



Auditing and Advisory Services

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DSRDP Clinical Business & Financial Services

#HSC25AS0003

EXECUTIVE SUMMARY

Auditing & Advisory Services (A&AS) has completed an assurance engagement of the Dental Service Research and Development Plan (DSRDP) - Clinical Business & Financial Services (CBFS). This engagement was performed at the request of the UTHealth Houston (UTHealth) Audit Committee and was conducted in accordance with the Global Internal Audit Standards.

Background

The CBFS department at the School of Dentistry (SoD) manages the financial and clinical business function for the SoD. CBFS is responsible for submitting of claims, posting of payments, allocating of payments for Faculty Practice, making deposits, recording PeopleSoft FMS journal entries, processing refunds, and monitoring of accounts receivables (A/R). In addition, they also perform billing and collections for other revenue services at the SoD.

Objectives/Scope

Our objective was to determine whether operational and financial controls of the Clinical Business & Financial Services are adequate and functioning as intended. Specifically, to determine if:

- Controls around claim submission process is appropriate.
- Controls around collection, posting, depositing, and PeopleSoft FMS recordings are appropriate.
- Controls around monitoring unallocated payments and refunds are appropriate.
- Controls around follow-up and monitoring of A/R are appropriate.
- Controls around billing and collection of other revenue are appropriate.

Scope Period

September 1, 2024 – February 28, 2025

Conclusion

Overall, controls around operational and financial controls are adequate and functioning as intended. We noted the following opportunity for improvement:

| # | Observation Summary | Risk | Risk Rating |
|---|---|--|-------------|
| 1 | Processes have not been established to ensure adequate internal controls as required by UTS 142 Financial Accounting and Reporting. | Current operation and financial practices could lead to inefficient and ineffective controls over revenue. | Medium |

OBSERVATIONS & MANAGEMENT RESPONSES

#1 – Internal Controls

Cause

Processes have not been established to ensure adequate internal controls as required by UTS 142 Financial Accounting and Reporting.

Risk

Current operation and financial practices could lead to inefficient and ineffective controls over revenue.

Condition

We reviewed processes within CBFS and noted the following:

Transfer of Accountability

The CBFS does not maintain a log to document transfer of accountability for change fund between the CBFS staff and the clinic staff when the clinic staff picks up or the CBFS staff drops off the requested change fund.

Electronic Funds Transfer (EFT) Payments with Missing or Incomplete Information

We reviewed the missing EFT spreadsheet for the period from September 1, 2024 to February 28, 2025, and noted the spreadsheet showed \$40,244 in EFT payments that were received with missing or incomplete information. These payments cannot be posted to the patient's account in axiUm until the missing information is resolved. Of which, \$10,387 (or 26%) was due to an employee with access to a specific insurance portal leaving the institution and a backup was not designated. Management informed us they have been able to obtain access to the insurance portal in April 2025.

Monitoring of Unallocated Payments for CareCredit

The Revenue Cycle Administrator, UT Dentists informed us the SoD began accepting CareCredit payments in 2023. As of February 28, 2025, the amount of unallocated CareCredit payments totaled \$8,224 and pertains to payments from October 2023 through April 2024. The Revenue Cycle Administrator informed us the delay in reviewing and monitoring CareCredit payment was due to the restructuring and staff turnover within CBFS in September 2023.

Patient Statements

A&AS reviewed the Aged Balance Summary for Faculty Practice as of February 28, 2025, and noted the report showed \$271,917 (42%) of the \$651,744 outstanding A/R balance was pending payments from patients. Of the \$271,917, \$132,331 (or 49%) pertains to balances over 120 days. The Senior Patient Account Representative informed us patient statements are sent once a month up to 120 days. After that, statements are not sent and writing off the balances as bad debt has been paused until the collection agency contract is finalized. If a patient has an upcoming visit, the clinic staff will add a note to the patient's account and try to collect payment at the time of the upcoming visit.

We selected a sample of 25 ACI Online payments and noted six patient's accounts with outstanding patient's balances in axiUm did not have statements sent for one or more months and a note explaining the reason why was not documented. A&AS also selected five patient's accounts from the Faculty Practice Aging Report with balances between 31 to 120 days and noted all five patients were missing statements and a note explaining the reason why was not documented.

Deposit Modifications

Deposit modifications are completed in order to make changes to previously recorded deposit entries in PeopleSoft FMS due to overpayment, duplicates, rounding error, PeopleSoft FMS bill error, PeopleSoft FMS data entry error and/or other changes. We reviewed the process around deposit modifications performed by the CBFS and noted the following:

- The deposit modification form was not consistently signed by the preparer/submitter.
- The deposit modification form has an area for supervisor's approval; however, this area was not signed.
- The Accountant I in CBFS informed us the completed deposit modifications are reviewed during the monthly reconciliation process. One of the four deposit modifications sample reviewed showed a deposit modification request on January 29, 2025, was processed incorrectly resulting in a difference of \$66.74 that remained in Pediatrics' PeopleSoft FMS account instead of being transferred to Orthodontics' PeopleSoft FMS account. Upon A&AS' inquiry on April 8, 2025, the Accountant I in Billings & Accounts Receivable made a correction deposit modification of \$66.74 in PeopleSoft FMS on April 9, 2025.

Monitoring of Financials

The CBFS does not have an oversight process in place for reviewing and monitoring financial activities related to Insurance Aging, A/R Reconciliations, and Allowances for Bad Debt & Doubtful Accounts as follows:

- The UT Dentist Faculty Practice (FP) Insurance Aging Report as of March 3, 2025, showed \$386,672 was pending payments from insurance. Of which, \$134,375 (or 35%) pertains to balances over 120 days.
- A/R reconciliations are completed monthly by the Accountant I; however, the completed reconciliations are not required to be reviewed by management.
- Allowances for Bad Debt (patient's A/R balances over 180 days) and Allowance for Doubtful Accounts (insurance's A/R balances over 180 days) are completed quarterly; however, the completed journal entries are not required to be reviewed by management.
 - The total Allowance for Bad Debt (Patient) for Faculty Practice, Oral Pathology, and Oral Max was \$347,574 and \$393,142 for Q1 and Q2, respectively, which is a net increase of \$45,568 (or 13%).
 - The total Allowance for Doubtful Accounts (Insurance) for Faculty Practice, Oral Pathology, and Oral Max was \$349,159 and \$402,676 for Q1 and Q2, respectively, which is a net increase of \$53,517 (or 15%).
 - The total treatments for Faculty Practice, Oral Pathology, and Oral Max were \$1,314,179 and \$1,213,026 for Q1 and Q2, respectively.

Other Revenue

We reviewed the process around billing, collections, and reconciliations of other revenue received by the SoD performed by the CBFS team. The revenue, totaling approximately \$899,000 for February 2025, came from services provided to various customers. The following was noted:

- Quarterly invoices for one customer were not sent timely.
- The agreement for one customer was not available for review.
- The reconciliation spreadsheets were not consistently up to date and/or did not include sufficient notes to explain anomalies.
- Monthly accrual A/R entries in PeopleSoft FMS were not always made timely for customers.

Criteria

HOOP 188 Receipt of Cash states, “The department head establishes documented departmental procedures for handling cash which are in accordance with the Cash Handling Manual.”

The UTHealth Houston Cash Handling manual states “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.” In addition, “All documents should be maintained in such a manner as to provide a suitable audit trail for all transactions.”

The CBFS Billings and Collections Procedures states the following:

- “II. Posting and Allocation (Payments, Remittance, Correspondence) -
 - b. The axiUm Held Payment report is reviewed weekly to monitor payments that are pending allocation, refund, and/or recoupment.
 - c. Payments are allocated to the patient’s account within that month, provided that EOBs/ERAs are available.
 - d. All balances are transferred to the next responsible party (patient or next insurance policy) during allocation and billed weekly.”
- “III. Statements –
 - a. Statements are sent out monthly, broken into weekly distribution batches.”
- “IV. Documentation –
 - a. All action taken on an account and/or claim are documented in the patient transactions notes in a consistent manner.
 - c. detailed notes taken during a phone conversation in regards to the account are entered in the patient’s transaction notes and include the following information: name of the person providing information, association of the person in relation to the account, number used to contact the person in the conversation, claim status, reference number of the call, and what next steps/actions need to occur and what the follow-up timeframe should be.”
- “V. Adjusting Balances, b. Adjustments –
 - Due notices are sent out when at least 3 statements are sent to a deliverable address.
 - Bad debt write-for adjustments are used when at least 4 statements are sent to a deliverable address and all efforts to collect a balance has been exhausted. The billing staff are authorized to make bad debt adjustments in accordance with the guidelines.”

The CBFS informal departmental procedures requires the following:

- All payments are allocated to the patient’s account within a month of receiving.
- All pending refunds will need to be processed within six months.

UTS 142 Financial Accounting and Reporting, Sec. 5 Duties of Financial Reporting Officer requires the following:

- Each Financial Reporting Officer has direct responsibility for the establishment of efficient and effective internal controls over the financial accounting system and financial reporting.
- The Financial Reporting Officer shall develop or update a monitoring plan for the segregation of duties and reconciliation of accounts.

HOOP 151 Financial Reporting states, “Heads of departments and functions are responsible for the approval of accounting records and for establishing internal controls to ensure that funds are expended and recorded appropriately.”

COSO Internal Control – Integrated Framework describes control activities as “actions established through policies and procedures that help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out.” Control activities are performed at all levels of the entity and may be preventive or detective in nature.

Recommendation(s)

Develop and implement a system of internal controls around operational and financial practices that complies with all applicable UTHealth Houston policies and procedures, to include but not limited to:

- a) The requirements of the cash handling manual should be followed including for the transfers of accountability requirement.
- b) The cross training and assignment of backups should be made to key processes to ensure timely posting and allocation of payments to the patient’s accounts in axiUm.
- c) Payments should be posted and allocated to the patient’s accounts in axiUm timely in accordance with CBFS policy and procedures.
- d) Patient statements should be generated and sent in accordance with CBFS policy and procedures. If a statement is not applicable, a note should be created in the patient’s transaction notes to document the reason why.
- e) Formally document the policy and procedures around deposit modifications.
- f) Develop and implement an oversight process to review and monitor the operation and financial activities of CBFS.
- g) Develop, document, and implement policy and procedures around the process for billing, collection, and reconciliation for other revenue services.

Rating

Medium

Management Response

According to the recommendations, we will further review, develop, and implement formal processes, policies, and procedures. Based on observations some corrective actions have already been put in place.

Responsible Party

Man “Chris” Truong, Director of Operations- UT Dentists | DSRDP

Implementation Date

August 1, 2025

We would like to thank the CBFS staff and management who assisted us during the engagement.



Daniel G. Sherman, MBA, CPA, CIA
Vice President & Chief Audit Officer

OBSERVATION RATINGS

| | |
|-----------------|--|
| Priority | An issue that, if not addressed timely, has a high probability to directly impact achievement of a strategic or important operational objective of UTHealth or the UT System as a whole. |
| High | An issue considered to have a medium to high probability of adverse effects to a significant office or business process or to UTHealth as a whole. |
| Medium | An issue considered to have a low to medium probability of adverse effects to an office or business process or to UTHealth as a whole. |
| Low | An issue considered to have minimal probability of adverse effects to an office or business process or to UTHealth as a whole. |

NUMBER OF PRIORITY OBSERVATIONS REPORTED TO UT SYSTEM

None

MAPPING TO A&AS FY25 RISK ASSESSMENT

| Reference | Risk |
|------------------|---|
| 125 | The SoD Patient Services Operation is not operating efficiently resulting in loss of revenue. |

DATA ANALYTICS UTILIZED

Not Applicable

ENGAGEMENT TEAM

VP/CAO – Daniel G. Sherman, MBA, CPA, CIA

Supervisor – Kathy Tran, CIA, CISA, CISSP, CFE, CGAP

Lead – Shara Vialva, CIA

END OF FIELDWORK DATE

May 15, 2025

ISSUE DATE

June 2, 2025

REPORT DISTRIBUTION

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