

## 16-205 Division of Surgery Review

### EXECUTIVE SUMMARY

The Division of Surgery (Division) is comprised of nine specialized departments and works to promote excellence in patient care, surgical safety, advanced surgical techniques, multidisciplinary research, and educational programs. Our audit covered key financial and administrative functions for the Division and is intended to provide a general assessment of these activities.

Generally, we found that controls are in place for the following key processes:

- Monthly review of expenditures
- Monitoring of purchased service agreements
- Procurement card transactions
- Monitoring of operative notes
- Monitoring of encryption compliance for IT assets

#### *Division Highlights*

- Oversees 9 academic surgical departments, with annual gross revenues in excess of \$300 million.
- Performed over 19,000 surgical cases in Fiscal Year 2015, including more than 1,100 robotic-assisted surgeries. This amounted to over 52,000 hours in the Operating Room.
- Conducts research involving 4 SPOREs and 143 active peer-reviewed federal and non-federal grants, with funding commitments of over \$26 million in Fiscal Year 2015.

Source: The Division of Surgery.

We identified opportunities for management to enhance controls surrounding the monitoring of system access, segregation of duties within the Division's Histology Lab service center (service center), updating the billing rates and monitoring net income for the service center, and strengthening asset management. Further details are outlined in the Detailed Observations section below. Other less significant opportunities for improvement were communicated to management separately.

#### **Management Summary Response:**

Management agrees with the observations and recommendations and has developed action plans to be implemented on or before *August 1, 2016*.

**Appendix A** outlines the methodology for this project. The courtesy and cooperation extended by the personnel in the Division of Surgery are sincerely appreciated.

*Sherri Magnus*

Sherri Magnus, CPA, CIA, CFE, CRMA  
Vice President & Chief Audit Officer  
March 15, 2016

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## DETAILED OBSERVATIONS

**Observation 1:****Revoke or Modify System Access****RANKING: Medium**

According to the Information Resources Security Operations Manual, departments are responsible for appropriately modifying personnel's access to information resources upon termination or role change. However, the Division does not have a formal process to revoke system access for terminated employees or periodically review employees' level of access. As a result, we identified the following:

- One terminated employee had active access to ClinicStation. The Division promptly deactivated this account after being notified by auditors.
- Eleven CARE and ClinicStation user accounts had inappropriate edit access based upon the employees' current roles and responsibilities. A few of these employees were identified as internal transfers, and the Division has indicated that the inappropriate access for these employees resulted from access related to their prior positions. The Division has since requested that one user account be terminated, while the access for the remaining ten should be restricted to read-only.

If employee access is not periodically reviewed and revoked or modified upon termination or role change, the individual may be able to inappropriately access and edit information within the system.

**Recommendation:**

The Division should periodically review system access to ensure that access to information resources is revoked for terminated employees or modified upon changes in employees' roles.

**Management's Action Plan:**

Responsible Executive: Thomas Buchholz, M.D.

Owner: Danita Destin

Due Date: August 1, 2016

*Management will develop a plan to incorporate access termination into the employee exit process. Management will also review system access for all division office employees on a quarterly basis.*

Observation 2:**Segregate Billing Activities within the Service Center****RANKING: Low**

Institutional policy requires that financial responsibilities be divided among multiple employees to ensure that no one employee has control over more than one key activity. Due to the limited number of service center staff, there is no segregation of duties within the service center's billing process. A single individual is responsible for initiating a transaction, fulfilling the service request, billing for services rendered, and generating the corresponding accounting entries. While no exceptions resulted from transaction testing, a lack of segregation of duties increases the risk of undetected inaccuracies or irregularities.

Recommendation:

Service center management should segregate duties between multiple employees so that no one employee performs all key activities. If additional resources are unavailable or limited, management should consider increasing monitoring and oversight of the billing functions within the service center.

Management's Action Plan:

Responsible Executive: Thomas Buchholz, M.D.

Owner: Laura Comer

Observer: Angela Fisher

Due Date: June 1, 2016

*Management will have the newly hired Sr. Financial Analyst verify revenue journal entries at the end of each month.*

Observation 3:**Monitor Net Income and Adjust Service Center Billing Rates****RANKING: Low**

Institutional policy requires service center management to monitor its net income and change its billing rates to ensure an annual breakeven status. However, the rates established by the service center have not been updated in several years. When service center rates are not regularly updated to reflect current costs, there is an increased risk that deficit balances will accumulate and the service center will not achieve a breakeven status. At the time of our review, we noted a cumulative deficit of approximately \$142,000 related to the service center account.

Recommendation:

Service center management should monitor its net income and adjust billing rates as required by institutional policy. Management should also resolve the account deficit.

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Management's Action Plan:

Responsible Executive: Thomas Buchholz, M.D.

Owner: Mark Blaylock

Due Date: August 1, 2016

*Management would like to emphasize that payments on these services are primarily paid from grant funding. This service is a convenience to PI laboratories across the institution. Rates must be similar to outside sources in order to remain competitive. If these services were done outside of the institution, it would impede research progress. Historically, the institution has recognized the value of this service and has informally allowed the account to run in a deficit. Management will evaluate rates and work towards improving the account deficit.*

Observation 4:**Improve Asset Management****RANKING: Low**

The Division should improve asset management in the areas of recordkeeping and incident reporting, as evidenced by the following:

- For 12 of the 30 assets we reviewed, the physical location of the assets did not match the asset management system.
- The assigned user for eight assets was either incorrect or undocumented within the system.
- While the Division submitted a Missing Property Form to Materials Management after identifying one missing computer, this asset was not reported to the University of Texas Police Department or Information Security, as required by the Information Resources Security Manual. Internal Audit reported this asset to Institutional Compliance, and it was subsequently determined that no protected health information was on this computer.

When asset records are inaccurate or incomplete, there is an increased risk that assets may be lost or misplaced without management's knowledge. Additionally, when missing assets are not reported to the appropriate parties, the necessary actions may not be taken, including steps to mitigate the risks of inappropriate use of the computer's data.

Recommendation

The Division should strengthen its process to ensure that inventory records are updated to reflect any changes to an asset's location or custodian. Additionally, a process should be implemented to ensure all appropriate departments within the institution are notified of missing assets.

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Management's Action Plan:

Responsible Executive: Thomas Buchholz, M.D.

Owner: Danita Destin

Due Date: August 1, 2016

*Management will strengthen its process to ensure that inventory records are updated to reflect any changes to an asset's location or custodian. Management will file police reports on any missing asset as required by the current policy in place.*

## Appendix A

### Objective, Scope and Methodology:

The objective of this engagement was to provide a general assessment of the internal controls over key financial and administrative functions. Testing periods varied based upon the area or process reviewed; however, all selected transactions occurred between September 2014 and October 2015.

Our methodology included the following procedures:

- Interviewed key personnel responsible for the financial, administrative and service center processes within the Division
- Reviewed relevant organizational policies and procedures
- Reviewed and analyzed service center costs, rates, and billings for accuracy and reasonableness
- Reviewed the results of the 2015 physical inventory performed by Asset Management and physically examined a sample of IT and non-IT assets
- Determined whether IT assets are encrypted as appropriate
- Tested procurement card transactions and purchased service contracts
- Reviewed statistical sampling documentation to ensure required monthly certification of selected expenditures
- Reviewed account activity for non-grant funds to determine whether deficit balances are properly resolved
- Examined timekeeping and leave management records, including Kronos and Lotus Notes data, to determine if institutional guidelines are being followed
- Reviewed documentation to determine whether Division oversight is occurring related to operative notes and IT asset encryption
- Examined MedAptus, IDX, CARE, and ClinicStation access to determine whether employees have appropriate system access for their roles

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

**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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