compatible with job duties.*
B. Three employees had super user access that was not appropriate based on their job duties.*
C. Seventeen examples of Billing Operations Customer Service Representatives, Account Adjusters or Medical Claims Analysts with inappropriate or inconsistent system access, including: system access different from users within the same workgroup or function, system access belonging to another workgroup/function, system access authorization being higher than normally assigned to their position level or not applicable, or supervisory and staff accounts having the same system access level.*
D. The Self-Pay and/or Insurance write-off limits in Epic (<$10k and/or <$50k) assigned to users in a workgroup (Basic, Advanced, Supervisor or Manager) were not effective to preclude intentional ungrouping or splitting of adjustments below such limits. Further, refunds over $5,000 required email approval by the Assistant Director of MSRDP Billing Operations to the Accounting Office and refunds over $20,000 required approval by the Assistant Vice President. However, this process was not automated and controls were not in place to ensure the process was operating effectively.

*Reference Appendix A for additional detail

Recommendation:

A. Work with IR Practice Plan System Administration to conduct a comprehensive review of Epic Resolute PB user security access to ensure segregation of duties and consistency of user authorization among security classifications, workgroups and job functions. Establish the timing and frequency for ongoing reviews (e.g. annually).
B. Consider modifying the write-off limits for Self-Pay & Insurance to “may” or “may not” perform write-offs only. Management should further continue leveraging systems and technology in implementing an automated notification process for communicating approved high dollar refunds to Accounting. If system automated controls are not feasible, monitoring processes should be implemented to ensure processes are operating effectively.
C. Continue working with IR Practice Plan System Administration to assess the current Epic Professional Billing security structure and potential improvements to ensure more effective and efficient administration of user access.

Management Response
A. Management will provide department Directors and Managers with reports of employees who’s security did not fit the standard profile for their department or job function.
B. Directors and Managers will evaluate security and make appropriate changes or document rational for different levels of security.
C. A review process for internal transfers will be established to strengthen security for when employees move between departments and ensure that their access is appropriately adjusted if needed.
D. An annual Security Committee (or similar process) will be established to review access for MSRDP billing staff and adjust access as necessary.

Responsible Officials: Kelly Kloeckler, Assistant Vice President for MSRDP Billing Operations

Target Implementation: 8/30/2014
5. Epic Test Accounts in Production

There were an excessive number of patient accounts (approximately 1,600) identified as TEST or ZTEST in the Epic production environment (Epic PROD). This was not in compliance with the test accounts policy that requires no more than 30 approved test accounts. Several test patient accounts were set up under the same name but with different ID numbers. These test accounts were created before the Epic system conversion and the majority remained active after implementation. Unnecessary and excessive test accounts could be used to generate account activity resulting in misappropriation of funds. A review of the test accounts identified that a patient payment for professional services posted incorrectly to one of the aforementioned test accounts resulted in the patient contesting the bill and balance owed. An adjustment and refund check was subsequently processed with the test account used as the guarantor. MSRDP Billing Operations management emphasized that Revenue Accounting responsible for payment posting did not have the security level to create Epic test accounts; however, any system users with security access to the Patient Registration module could set up a new patient account.

Recommendation:
A. HSIR management began deleting excessive test accounts identified during the audit. MSRDP management should continue to follow-up with HSIR to ensure that all identified test accounts not in compliance with policy are removed.
B. Establish a process for HSIR and MSRDP management to routinely monitor (e.g. quarterly) test patient accounts in production and deactivate accounts not in compliance with the HSIR test accounts policy. Follow-up with staff responsible for creating the unauthorized test accounts for coaching and re-education of the policy.

Management Response
A. IR will delete the excessive test accounts not in compliance with the existing test account policy.
B. IR will develop reports for ongoing monitoring and maintenance, and work with MSRDP management when appropriate.

Responsible Officials: Jimmie Glorioso, Associate Director for Practice Plan Information Resources and Kelly Kloeckler, Assistant Vice President for MSRDP Billing Operations

Target Implementation: 7/31/2014

6. Policies and Procedures

Policies and procedures related to MSRDP Credit Balance processes were outdated and did not reflect current processes in place. Properly documented and readily available policies and procedures assist employees in performing their duties consistently as well as provide clarity and guidance when questions arise. They may also assist in establishing a strong control environment.

Recommendation
A. Update policies and procedures related to MSRDP Credit Balance processes to reflect current processes in place. At a minimum they should include (1) workflow of credit balance accounts, including accounts to receive higher priority, (2) necessary approvals, (3) quality assurance processes, (4) monitoring activities, (5) timeliness guidelines and (6) low-dollar credit balance policy if established.
Management Response
A. Policies and procedures will be updated to include the above areas, at a minimum.

Responsible Officials: Kelly Kloeckler, Assistant Vice President for MSRDP Billing Operations

Target Implementation: 8/30/2014

Sincerely,

Valla Wilson, Assistant Vice President for Internal Audit

Audit Team:
Jarrett Cocharo, Auditor II
Aubyn Fisher, Auditor II
Van Nguyen, Supervisor of Internal Audit
Tim LaChiusa, Assistant Director of Internal Audit
Valla Wilson, Assistant Vice President for Internal Audit

Cc: Kelly Kloeckler, Assistant Vice President for MSRDP Billing Operations
Cindi Donahue, Assistant Director for MSRDP Billing Operations
Bruce Meyer, M.D., Executive Vice President for Health System Affairs
Daniel K. Podolsky, M.D., President
Diane Jeffries, Director, Office of the President
Kay Hardgrave, Assistant Director, Office of the President
Armin Donates, Executive Vice President for Business Affairs
Michael Serber, Vice President for Financial Affairs
Sharon Leary, Assistant Vice President for Accounting
Alice Maree, Attorney, Legal Affairs
## Appendix A

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<th>Billing Operations Function/Workgroup (excluding Revenue Cycle)</th>
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a. Account Adjuster/Account Adjuster Supervisors/Customer Service Representative Employees had system access that was not adequately segregated and compatible with job duties***
b. Billing Coordinators with super user security classification (UTSW_PB_CLINDEP BILLING-MGR)
c. Customer Service Representative/Account Adjuster/Medical Claims Analyst with EPIC security classification being different from users within the same workgroup or function
d. Customer Service Representative/Account Adjuster/Medical Claims Analyst with EPIC security classification belonging to users of another workgroup/function.
e. Staff/supervisory user account with higher security classification than normally assigned to their position level or not applicable
f. Supervisory user account with same security classification as staff

* Selected user account with Self-Pay and/or Insurance write-off authorization in workgroup
** Same Self-Pay and/or Insurance write-off authorization limits for users in workgroup regardless of position level (current threshold of <$10k or <$50k)
✓ No exceptions