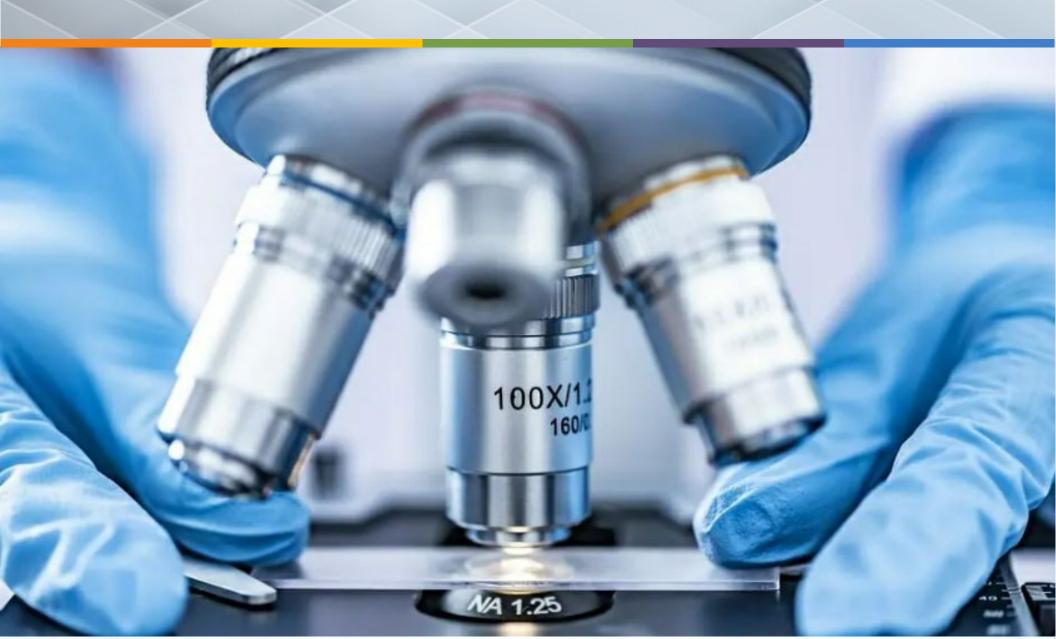THE UNIVERSITY OF TEXAS
# MD Anderson
## Cancer Center ®

**Department of Internal Audit**
**Audit No. MDA 23-104**

# Anatomical Pathology
# Departmental Review

## Executive Summary

Anatomical Pathology (the Department) provides diagnostic services and specialized testing for patients with solid tumors. The pathologists collaborate with other clinicians to customize each patient's treatment based on their individual diagnosis. In Fiscal Year (FY) 2022, the Department generated over $106M in gross patient revenue. They currently employ approximately 140 employees, including about 69 faculty members.

## Audit Result

Internal Audit conducted a general assessment of the Department's key financial and administrative activities. In general, the results indicated multiple strengths in internal controls including the monitoring of faculty productivity, licensures and certifications management, and expenditure review. The audit also identified opportunities for improvement in the following processes: charge capture daily reconciliation, submission of missing assets forms, development of service center rates, leave management, and approval of timecards.

Further details are outlined in the Detailed Observations section. Less significant issues were communicated to management under separate cover.

## Management Summary Response:

Management agrees with the observations and recommendations and has developed action plans to be implemented on or before 1/1/2024.

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

The courtesy and cooperation extended by the personnel in Anatomical Pathology, and Pathology & Laboratory Medicine Division are sincerely appreciated.

_Sherri Magnus_

Sherri Magnus, CPA, CIA, CFE, CRMA, CHIAP
Vice President & Chief Audit Officer
August 30,2023

## DETAILED OBSERVATIONS

### Revenue Cycle

*Departments are responsible for ensuring that all patient charges are posted in an accurate and timely manner. Revenue cycle activities for the Department include professional charge capture and reconciliation functions for patient revenue generating areas. Currently, the Department uses Beaker/Epic to process and capture majority of their patient charges.*

| 1. Reconcile Professional Charges Daily **HIGH** | Recommendation | Management Action Plan |
|---|---|---|
| Although Epic workqueues are monitored and outstanding items are addressed, the Department does not perform a daily reconciliation for patient charges as required. According to institutional policy #ADM0403, charges should be reconciled daily. When reconciliations are not performed, errors may go undetected and charges for services rendered may not be captured, resulting in lost revenue. | Management should develop and implement processes to perform daily revenue reconciliations as required by institutional policy. | Responsible Executive: Welela Tereffe Department Executive: Dr. Victor Prieto Owner: Noelle Linke Due Date:1/1/2024 Proposal: 1. Department will check outstanding list daily for any cases pending for more than 2 weeks. Affected faculty will be notified to these outstanding cases weekly and their status will be monitored. 2. Implement quarterly coding audit by coding management office to ensure review/billing are accurate. |

| 2. Ensure Timely Completion of Cases **MEDIUM** | Recommendation | Management Action Plan |
|---|---|---|
| The review of cases received by the Department from January 1, 2022 to December 31, 2022, revealed that 33% of surgical cases were completed past the targeted turnaround time defined in Beaker/Epic.<br><br>The targeted turnaround time represents the expected timeframe for completing the case and is an indicator of operational efficiency. Delays in completing cases may delay patients' treatment plans and negatively impact the patient experience. | Management should enhance the monitoring of case processing times to ensure that surgical cases are completed within the targeted turnaround time. | Responsible Executive: Welela Tereffe Department Executive: Dr. Victor Prieto Owner: Noelle Linke Due Date: 1/1/2024 Proposal 1: Department will check outstanding list weekly for any cases pending for more than 2 weeks. Affected faculty will be notified to these outstanding cases and their status will be monitored. Continue to monitor faculty TAT as required for credentialing and to calculate faculty merit/FRP. Proposal 2: Consider adding new operational TAT goals to identify the source of any issues with cases getting to the pathologist from the laboratories. |

## Grants Management

*Grants management relates to the administrative tasks required to comply with the financial, reporting, and program requirements of federal, state, and private sponsors, as well as institutional policies. It includes but is not limited to progress and financial reporting, effort reporting, subrecipient monitoring, conflict of interest, material transfer agreements, timely invoice payments, and shared costs allocation.*

| 3. Comply with Material Transfer Agreements   HIGH | Recommendation | Management Action Plan |
|---|---|---|
| A review of eShipGlobal revealed transactions where research materials were shipped while a Material Transfer Agreement (MTA) was still pending execution. According to institutional policy #RES3547, a fully executed MTA is required prior to shipping. Such an agreement is essential to ensure protection of intellectual property related to research shipments. | Management should monitor MTAs to ensure appropriate shipping of samples and protection of intellectual property. | Responsible Executive:  Welela Tereffe<br>Department Executive: Dr. Victor Prieto<br>Owner: Noelle Linke<br>Due Date: 1/1/2024<br>Reports generated from eShipGlobal will be reviewed monthly. The chart field string holder will be contacted to identify the type of shipment and if an MTA was applicable and current.<br><br>We also propose to create additional fields in eshipglobal. For all shipments, 1) require acknowledgment by the employee that applicable institutional policies regarding shipment of materials, including applicable MTAs, have been followed. 2) detailed information of material shipped (glass slides, blocks, etc). |

## Financial Management

*Departments are responsible for establishing appropriate controls over the Institution's financial resources. Key controls should include but are not limited to properly segregated duties, timely reconciliations for significant financial activities, adequate supporting documentation for transactions, and monitoring to ensure that transactions are authorized, appropriate, accurate and complete.*

| 4. Ensure Accuracy of Service Center Charge Rate    MEDIUM | Recommendation | Management Action Plan |
|---|---|---|
| The Pharmacogenomics Core-Symmans Service Center has charge rates that exceed the rates approved by Research Finance for FY23 by more than 30%. Discussions with management revealed they discovered an error in the rate calculation, as it did not incorporate all associated personnel costs. Although they corrected the rates, they did not seek Research Finance approval of these corrected rates, as required. <br><br> According to institutional policy #ADM1123, the annual charge rate should be approved by Research Finance and encompass all allowable costs. This process of review and approval is crucial to guarantee the accuracy of the billing rates. | Management should coordinate with Research Finance to obtain approval for the revised charge rate for FY23. If the rate is determined to be inaccurate, management should coordinate with Institutional Compliance to determine the appropriate corrective action to be taken. | Responsible Executive: Welela Tereffe <br> Department Executive: Dr. Victor Prieto <br> Owner: Noelle Linke <br> Due Date: 1/1/2024 <br> Proposal: The department will coordinate with Research Finance to confirm approval for the revised charge rate for FY 23. Also, will coordinate with Institutional Compliance to ensure no additional action / remediation is necessary. <br><br> As research finance is a divisional resource, train and sign-off all applicable research faculty and divisional research finance support on policy #ADM1123. Coordinate with divisional leadership to ensure compliance on a quarterly basis. |

## IT Asset Management

*Computers, mobile devices, and other informational technology (IT) assets are used across the institution to store and transmit sensitive, confidential data. Tracking and monitoring of these devices through the institutional acquisition and inventory process is critical to protect this data.*

| 5. Submit Missing Asset Forms Timely     HIGH | Recommendation | Management Action Plan |
|---|---|---|
| The Asset Control Manual requires reporting of missing assets to maintain accurate inventory records. As of March 2023, the Department had not completed the required forms to report nine IT assets as missing, two of which were disclosed as containing PHI. When lost assets are not reported, as required, the appropriate actions may not be taken to ensure timely mitigation of potential risks.<br><br>Additionally, a review of the FY22 annual inventory results reveal that 16 controlled assets were not scanned during the inventory count. The Department also did not submit a missing or stolen report for these assets, as required by the Inventory Asset Control Manual. | Management should coordinate with the IT department and Materials Management to ensure all missing assets are appropriately reported and that inventory records are recorded accurately. | Responsible Executive: Welela Tereffe<br>Department Executive: Dr. Victor Prieto<br>Owner: Noelle Linke<br>Due Date: 1/1/2024<br>Quarterly meeting with IT to review the status of all assets assigned to the department. Also, the department will coordinate with Material Managements to ensure all missing assets are appropriately reported. |

## Personnel Management

*Kronos is the official institutional time and attendance management system. Effective personnel management includes, but is not limited to, the timely approval of timecards, and accurate and timely recording of extramural (EXT) and employee leave. We identified opportunities for the Department to improve these processes.*

| 6. Consistently Process Kronos Requests     MEDIUM | Recommendation | Management Action Plan |
|---|---|---|
| Employee leave and cancellation requests are not consistently processed. As a result, Internal Audit identified 12 PTO requests not deducted from the employees' accruals and 3 PTO cancellations which need to be credited. According to Institutional policy # ACA0001, managers or their delegates are responsible for reviewing each employee's timecard at least weekly to ensure accuracy. Failure to ensure requests have been processed could result in misstatements of leave balances. | Management should develop a process to ensure all leave requests are processed weekly to ensure accurate leave reporting. | Responsible Executive: Welela Tereffe<br>Department Executive: Dr. Victor Prieto<br>Owner: Noelle Linke<br>Due Date: 1/1/2024<br>Proposal: Run weekly reports to ensure all requests have been processed. |

| 7. Consistently Approve Employee Timecards    MEDIUM | Recommendation | Management Action Plan |
|---|---|---|
| Timecard approvals are not consistently performed. Among the unapproved timecards, we identified 15 non-exempt employees in fiscal year 2022 and 16 in 2023 with more than 1500 hours of overtime. According to Institutional policy # ACA0001, managers or their delegates are responsible for reviewing each employee's timecard at least weekly to ensure accuracy. Failure to review and approve timecards may result in inaccurate time reporting and could result in over or underpayment of payroll. | Management should develop a process to ensure all timecards are reviewed and approved per institutional policy. | Responsible Executive:  Welela Tereffe Department Executive: Dr. Victor Prieto Owner: Noelle Linke, Samar Jasser Due Date: 1/1/2024 Proposal: Run weekly reports to ensure all timecards have been approved. |

| 8. Monitor eShipGlobal Shipments    MEDIUM | Recommendation | Management Action Plan |
|---|---|---|
| A review of eShipGlobal transactions revealed four shipments, with no apparent business purpose, which were shipped using institutional resources and funds. Utilizing institutional resources for personal use is a violation of institutional and state policy (#ADM0340, and ATT0022) and results in a loss of institutional funds. | Management should establish a process to monitor eShipGlobal shipments to ensure appropriateness and compliance with Institutional policy. | Responsible Executive:  Welela Tereffe Department Executive: Dr. Victor Prieto Owner: Noelle Linke Due Date: 1/1/2024 Reports generated from eSHipGlobal will be reviewed monthly. The chart field string holder will be contacted to identify the type of shipment and if an MTA was applicable and current.<br><br>We also propose to create additional fields in eshipglobal. For all shipments, 1) require acknowledgment by the employee that applicable institutional policies regarding shipment of materials, including applicable MTAs, have been followed. 2) detailed information of material shipped (glass slides, blocks, etc). |

**Appendix A**

**Objective, Scope and Methodology:**
The objective of the review is to provide a general assessment of the financial, administrative, and compliance controls within the department. Our review of the department covered personnel/leave management, financial and assets management, charge capture, grants administration, and service centers for the period of September 1, 2021 through March 30, 2023, and related periods.

Our procedures included but not limited to the following:
- Interviewed key personnel and reviewed relevant organizational policies to understand financial and administrative processes within the department.
- Reviewed charge capture processes including workqueues, inpatient/outpatient services and reconciliations.
- Reviewed grant administration processes such as effort reporting, conflict of interest, and use of material transfer agreements.
- Reviewed financial management processes related to procurement card reconciliation, services centers, purchased services, monthly statistical sample and certification.
- 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.
- Examined personnel management processes including timekeeping, extramural leave, and credentialing.

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.

Audit Team: Ann Lovelady, Randy Ray, Steve Kwon, Anthony Buancore, Andy Lee, Amy Li and Denise Frolick

**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.*"