

## **22-112 Change in Management Neurosurgery**

### **EXECUTIVE SUMMARY**

We have completed our assurance engagement of the change in management (CIM) Neurosurgery. This engagement was performed at the request of the UTHealth Houston (UTHealth) Audit Committee and was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

### **Background**

Mischer Neuroscience Associates (MNA) had been leased to Memorial Hermann Health System (MHHS) for approximately 12-13 years before MNA rejoined UTHealth on September 1, 2019. The current Neurosciences department within McGovern Medical School includes specialty areas of Neurosurgery, Neurology, and Ophthalmology and has been under the direction of the current interim chair since July 1, 2021. The department also transitioned from using Athena to Epic as the electronic health record system on February 7, 2022. For purposes of the engagement, we focused exclusively on Neurosurgery.

### **Objectives**

Our objective was to review the operational and financial controls of Neurosurgery to provide incoming management with an overview of current processes and controls. Specifically, to determine if:

- Financial accounting and operations controls are appropriate.
- Expenditures controls are appropriate.
- Grants, contracts, and research controls are appropriate.
- Billings and collections controls are appropriate.
- Human resources and payroll controls are appropriate.
- Controls around PHI stored in medical devices are appropriate
- Controls around user access to Epic are appropriate.
- Controls around user access to Athena are appropriate.

### **Scope**

- Internal Control Questionnaire as of April 14 2022.
- List of current employees and salaries as of July 8, 2022.
- List of gift accounts for Neurosurgery as of April 11, 2022.
- List of vendors brought over from MHHS to UTHealth as of May 31, 2022.
- List of payments from the Professional Services & Support Agreement between MHHS and UTHealth from September 1, 2019 through April 30, 2022.
- List of expenditures from September 1, 2019 through April 30, 2022.
- List of official functions from September 1, 2019 through April 30, 2022.
- List of active grants with spend end date from September 1, 2019 through April 30, 2022.
- Status of time and effort reports certification for selected grants as of June 15, 2022 (late reports) and July 7, 2022 (uncertified reports).
- List of cost transfers from September 1, 2019 through April 30, 2022.

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- List of current visiting scientists as of July 11, 2022.
- Processes for recording of charges, monitoring of missing charges, and timely submission of claims.
- List of clinics payments for February 2022.
- Bank reconciliations for February 2022, March 2022, and April 2022.
- Status of Athena’s account receivables as of March 22, 2022 and as of May 26, 2022.
- Status of Peoplesoft HCM’s system configurations as of June 10, 2022.
- List of overtime payable hours from September 1, 2019 and April 30, 2022.
- List of medical devices for four clinics located at 6400 Fannin Street as of May 16, 2022.
- List of all Epic users as of May 2, 2022.
- 2022’s second quarter Access Certification for Epic results (completed in April 2022).
- Status of Athena as of May 11, 2022.

**Conclusion**

We noted the following opportunities to improve compliance with UTHHealth, State and Federal Guidelines:

#	Observation Summary	Risk	Risk Rating
1	When Neurosurgery rejoined UTHHealth, they were allowed to transition toward compliance with UTHHealth and State expenditure and contracting requirements.	Financial practices in Neurosurgery that do not comply with UTHHealth, UT System, and State requirements could lead to inefficient and ineffective controls over budgeting and expenditures.	High
2	A process has not been established to ensure cost transfer requirements are consistently followed.	Untimely submission and recording of cost transfers may result in expenditures not properly accounted for in the financial records.	Medium
3	Access certification emails are sent to the managers, unless otherwise manually re-assigned, to verify their direct report’s Epic access. As a result, emails were sent to faculty members who may not always be the appropriate individual to certify, a generic Epic Certifier Group, or manager who left the institution shortly after the certification period.	Inappropriate or unauthorize access to confidential information	Medium
4	A process has not been established to ensure time and effort reports are certified according to HOOP 93 requirements.	UTHHealth may not comply with federal regulations resulting in costs applied to	Medium

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		grants that are not supported by effort reports.	
5	Changes to reconciliation processes when Neurosciences went live with Epic on February 7, 2022. As a result, there were a large amount of unresolved reconciling items.	Lack of accountability and reconciliation of monies received being posted to patient's account, deposited in bank accounts, and recorded in the general ledger.	<b>Medium</b>

## OBSERVATIONS & MANAGEMENT RESPONSES

### #1 System of Internal Controls

#### Cause

When Neurosurgery rejoined UTHealth, they were allowed to transition toward compliance with UTHealth and State expenditure and contracting requirements. Neurosurgery has not developed a system of internal controls that provides reasonable assurance that UTHealth, UT System and State requirements are followed.

#### Risk

Financial practices in Neurosurgery that do not comply with UTHealth, UT System, and State requirements could lead to inefficient and ineffective controls over budgeting and expenditures. Overall, Neurosurgery may not have developed a system of internal controls that provides reasonable assurance that improprieties are prevented or detected.

#### Condition

We reviewed several processes involved with reviewing, approving, and monitoring of expenditures and revenue to ensure compliance with UTHealth policy, UT System guidelines, and best practices to ensure adequate internal controls have been established. The following was noted:

#### Oversight

UTHealth procedures to document the monthly review and validation process are not being followed. As a result, we could not obtain reasonable assurance revenue and expenditures are being reviewed through this process.

#### Contracts

Some MHHS agreements and vendor relationships continued when Neurosurgery rejoined UTHealth and we noted the following:

- 5 instances where a contract or agreement from MHHS with the vendor could not be located.
- 2 instances where a contract from MHHS is still followed, however, a subsequent legal review from UTHealth or UT Physicians has not been performed. Management informed us the former Director of Procurement stated UTHealth would honor these contracts during the transition period.
- 1 instance where no evidence of legal review was indicated and a project manager who has not been given the authority to obligate, signed the contract or agreement on December 22, 2021.

These agreements and relationships have not subsequently been evaluated for compliance with UTHealth procurement or contracting requirements.

#### Expenditures

We reviewed a sample of 25 expenditures using non-purchase orders (non-PO) and noted the following:

- 21 instances of recurring, routine expenditures where a contract or agreement could not be located.
- 5 instances of recurring, routine expenditures where a contract exists.

- 4 instances of late payments. There were payments made in February 2022 and March 2022 for invoices dated in January 2021, March 2021, and September 2021. In addition, invoices were also paid to release an account hold due to non-payment.
- An employee using their personal credit card to pay in excess of \$200,000 for recurring, routine expenditures including for Google Ads with limited supporting documentation. In one instance, this individual approved their own reimbursement on the hardcopy request form and in PeopleSoft FMS for a reimbursement of \$2,687 for Google Ads and face masks.
- Purchases exceeding \$400,000 (October 2019 – October 2021) from a vendor for services that were brought over from MHHS. Based on inquiries from UTHealth and Neurosurgery management into the need to procure these services from outside of UTHealth, an evaluation to assess the value of these services was initiated within Neurosurgery. The services have since been discontinued.

We reviewed a sample of 10 official function events for compliance with UTHealth requirements and noted the following:

- 2 instances where the "Actual Costs" section of the *Prior Approval Form for Official Function* was not completed after the event occurred.
- 2 instances where a list or number of attendees actually present at the official function and their institution affiliations was not included as supporting documentation. As a result, we are unable to determine whether the cost per person was within the required limit.
- 2 instances where the cost per person exceeded the allowable limit without appropriate prior approval.
- 1 instance where food was served at faculty meetings that may exceed the frequency of event allowable limit. This was noted as a weekly tumor board meeting attended by Neuro-Oncology team of physicians, residents, fellows, PA's and clinical staff.
- 1 instance where the Dean's signature was not obtained for an official function greater than \$2,500.

We reviewed a sample of six expenditures from a gift account and noted the following:

- Airfare and registration fees were not paid in advance to avoid employees incurring out of pocket expenses. Supporting documentation showed *Non-PO Voucher Request Forms* of \$15,708 (2017 conference, 14 individuals) and \$22,734 (2019 conference, 15 individuals) were payable to a faculty member for a group travel to attend conferences in New York City. These amounts included flight tickets, registration fees, uniforms, hotel accommodations, transportation, meals, and baggage fees. Reimbursement for both was paid through two vouchers on August 22, 2019, which for the 2017 conference, was more than 18 months after the original request for reimbursement was submitted in January 2018.

### Deposits

We reviewed a sample of five clinic deposits from February 2022 and were unable to verify credit card receipts in the amount \$2,360 from February 22, 2022 were deposited. In addition, required batch supporting documentation for this deposit could not be provided.

### **Criteria**

*COSO Internal Control – Integrated Frameworks* 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.

UTS 118 *Dishonest or Fraudulent Activities*, Section 4 on *Establishment of Internal Controls* states, "Management shall establish and maintain a system of internal controls that provides reasonable assurance that improprieties are prevented or detected and investigated."

UTS 142.1 *Policy on the Annual Financial Report*, UTHealth President, Chief Financial Officer, and Chief Operating Officer are required certify on an annual basis that UTHealth complied with UTS 142.1 including, but not limited to:

- Financial reporting requirements and duties related to those responsible for financial reporting;
- The approval of accounting records and responsibilities for establishing internal controls to ensure that funds are expended and recorded appropriately;
- Monitoring plan requirements and responsibilities; and
- Certification of the data presented in the financial statements.

To comply with UTS 142.1, the Accounting & Budget team within Finance & Business Services department established the review and validation process for each department to review their chart field activities monthly and requires the following:

- Completion of the checklist within the monthly BOT-produced review and validation file as evidence of review.
- Copies of the completed BOT-produced review and validation file and any supporting documentation should be saved to the department's shared drive

UTHealth HOOP 124 *Authority to Execute Contracts and Make Purchases*, Section B on *Purchases of Goods or Services* states, "University commitments must be made in accordance with the policies and procedures found in the university's Procurement Procedures."

Supply Chain Management (SCM) Procedures states the use of non-PO invoice/vouchers may be appropriate "if the goods or services your department needs are non-routine or non-recurrent in nature."

The Travel Regulations Act govern UTHealth to conserve funds and requires each travel arrangement to be the most cost-effective considering all relevant circumstances. UTHealth Travel Guide states, "Travel arrangements should be made in advance in order to utilize all available travel resources such as state contracted vendors for airfare and hotel stay. Airfare and registration should be paid in advance to avoid employee incurring any out of pocket expenses."

McGovern Medical School Official Function guidelines requires the following:

- After the event has occurred, complete the right-hand side of the *Prior Approval Form for Official Function* to reflect the actual attendees/affiliations and actual cost and processes the expenses for reimbursement or vendor payment.
- Functions that adhere to the frequency and per person limits are allowable with Director of Management Operations (DMO) prior approval. Any exceptions for the frequency and per person limits require both the DMO and Dean level review and approval.
- All deviations from the standard guidelines will continue to require prior approval from the Office of Administration and Faculty Affairs.

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- Official functions greater than \$2,500 require pre-approvals by both the Dean and Chief Financial Officer/Chief Operating Officer.

HOOP 12 *Official Function Expenditures (Entertainment)* requires the following:

- Reimbursement of official function expenditures must include names of individuals present at the function and their institutional affiliations.

UTS 166 *Cash Management and Cash Handling Policy*, Section 6 on *Collections* states, "All payments due will be collected on a timely basis and deposited to the authorized banking institution within one business day, if greater than \$500, providing for completed documentation and timely entry into the general ledger." In addition, UTP 100.011 *Clinic Batch Control Form Policy* established procedures for handling and reconciling cash, checks, and credit card receipts at the close of each business day. Specifically, the policy requires certain daily batch documents to be scanned into the UTP Reconciliation Folder for review and reconciliation purposes once deposits are made.

**Recommendation(s)**

Develop and implement a system of internal controls around financial and operational practices that complies with all applicable UTHealth, UT System, and State requirements, to include but not limited to:

- a) Review and maintain documentation of the monthly review and validation file as required by UTHealth Finance & Business Services.
- b) Identify all MHHS agreements and vendor relationships that were continued when Neurosurgery rejoined UTHealth and work with UTHealth SCM to evaluate for compliance with guidelines or contracting requirements. For those where a contract could not be located, work with UTHealth SCM or Legal Affairs to establish a new contract as appropriate.
- c) Perform a review of all vendors paid using non-POs and evaluate for compliance with SCM guidelines or contracting requirements. For goods or services that are identified as routine or recurring in nature, work with UTHealth SCM to establish a procurement process using a purchase order.
- d) Official functions forms should be completed in accordance with HOOP 12 and MMS Official Functions guidelines. Documentation of exceptions should be maintained.
- e) Reimbursement for travel requests should be made in accordance with UTHealth Travel Guides to ensure employees do not incur significant and/or unnecessary out of pocket expenses.
- f) Ensure all payments are deposited in accordance with UTS 166 and deposit documentation is maintained in accordance with UTP 100.011.

**Rating**  
High

**Management Response**

- a) We will adopt UT process of Review and Validations as required by UT Finance and Business Services to ensure all expenses, both clinical and research are validated.

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- b) We will identify all vendors we are currently using without a UT contract, contact each company to put one in place, with Legal to ensure appropriate execution.
- c) This process has been addressed and is in place for FY23.
- d) We will complete OFFs in accordance with HOOP Policy 12 and MMS Guidelines.
- e) Processes have been refined, and Travel Requests will be made in accordance with UTHealth Travel Guides moving forward.
- f) We will work to ensure all deposits will be made in accordance with UTS 166. We will re-educate all parties involved in this process.

### **Responsible Party**

- a) Josh Jones, Vice President, Finance - Neurosciences
- b) Josh Jones, Vice President, Finance - Neurosciences
- c) Josh Jones, Vice President, Finance - Neurosciences
- d) Amanda Spielman, Senior Vice President and Chief Operating Officer - Neurosciences
- e) Jeffrey Scott, Director Management Operations IV
- f) Josh Jones, Vice President, Finance - Neurosciences

### **Implementation Date**

- a) October 1, 2022
- b) March 1, 2023
- c) Implemented as of August 25, 2022 (To be verified by A&AS)
- d) October 1, 2022
- e) Implemented as of August 25, 2022 (To be verified by A&AS)
- f) October 1, 2022



**#2 Cost Transfers**

**Cause**

A process has not been established to ensure cost transfer requirements are consistently followed.

**Risk**

Untimely submission and recording of cost transfers may result in expenditures not properly accounted for in the financial records.

**Condition**

We selected a sample of five cost transfers ranging from \$2,210 to \$22,754 for review and noted the following:

- 5 instances where transactions were not recorded to the general ledger within 90 days from the close of the month in which the original charged was posted. The additional number of days after 90 days ranged from 58 to 244 days.
- 1 instance where the transactions crossed fiscal years.
- 1 instance where there was no Dean or Post Award Finance’s approval on the *Cost Transfer Request* form. According to the submitted *Cost Transfer Request* form (version November 2, 2015), cost transfers occurring after 60 days of the original transaction must be approved by the respective Dean’s Office.

**Criteria**

UTHealth HOOP 96 *Cost Transfers* (reviewed October 2021) requires all cost transfers must be recorded in the general ledger within ninety (90) days from the close of the month in which the original charge posted and cannot cross fiscal years.

**Recommendation(s)**

Develop and implement a process in accordance with HOOP 96 to ensure cost transfer requirements are consistently followed.

**Rating**

Medium

**Management Response**

We have adopted a practice of guaranteeing grant accounts once we have received a Notice of Award. Restructuring of the financial research team has helped us address this issue and should not occur moving forward.

**Responsible Party**

Jeffrey Scott, Director Management Operations IV

**Implementation Date**

Implemented as of August 25, 2022 (To be verified by A&AS)

**#3 Epic User Access**

**Cause**

Access certification emails are sent to the managers, unless otherwise manually re-assigned, to verify their direct report's Epic access. As a result, emails were sent to faculty members who may not always be the appropriate individual to certify, a generic Epic Certifier Group, or manager who left the institution shortly after the certification period.

**Risk**

Inappropriate or unauthorized access to a mission critical system containing confidential information.

**Condition**

We reviewed the Q2 2022 Epic Access Certification results (completed in April 2022) and noted 51 employees with Neurosurgery's department IDs have no manager action taken and their Epic access was automatically approved by SailPoint at the end of the certification period.

**Criteria**

UTHealth Information Technology ITPOL-004 *Access Control Policy*, Section 6.2.6 states, "Owners or their designees must review access at least quarterly to ensure access privileges, including administrative and special access accounts are appropriate. A user's access authorization shall be appropriately modified or removed when the user's employment or job responsibilities within the agency change.

**Recommendation(s)**

Develop and implement a process to ensure compliance with ITPOL-004 to ensure access to Epic and other mission critical systems is performed by the System owner or designee at least quarterly.

Possible solutions would be the following:

- a) Identify the list of Neurosurgery employees requiring access to Epic and determine whether the employee's direct manager is the appropriate individual to verify the user's access on a quarterly basis.
- b) Work with the system administrator for SailPoint to re-assign or delegate, if needed, the individual who should be receiving the access certification emails on a quarterly basis.

**Rating**

Medium

**Management Response**

- a) We will provide education to all SailPoint approvers to verify access on a quarterly basis and take appropriate action when access changes are needed.
- b) We have worked with administrator of SailPoint to assign a delegate who should be receiving the access certification emails on a quarterly basis moving forward.

**Responsible Party**

Josh Jones, Vice President, Finance - Neurosciences

**Implementation Date**

October 1, 2022

**#4 Time and Effort Reporting****Cause**

A process has not been established to ensure time and effort reports are certified according to HOOP 93 requirements.

**Risk**

UTHealth may not comply with federal regulations resulting in costs applied to grants that are not supported by effort reports.

**Condition**

We selected a sample of five projects and reviewed the effort reports for each employee who worked on the project during the scope period. The following was noted:

- All 5 projects showed effort statements were not certified as of July 7, 2022. The effort statements were for January 1, 2020 to June 30, 2020, July 1, 2020 to December 31, 2020, and January 1, 2021 to June 30, 2021.
- All 5 projects showed effort statements were not processed timely. As of June 15, 2022, the days past due ranged from 3 to 400 days.

**Criteria**

The *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), 2 CFR Part 200, Section 415(a) requires a certification be made that the “expenditures are proper and in accordance with the terms and conditions of the Federal award and approved project budgets” and signed by an official who is legally authorized (principal investigator, responsible official or employee). Section 430(h)(8)(i)(1) further requires salary and wage charges to federal awards be based on records that accurately reflect the work performed, and that the records be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

UTHealth’s HOOP Policy 93 *Effort Certification Reports* requires maintaining records that accurately reflect the effort contributed by personnel to sponsored projects. Effort certification policies, procedures and reports are essential to ensure that the salaries and wages charged to these sponsored projects are allocable, allowable, consistently treated and reasonable.

**Recommendation(s)**

Develop and implement a process in accordance with 2CFR Part 200, Section 415(a) and HOOP 93 to ensure effort statements are certified timely.

**Rating**

Medium

**Management Response**

Personnel changes have been made and appropriate staff have been re-educated to ensure 2CFR Part 200, Section 415(a) and HOOP 93 policies are being met.

**Responsible Party**

Jeffrey Scott, Director Management Operations IV

**Implementation Date**

Implemented as of August 25, 2022 (To be verified by A&AS)

**#5 Bank Reconciliations**

**Cause**

Changes to reconciliation processes when Neurosciences went live with Epic on February 7, 2022. As a result, there were a large amount of unresolved reconciling items.

**Risk**

Lack of accountability and reconciliation of monies received being posted to patient’s account, deposited in bank accounts, and recorded in the general ledger.

**Condition**

We reviewed the bank reconciliation documentation for February 2022, March 2022, and April 2022 performed by Accounting & Budget within the Finance & Business department for appropriateness and noted the following:

- February 2022 bank reconciliation for Athena payments was prepared on March 22, 2022 and reviewed on April 11, 2022.
- February 2022 bank reconciliation for Epic payments was prepared and reviewed in June 2022. There was a \$260 in reconciling items identified related to Epic payments that were deposited in the bank but was not recorded in the general ledger.
- March 2022 and April 2022 bank reconciliation for Epic and Athena payments was prepared and reviewed in June 2022. Furthermore, there were a \$1.6 million and \$841,787, respectively, in reconciling items identified related to Athena payments that were deposited in the bank but was not recorded in the general ledger.

Accounting & Budget’s management in the Finance & Business Services department informed us there has been a significant turnover in the department which resulted in delay in performing the bank reconciliations timely. Management also informed us they are currently working with staff in Revenue Cycle, Treasury, and Neurosurgery to resolve the reconciling items identified in the bank reconciliations for Athena.

**Criteria**

UTHealth Cash Handling Manual requires the following:

- All funds are properly deposited and recorded by reconciling validated copies of deposits to the General Ledger and bank statements.
- Cash receipt activity must be reconciled to the General Ledger monthly.
- Departments that have online access to FMS should review their accounts in the general ledger on a daily basis to verify the amounts and account numbers posted by the Bursar’s Office for the previous day’s deposits, if processed electronically. The amount posted in FMS should be compared to the department’s FMS data entry.
- Charge card transactions are monetary transactions and, therefore, are subject to the same control and reconciliation policies as cash transactions. A daily accounting of receipts, from sales, collections or refunds, should be balanced against these electronic transactions. A separate FMS deposit is generated and submitted with currency, coins, and checks to the Bursar’s Office. Automatically, the actual funds for the charge card transactions are electronically deposited into UTHealth’s bank account and reconciled by General Accounting.
- Credit card collections must be recorded in FMS. Batch settlement activity is recorded daily by the department and reconciled to the bank deposits monthly by General Accounting.

**Recommendation(s)**

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- Continue working with staff in Finance & Business Services, Revenue Cycle, and Treasury to resolved the unresolved reconciling items identified in the bank reconciliations.

**Rating**

Medium

**Management Response**

We will continue to work and communicate to address posting issues that were related to the Epic transition.

**Responsible Party**

Josh Jones, Vice President, Finance – Neurosciences

**Implementation Date**

October 1, 2022

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



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

**OBSERVATION RATINGS**

<b>Priority</b>	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.
<b>High</b>	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.
<b>Medium</b>	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.
<b>Low</b>	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 FY 2022 RISK ASSESSMENT**

Reference	Risk
Not Applicable	This is a management request engagement due to a change in management in Neurosurgery.

**DATA ANALYTICS UTILIZED**

Not Applicable

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**ENGAGEMENT TEAM**

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

Staff - Kathy Tran, CIA, CISA, CFE, CGAP and Casandra Wiley

**END OF FIELDWORK DATE**

August 5, 2022

**ISSUE DATE**

August 30, 2022

**REPORT DISTRIBUTION**

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