

17-106 Division of Pediatrics Review

EXECUTIVE SUMMARY

The Division of Pediatrics (Division) currently has 71 faculty, 132 staff, 118 trainees, and 23 contingent workers. It provides care to children and adolescents with cancer. According to management, the Division is unique to the Institution, in that it treats a specific age population, as opposed to a specific disease. In addition to patient care, the Division manages a variety of clinical trials and laboratory research studies, as well as an education program for fellows and graduate students. The Division also administers several unique support programs, which are financed partially through donor funds.

The Division's gross patient revenue totaled \$13.4 million for fiscal year 2016. In addition, the Division expended approximately \$6.1 million for pediatrics research during the period, related to 102 grant projects.

In fiscal year 2016, the Division experienced turnover in several key positions, including the Division Chair and Division Administrator. As a result, Internal Audit conducted a review of key financial and administrative functions, which was intended to provide a general assessment of related processes and controls. Based on the work performed, the Division does not have adequate controls in place to ensure its financial stability and compliance with certain federal, state, and institutional regulations. For example, we noted the following:

- Due to low pediatric patient volumes, physician capacity is not fully utilized, which may have resulted in the Division's overall financial losses.
- Deficit account balances totaled \$1.2 million for fiscal year 2016.
- Patient care charges for professional services were not consistently reconciled to ensure all charges were captured and billed to the patient.
- Effort reported on research projects was not always accurate or certified timely.
- Material Transfer Agreements (MTAs) were not in place for transfer of all research materials.
- Procurement card purchases were not consistently allowable, supported, and reconciled.
- Shipping costs for personal benefit totaling more than \$1,300 were charged to the Institution.

Details related to our work are outlined in the **Detailed Observations** section below.

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Management's Summary Response:

Management agrees with the observations and recommendations and has developed action plans to be implemented on or before March 31, 2018.

Appendix A outlines the methodology for this project.

The courtesy and cooperation extended by the personnel in the Division of Pediatrics are sincerely appreciated.

Sherri Magnus

Sherri Magnus, CPA, CIA, CFE, CRMA
Vice President & Chief Audit Officer
July 3, 2017

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DETAILED OBSERVATIONS

Financial Management

Divisions and departments are responsible for implementing processes and controls for the efficient and effective financial management. We identified opportunities for the Division to improve its overall financial viability by increasing its utilization of available patient appointments and enhancing controls related to deficit balances, charge capture, and cash receipts.

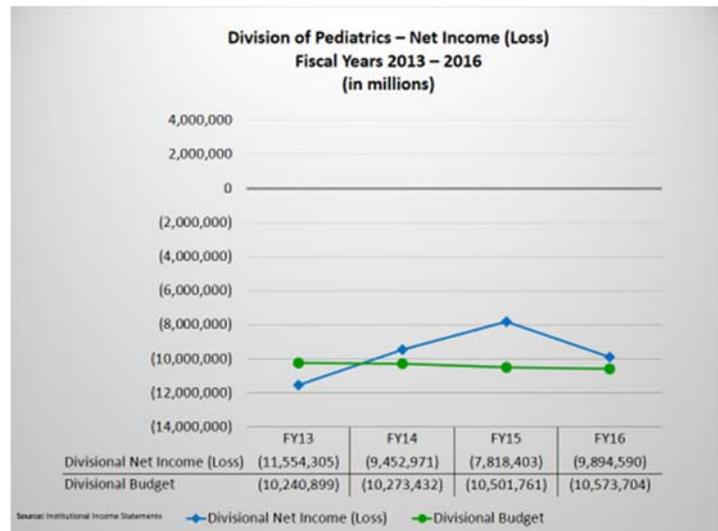
Observation 1:
Ensure Physician Capacity is Fully Utilized **RANKING: High**

The Institution uses Schedule Utilization reports in the Epic electronic health record system to make informed decisions about providers' productivity. These reports show the total number of available appointments for providers across all of their respective departments and specialties and can be filtered for specific areas. According to management, the utilization reports for the Division of Pediatrics' specialties are based on available openings every day of the week.

According to Schedule Utilization reports for September 2016 through December 2016, the Division's utilization could be improved. The reports showed an average of 10,700 available Pediatrics appointments per month, with only 1,900 (18%) of the appointments being scheduled each period. Management has indicated that increasing patient volumes to fully utilize physician capacity would require a collaborative effort among various departments within the Institution.

When the full capacity for patient appointments is not used, this contributes to low overall provider productivity. Low utilization may have resulted in financial losses for the Division. Divisional income statements reflect losses ranging from \$7.8 million to \$11.6 million for fiscal years 2013 through 2016. The Institution budgeted a loss for the Division, and the actual losses were less than expected during the past three years.

Management is aware that the Division needs an increased volume of Pediatrics patients to more effectively utilize its appointment capacity. Meetings were recently conducted to discuss possible strategies.



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Recommendation:

We recommend that the Division collaborate with the appropriate parties to develop strategies for increasing the number of pediatrics patients.

Management's Action Plan:

Owner: Cathy Nguyen

Observer: Lisa Hafemeister

Due Date: March 31, 2018

In November 2016, the Division requested targeted marketing to enhance patient referrals to our center and provided data supporting the need for such an initiative. We will continue efforts to engage with Marketing to develop a targeted plan for attracting new patients to Pediatric programs.

The Division has initiated routine Clinical Business Operations meetings that include representation from Access, Financial Clearance, and Center leadership. The agenda includes review of referral conversion metrics and discussion about what action can be taken is within the group's control to increase the number of new patients in our programs.

New clinical trials will offer innovative therapeutic treatment for patients. Pediatrics has formed multi-disciplinary, disease-focused care teams, bringing together physicians and basic science researchers to focus on translating laboratory research findings to innovative clinical trials. The division aims to increase the number of new open clinical trials by March 2018.

Observation 2:**Resolve Deficit Account Balances****RANKING: Medium**

As of November 2016, we identified deficit balances totaling approximately \$1.2 million for the Division. This includes nearly \$1.1 million for grant accounts and approximately \$158,000 for non-grant accounts. Management has a fiscal responsibility to monitor accounts and prevent overspending.

Recommendation:

Management should continue efforts to resolve all deficit account balances.

Management's Action Plan:

Owner: Michelle Gatliff

Observer: Lisa Hafemeister

Due Date: November 30, 2017

The Division of Pediatrics will perform quarterly reviews of free balances on all chart field strings that belong to the division. During the review, any actions items that need to be addressed will be documented and tracked for completion by the division finance team. Resources required include OBIEE free balance reports, the detailed list of General Ledger transactions, personnel salary trending reports, and personnel to complete the necessary tasks.

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Observation 3:
Reconcile Patient Revenue

RANKING: Medium

Institutional policy requires that all professional and technical charges be posted accurately, and reconciled daily, and reviewed for accuracy. During our review, we found that professional in-patient revenue, which represented more than \$3 million (23%) of gross patient revenue for fiscal year 2016, is not being reconciled.

In addition, there is not adequate segregation of duties over the reconciliation of technical outpatient revenue. The reconciler has the ability to add, delete, or modify charges to a patient account, and these changes are not independently reviewed for accuracy.

Without consistent reconciliations and independent review of reconciling items, patient revenue could be lost.

Recommendation:

Management should implement processes to ensure that all technical and professional charges are consistently reconciled, and the reconciliations are independently reviewed and approved.

Management's Action Plan:

Owner: Michelle Gatliff

Observer: Lisa Hafemeister

Due Date: October 31, 2017

The Manager of Business Services will continue to oversee the reconciliation of technical charges.

The Division worked with Epic to change the status of the departments to Non-HOD centers, which was completed in June 2017. This allows the division to utilize the EPIC-generated Open Encounter reports to ensure all outpatient encounters are receiving a charge and supports monitoring faculty billing activity. The division is currently working with the EPIC team to ensure training in the new process for all clinical providers in the division.

The Division has requested to fill the vacant Clinical Billing Specialist (CBS) position in April 2017. The position was approved as a component of the Division reorganization in August 2016 and will be responsible for reconciling all professional activities on a daily basis. In the interim, until the CBS position is filled, the Associate Finance Director will run the open encounter report weekly to review for missing professional charges, for the cumulative time periods.

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Observation 4:**Enhance Controls over Cash Receipts****RANKING: Low**

During fiscal year 2016, Division employees reportedly received \$136,000 in philanthropic donations. We tested donations totaling \$125,000 and found there were no record of when the funds were received and the chain of custody. The Institution's Cash Handling Manual requires daily deposits and a documented transfer of accountability for cash items. Without enhanced recordkeeping, funds received within the Division could be lost or stolen.

Recommendation:

Management should implement a method for documenting the receipt date and establishing the chain of custody for cash and checks received within the Division.

Management's Action Plan:

Owner: Michelle Gatliff

Observer: Lisa Hafemeister

Due Date: November 30, 2017

The Division will create a procedure that ensures documented receipt of all checks and cash that are received by the finance team through deposit into the General Ledger. Staff involved in the process will receive education on the new procedure.

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, effort reporting and materials transfer agreements. We identified the following opportunities for improvement in each of those areas:

Observation 5:**Ensure Timely, Accurate Effort Reporting****RANKING: Medium**

Per federal regulations and institutional policy, effort certification should reflect a reasonable estimate activity for which individuals are compensated. In addition, during the audit period, quarterly effort certification was required within thirty days after the effort cards were available for review. Based on our interviews and review of effort documentation for fiscal year 2016, we noted the following:

- For five (42%) of 12 research personnel interviewed, effort reported did not reflect actual time spent on each project.
- A total of 24 effort cards for quarters one, two and three were not certified and processed by the deadlines.
- One faculty member within the Division had committed effort of 163% in quarter four, which exceeded the 100% limit established by institutional policy.

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Noncompliance with federal regulations relating to effort reporting may result in penalties and fines and possible loss of future funding for the Institution.

Recommendation:

The Division should enhance processes and controls to ensure reported effort consistently reflects actual time spent on projects and ensure effort is certified timely. The Division should also coordinate with the faculty member to reduce committed effort in alignment with institutional policy.

Management's Action Plan:

Owner: Tajuanna Thibodeaux

Observer: Lisa Hafemeister

Due Date: November 30, 2017

Prior to June 1, 2017, all identified effort cards were reviewed and are certified. Due to turnover in several key positions as well as the departure of numerous faculty, certification was delayed and several cards were not certified. In addition, a review of the effort card referenced in this finding revealed two projects that were duplicated on an effort card and the faculty had total committed effort of 127%. This effort card has been corrected and shows 100% total effort, and is compliant with policy.

The departments will establish quarterly routine research finance meetings, to review effort, corresponding salary charges, and cost-sharing, and to provide continuing education on effort certification policy and background information for Principal Investigators, faculty members, and staff as appropriate. The initial round of meetings will be completed within 6 months. New incoming faculty and lab staff will receive education as part of their initial orientation.

Observation 6:

Obtain Material Transfer Agreements

RANKING: Medium

Material transfer agreements (MTAs) are contracts between a provider and recipient which define the terms related to the transfer of research materials. The Division does not consistently have MTAs in place for research materials transferred from its facilities. A review of shipments from the Division to outside entities revealed three instances where biological materials were sent to two separate companies without MTAs. One of the companies is outside of the United States.

Institutional policy requires an approved MTA to be in place prior to shipment of research materials to ensure the institution's intellectual property rights are protected. In addition, our policy requires that export control requirements be met for international shipments.

Recommendation:

The Division should ensure that MTAs are in place for all research materials transferred to and from the Institution, as required by policy.

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Management's Action Plan:

Owner: Tajuanna Thibodeaux

Observer: Lisa Hafemeister

Due Date: June 30, 2017

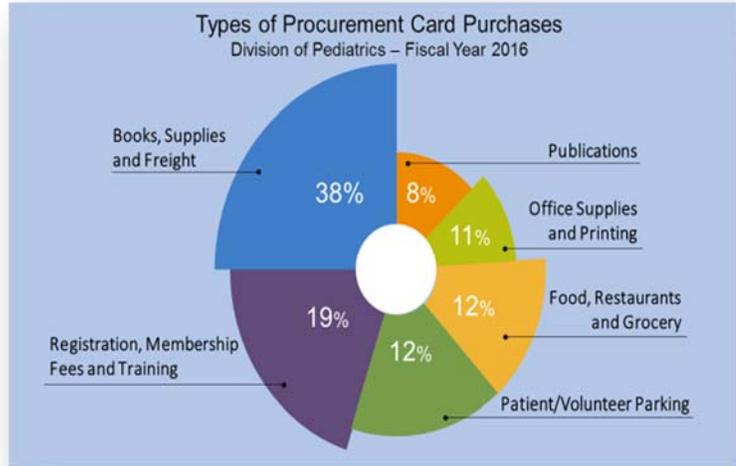
All PIs, faculty and lab staff will receive education on the application of the Research Materials Transfer Agreements Policy. New incoming faculty and lab staff will receive education as part of their initial orientation. The department administrator will support the education by providing a best practice process to help PIs determine whether or not a material transfer agreement is necessary, that is compliant with institutional policy.

Expenditures

All departments and divisions are responsible for implementing controls to ensure transactions comply with policy and are allowable and properly supported. Opportunities exist within the Division of Pediatrics to enhance these controls as they relate to procurement card transactions, shipping expenses, and clinical research participation fees.

Observation 7:
Improve Controls over Procurement Card Purchases **RANKING: Medium**

During the period September 2015 through September 2016, the Division's 17 procurement cardholders made nearly 1,600 purchases totaling approximately \$351,500. These purchases were for a variety of items, including, but not limited to: books and supplies for the Pediatric programs; registration, membership fees, and training; and patient and volunteer parking.



We reviewed \$296,500 (84%) of the Division's procurement card (procard) transactions for the year and noted the following:

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- Reconciliations for certain cardholders were not performed for as many as 10 months during the audit period, and completed reconciliations were not consistently reviewed and approved.
- Receipts for purchases were not always available.
- The business purpose for transactions was not consistently documented.
- Purchases over the \$3,000 transaction limit and one purchase totaling approximately \$500 for an employee appreciation event were not approved by the Procurement Card Administrator.
- A procard was not promptly canceled upon the cardholder's transfer to another department. The card was canceled seven months after the individual's transfer, and recurring charges totaling \$3,047 for office equipment leases occurred during this period.

Institutional guidelines require proper documentation and timely reconciliations and state that all requests to change the single transaction limit should be submitted and approved by the Procurement Card Administrator in writing. In addition, procards should be returned to the cardholder's supervisor before the individual's transfer or termination, and should be remitted to the Procurement Card Administrator. When established guidelines are not followed, unallowable, unauthorized, or inappropriate procard purchases could occur.

Recommendation:

Management should strengthen its controls over procurement card transactions and ensure the Procurement Card Program User's Guide is followed. This should include complete supporting documentation and timely reconciliations. Additionally, based on the need for enhanced monitoring and oversight over procard usage within the Division, we recommend that management evaluate the need for the current number of cardholders.

Management's Action Plan:

Owner: Michelle Gatliff

Observer: Lisa Hafemeister

Due Date: August 31, 2017

The Division will develop a procedure guideline to ensure that all Procurement Card transactions are appropriate and compliant with institutional policy. The Division will ensure that all transactions are reconciled in a timely manner and identify divisional programs in which they support. A draft version of these guidelines were provided to Internal Audit and, once finalized, will be communicated to appropriate staff.

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Observation 8:**Monitor Shipping Activity****RANKING: Medium**

Shipping activity through eShip Global accounts are not being monitored for appropriateness. This resulted in improper shipping transactions without a legitimate business purpose, even though institutional policy prohibits the use of MD Anderson resources for personal benefit. For example:

- According to departmental correspondence, it appears to be common practice for the Division to ship personal items to individuals who separate from the Institution. In two instances, institutional resources were used for these shipments. In one instance, personal items were shipped to a former visiting faculty member at a cost of approximately \$1,300. While the Office of Technology Commercialization agreed that the individual could take certain items with an executed material transfer agreement, we found no written approval for the Division to expend the funds to ship these items. In another instance, \$11 was spent to ship personal items to a terminated employee.
- An employee used eShip Global for personal shipments totaling \$23, unrelated to institutional business.

Based on our discussions with Supply Chain Management (SCM), the lack of controls over the eShip Global application is an institution-wide issue. We communicated these concerns to Supply Chain and other relevant parties.

Recommendation:

The Division should coordinate with Supply Chain management and other appropriate parties to develop and implement a process for monitoring shipping activity for appropriateness going forward.

Management's Action Plan:

Owner: Tajuanna Thibodeaux

Observer: Lisa Hafemeister

Due Date: November 30, 2017

The Division's administrative management will run and review quarterly reports for their areas of responsibility, to monitor eShip Global activity. The Division is happy to work with Supply Chain as they develop a formal system-wide process to remedy the open system that utilizes one account for all transactions across the enterprise.

Observation 9:**Enhance Controls over Research Incentives****RANKING: Medium**

Certain clinical research agreements allow small monetary incentives for participation in clinical trials. The Division does not have adequate controls in place over clinical trial incentives. For example, blank payment vouchers are pre-signed by the Principal Investigator and maintained by clinical research personnel for future use. Additionally, there is no process to ensure that the individuals receiving incentives are actual research participants.

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The Institution's Internal Control Policy requires proper authorization and approval of transactions. Without an adequate process to approve and track payment vouchers, theft or overpayments of research participation fees could occur.

Recommendation:

The Division should improve controls over research incentives.

Management's Action Plan:

Owner: Cathy Nguyen

Observer: Lisa Hafemeister

Due Date: October 31, 2017

The Division will establish a verification process for qualified research participants to receive research incentives, in accordance with the institutional Participant Remuneration program procedure. Personnel who are involved in the process will receive education in institutional policy governing the function and the process. New employees involved in the process will receive the information as part of their orientation.

Asset Management

Computers, mobile devices, and other information technology (IT) assets are used across the Institution to store and transmit sensitive, confidential data. A critical part of IT asset management involves using encryption and other security methods to protect this data against unauthorized use. We identified numerous assets within the Division of Pediatrics that were not encrypted.

Observation 10:

Ensure Computers are Encrypted and Mobile Devices Have Protective Software Installed

RANKING: Low

The Information Resources Security Operations Manual requires the encryption of desktops, laptops, and mobile computing devices that view or store confidential information. We identified one computer and numerous mobile devices that did not contain sufficient protective measures. Without device management protections, sensitive information stored on computers and mobile devices could be accessible to unauthorized individuals.

Recommendation:

Management should coordinate with the Information Technology department to ensure all computers and mobile devices are encrypted. Any mobile devices that are not assigned or not in use should be installed with appropriate device management protections before they are deployed.

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Management's Action Plan:

Owner: Michelle Gatliff

Observer: Lisa Hafemeister

Due Date: July 31, 2017

As of June 1, 2017, all current mobile devices and the one computer identified have either been updated with appropriate encryption protection, decommissioned, or documented as missing assets as appropriate.

Since January 1, 2017, all MD Anderson purchased mobile devices and laptops are now held by Info Security until the appropriate encryption protection software has been installed, after which the division is provided the assets for distribution.

The Division will implement a procedure that is compliant with institutional policy, to address the mobile devices purchased by employees who intend to subsequently request reimbursement by MD Anderson funds, thereby converting the device to an MD Anderson asset. All faculty and staff will be educated in the process.

Clinical Trials

Clinical trials are the primary means to evaluate the effectiveness and safety of new drugs and other medical technologies. The trials may be funded internally by the Institution, or externally by the federal government, private industry, or foundations.

Observation 11:**Ensure Timely Invoicing of Clinical Trials****RANKING: Low**

The Division is not consistently invoicing sponsors timely for clinical trial activity, thereby delaying the reimbursement process. In addition, some invoices may be rejected by the sponsor if they are submitted outside the agreed upon timeframe.

Recommendation:

The Division should monitor clinical trial activity and invoice sponsors timely.

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Management's Action Plan:

Owner: Cathy Nguyen

Observer: Lisa Hafemeister

Due Date: August 31, 2017

The Clinical Research Team headed by the Manager, Clinical Protocol Administration, will meet weekly to review program activities including status of protocols activation, enrollment, invoicing, and closeout. A protocol database has been created to track protocol activities, including contract and chart field string expiration dates. The Manager, Clinical Protocol Administration reviews the protocol expiration date report to identify those protocols needing No Cost Time Extensions (NCTE) or final invoice. This allows the Clinical Research Team adequate time to request NCTE, send out final payment invoices, and ensure final payment is collected before the protocol expiration date or final monitoring/audit visits are scheduled with the Sponsors.

The Finance Team, headed by the Associate Director of Finance or designee, and the Clinical Research Team will meet bi-weekly to review all protocol activities and new patient enrollment. This allows for the team to promptly determine if invoicing is needed and which visits are appropriate to invoice. Invoices are sent out to sponsors as appropriate.

Because of the complexity of pre- and post-award management, the department will establish a new work flow that incorporates clear separation of responsibility for these activities. The department will request a Sr. Research Coordinator position to handle the post-award management. In the interim, the invoicing activity will be supported by the Division's Finance Team.

Personnel Management

Effective personnel management includes, but is not limited to, the accurate recording and timely recording of employee leave. We noted exceptions which indicate a need for the Division to improve these processes.

Observation 12:**Accurately Record Employee Leave****RANKING: Low**

Institutional Policy requires that employee leave is accurately entered into Kronos. While Pediatrics has an oversight process for reviewing employee leave, we identified the following:

- Two days of leave taken by an employee were not entered into Kronos.
- Seven days of faculty extramural leave were not accurately recorded in Kronos. Since these leave days occurred during the previous fiscal year, they were not corrected.

Not ensuring that all leave taken by employees is recorded in Kronos may result in incorrect employee leave balances. In addition, when faculty extramural leave is not recorded, the Division may not be able to accurately determine whether faculty stayed within the 30 days of extramural leave allowed by institutional policy.

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Recommendation:

Management should enhance processes to ensure that employee leave taken, including extramural leave, is accurately recorded in Kronos.

Management's Action Plan:

Owner: Cathy Nguyen

Observer: Lisa Hafemeister

Due Date: Implemented

Effective March 1, 2017, the Division transitioned to Web-Scheduler, which automatically shares information with Kronos. All users have been trained in the proper use of Web-Scheduler. Reports from both systems provides the ability to reconcile the timecards and information. Quarterly Web-Scheduler summary reports of extramural travels requested and usage are distributed to the faculty and their assistants to review for accuracy.

Observation 13:

Approve Employee Timecards in Kronos

RANKING: Low

Institutional Policy requires department managers to review and approve employee timecards weekly in Kronos. We reviewed timecard approvals for five randomly-selected weeks in fiscal year 2016 and found that approvals did not always occur by the required deadline. As a result, 397 timecards were automatically approved by the Kronos system during the five-week period. When timecards are automatically approved without management's review, timecard errors may not be identified and corrected timely.

Recommendation:

Management should enhance controls to ensure that employee timecards are reviewed and approved in a timely manner.

Management's Action Plan:

Owner: Theda Williams

Observer: Lisa Hafemeister

Due Date: Implemented

A new matrix of assignment of the approval process for all areas of the Division was put in place effective March 1, 2017. The approvers review Web-Scheduler to confirm extramural leave has been recorded before signing off.

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Appendix A

Objective, Scope and Methodology:

The objective of this review was to provide a general assessment of the financial, administrative, and compliance controls within the Division. Testing periods varied based upon the area or process reviewed; however, selected transactions occurred between September 2015 and November 2016, and any related periods.

Our methodology included the following procedures:

- Interviewed key personnel and reviewed relevant organizational policies
- Reviewed provider schedule utilization reports and income statements to assess the Division's overall financial viability
- Reviewed grant and non-grant account activity to determine whether deficit balances were properly resolved
- Gained an understanding of the Division's processes for ensuring accurate posting and timely reconciliation of professional and technical charges
- Tested cash receipts for supporting documentation, segregation of duties, and timely deposit
- Reviewed Epic data for one provider to identify any inappropriate patient charges based on the individual's clinical privileges
- Reviewed grant administration processes related to effort reporting and certification; allowable expenditures; cost allocation; subrecipient monitoring; timely progress reports; and use of material transfer agreements
- Tested donor fund expenditures, procurement card transactions, purchased services, and clinical research participation fees for proper controls and supporting documentation
- Reviewed shipping records for appropriate use of the eShip Global application
- Reviewed documentation to ensure required monthly certification of expenditures, payroll expense reviews, and reconciliation of grant accounts
- Reviewed the Division's 2016 physical inventory results and assessed processes and controls over missing assets
- Identified non-encrypted assets and validated current status
- Reviewed documentation to ensure proper invoicing for clinical trials
- Examined timekeeping and leave records in Kronos and Lotus Notes to determine if institutional leave management guidelines were followed
- Reviewed user access lists and current HR data files to ensure Epic access was disabled for terminated employees

Our internal audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and *Government Auditing Standards*.

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.”

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