

UT Southwestern Medical Center

Willed Body Program Audit

Internal Audit Report 18:47

December 22, 2017

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Executive Summary

Background

The UT Southwestern (Medical Center) Willed Body Program (Program) assists the Medical Center in its strategic missions to use research to discover new methods for fighting disease and to train future health care professionals. The Willed Body Program's mission is to respectfully facilitate the wishes of donors and donor families in regards to their desire to further medical education and research, while adhering to strict legal, moral and ethical guidelines established by the University of Texas and the State Anatomical Board of Texas.

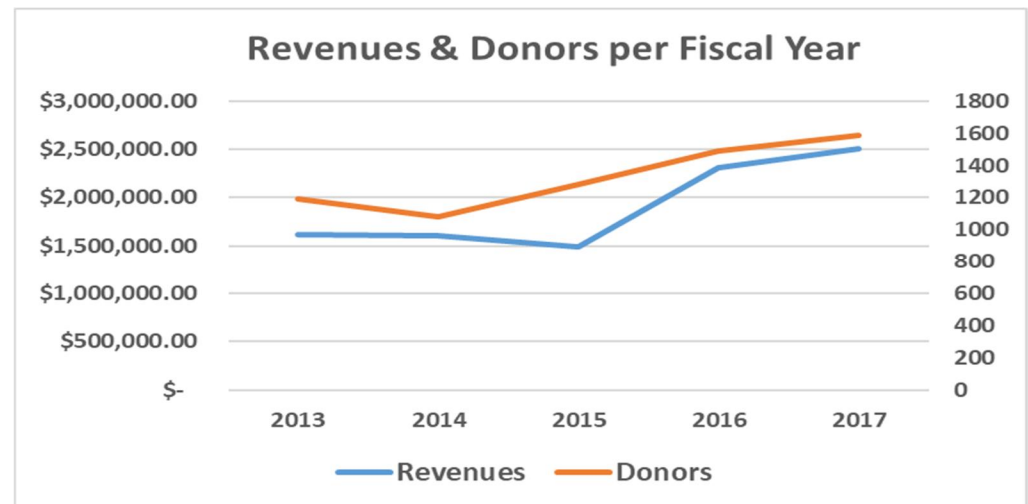
The donation of willed bodies provides a vital tool for scientists to increase medical knowledge and improve skills. The majority of the donated bodies are used to teach anatomy to health science professionals on our campus. Additionally, residents, practicing physicians, and other researchers review anatomy in connection with specialized training for surgery or research. The availability of human bodies for such study is essential. During FY17, the Willed Body Program accepted approximately 1,586 donors.

While the primary focus of the Willed Body Program is to obtain human cadavers for educational and scientific study, the Medical Center strives to administer the Willed Body Program in compliance with the State of Texas Anatomical Board regulations. The Program maintains compassion and competence and ensures families that a donor's body will be treated with respect throughout its use. It is the largest Willed Body program in the state of Texas and one of the largest in the nation.

The Willed Body Program, reporting directly to the Office of the President, is comprised of forty-eight (48) employees; twenty-one (21) full-time, three (3) part-time, and twenty-four (24) interns, led by the Director of the Willed Body Program. For FY2017, the Program had operating expenses of \$2.2M versus a budget of \$2.3M.

The line graph to the right depicts both; the yearly increase in revenues, including IDRs, for the Medical Center's Willed Body Program, from \$1.6M in FY 13 to \$2.5M in FY 17, and the yearly increase of accepted donors, from 1,192 donors in FY 13, to 1,586 donors in FY 17.

Due to the increase in recent years in donor volume and revenues, there is a need to acquire additional office and freezer space to accommodate the increasing volume of donors and educational and scientific study needs. Program management is looking into various options.



Executive Summary

Scope and Objectives

This audit is required every five years by Texas Administrative Code (TAC), Chapter 485, Rule 485.1 and the State Anatomical Board (SAB), to include an internal audit assessing the adequacy and effectiveness of established internal controls and compliance with code provisions and was added to the Fiscal Year 2018 Institutional Internal Audit Plan. The focus of this audit is to determine if adequate and effective operational controls are in place for the Program with respect to receiving, storing, utilizing, transporting and disposing of anatomical specimens. The audit scope period was from January 1, 2017 through August 31, 2017.

Overall objectives for the review include determining the adequacy and effectiveness of processes and internal controls in place to ensure:

- Integrity and accuracy of Institutional records,
- Adequate and effective operational controls are in place with respect to receiving, storing, utilizing, transporting and disposing of anatomical specimens,
- Compliance with the provisions and regulations set forth in the Texas Health and Safety Code Chapter 691-692A, and the Texas Administrative Codes,
- Compliance with key institutional policies and procedures, and
- Adequacy of system controls, including user access, approval workflow and segregation of duties.

We conducted our audit according to guidelines set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Conclusion

The Willed Body Program conducts its operations in accordance with the provisions and regulations set forth in the Texas Health and Safety Code Chapter 691-692A, and the stipulations of the Texas Administrative Codes pertaining to the acquisition, use, and final disposition of anatomical materials. There is an opportunity to improve compliance with the State Anatomical Board provisions for maintaining chain of custody forms. In addition, establishing escalation procedures for unpaid accounts receivable will improve cash collections and reduce accounts receivable aging. Finally, evaluating opportunities for automating the invoicing and cash posting process, utilizing a UTSW lockbox and the PeopleSoft distributed billing system, will provide more efficient methods for generating invoices, posting payments received and monitoring accounts receivable activities and aging.

Executive Summary

The following table provides a summary of the observations noted, along with the respective disposition of these observations within the Medical Center internal audit risk definition and classification process. See Appendix A for Risk Rating Classifications and Definitions.

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|--------------|----------|------------|---------|-----------|
| Priority (0) | High (0) | Medium (3) | Low (0) | Total (3) |
|--------------|----------|------------|---------|-----------|

Strengths

Significant improvements in oversight and monitoring have been implemented to address the last audit reported issues in FY2012, including performing monthly financial reconciliations, improving segregation of duties, and coordinating with the Office of Safety and Business Continuity to complete yearly safety audits to monitor compliance with key regulations.

Opportunities

Key opportunities risk-ranked as Medium are summarized below:

- **#1 Ensure Compliance with the State Anatomical Board Section 691.031 “Transportation of Bodies”** – Chain-of-custody forms are not consistently returned back from requesting institutions to document acceptance of the specimen and agreement to treat the specimen with respect.
- **#2 Update AR Follow-Up Procedures to Ensure Timely Collection** – Inconsistent follow up procedures have resulted in the aging of accounts receivables. As of August 2017, \$180k was aged over 90 days, and included expired receivables aged back to 2012.
- **#3 Ensure Appropriate Safeguarding and Recording of Checks for Deposit** – All checks from requesting institutions are received via mail by the Willed Body Program and posted to outstanding invoices before deposited with Cash Management.

Management has plans to address the issues identified in the report and in some cases has already implemented corrective actions. These responses, along with additional details for the key improvement opportunities listed above and other low risk observations are listed in the Detailed Observations and Action Plans Matrix (Matrix) section of this report.

We would like to take the opportunity to thank the department and individuals included in this audit for the courtesies extended to us and for their cooperation during our review.

Executive Summary

Sincerely,

Valla F. Wilson, Associate Vice President for Internal Audit, Chief Audit Executive

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Claudia Yellott, Director, Willed Body Program

Detailed Observations and Action Plans Matrix

| Observation | Recommendation | Management Response |
|--|--|--|
| <p>Risk Rating: Medium n</p> <p>1. Ensure Compliance With the SAB Section 691.031 “Transportation of Bodies”</p> <p>Section 691.031 “Transportation of bodies; Records” of the SAB requires that the sender mail or otherwise safely convey to the person or institution to whom the body is sent a copy of the chain-of-custody form. The Willed Body Program Coordinator sends the shipping forms via paper or email to the requesting institutions, but some are never returned back to the Program. Standard operating procedures are not in place to ensure escalation and enforcement actions are taken to obtain the chain of custody forms from the requesting institutions.</p> <p>The SAB requirement states “The person or institution receiving the body or anatomical specimen shall immediately and safely sign and transmit to the sender a receipt containing the full terms of the description furnished by the sender.”</p> <p>Lack of written standard operating procedures to enforce the proper filings before transporting and shipping a specimen, can ultimately lead to non-compliance with the SAB and increase the risk of the department losing its license.</p> | <ol style="list-style-type: none"> 1. Develop follow-up procedures to describe escalation actions, including the requirement to return specimens and restricting future shipments to the requesting institution. 2. Update communications to requesting institutions to describe escalation and enforcement actions that will be taken to ensure return of the chain of custody form in a timely manner. | <p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. Follow-up procedures have been developed to ensure all necessary documentation is returned to UTSW for filing. These procedures describes in details the time period allowed from the time of receipt, to sign all documentation and then email all forms back to the Coordinator for filing. 2. All vendors will receive an instruction form, along with documents that need to be signed and returned, explaining the process and how to complete and return the forms. The form describes in detail the actions that will be taken if they are not returned. <p><u>Action Plan Owners:</u></p> <p>Willed Body Program Coordinator Willed Body Program Director</p> <p><u>Target Completion Date:</u></p> <ol style="list-style-type: none"> 1. February 1, 2018 2. February 1, 2018 |

Detailed Observations and Action Plans Matrix

| Observation | Recommendation | Management Response |
|--|--|--|
| <p>Risk Rating: Medium n</p> <p>2. Update AR Follow Up Procedures to Ensure Timely Collection</p> <p>Inconsistent billing and follow up procedures have resulted in the aging of receivables. In addition, invoices sent to clients do not include clear instructions on payment due dates. As of August 2017, accounts receivables totaled \$278k, including \$180k aged over 90 days and contained expired accounts aged back to 2012.</p> <p>Current operating procedures do not specifically describe the follow-up collection procedures or the responsible employees for managing overdue accounts receivables.</p> <p>The Willed Body Program initiated a detailed review and analysis of these accounts for collectability, write off amount, and revenue deferral options. The collectability efforts resulted to a massive reduction in accounts receivables to \$50k, as of December 20, 2017.</p> <p>Delayed or inconsistent follow up procedures result in loss of funds and decreased cash flow.</p> | <ol style="list-style-type: none"> 1. Continue the collectability analysis and identify root cause of collectability issues. Based on analysis, implement detailed written standard operating procedures to reduce ongoing collectability issues. 2. Enhance billing and collections follow up procedures to ensure timely invoicing and billing and collection of funds. Update the forms sent to clients so that it include clear instructions on payments expectations and timelines. | <p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. Management has updated and enhanced billing and collections follow up procedures to ensure timely invoicing and billing and collection of funds. Vendors will receive an instruction form detailing the expectations for timely payments. 2. Management initiated a detailed review and analysis of these accounts for collectability, write off, and revenue deferral options, if needed. The Program coordinator created a collectability analysis matrix to identify and track root cause of collectability issues. <p><u>Action Plan Owners:</u></p> <p>Willed Body Program Coordinator Willed Body Program Director</p> <p><u>Target Completion Date:</u></p> <ol style="list-style-type: none"> 1. Completed 2. February 1, 2018 |

Detailed Observations and Action Plans Matrix

| Observation | Recommendation | Management Response |
|--|--|--|
| <p>Risk Rating: Medium n</p> <p>3. Ensure Appropriate Safeguarding and Recording of Checks for Deposit</p> <p>The Willed Body Program department receives checks through the mail from requesting institutions and posts to outstanding invoices before depositing checks with the Cash Management department resulting in the need for resources to post payments and prepare deposits.</p> <p>The risk of mishandling or misappropriation of funds is greater when checks are received via mail directly to Departments.</p> | <ol style="list-style-type: none"> Evaluate options for updating the process, including coordinate with the Cash Management Office to: <ul style="list-style-type: none"> Get a lockbox assignment and update payment instructions for requesting institutions to send checks directly to a UTSW lockbox. This will reduce the time needed to prepare daily deposits and will ensure checks are deposited in a timely manner. Define procedures for Cash Management to ensure timely notification of deposits. Coordinate with Information Resources to determine if the PeopleSoft distributed billing system will provide a more efficient method for generating invoices, posting payments received and monitoring AR aging. | <p><u>Management Action Plans:</u></p> <p>1. Management is in the process of coordinating with the Office of Accounting to obtain a lockbox for the Program. This will ensure timely receipt and deposit of checks for vendor accounts.</p> <p><u>Action Plan Owners:</u></p> <p>Willed Body Program Coordinator Willed Body Program Director AVP of Accounting & Fiscal Services, Office of Accounting</p> <p><u>Target Completion Dates:</u></p> <p>March 1, 2018</p> <p>2. Management met with Information Resources to discuss the feasibility of using PeopleSoft for our invoicing needs. The Program is already set up in PeopleSoft, and we will start using the PeopleSoft distributed billing as soon as the team completes all the required trainings for PeopleSoft.</p> <p><u>Action Plan Owners:</u></p> <p>Willed Body Program Coordinator Willed Body Program Director Manager Information Resources, Office of Administrative System</p> <p><u>Target Completion Dates:</u></p> <p>March 1, 2018</p> |

Appendix A – Risk Classifications and Definitions

As you review each observation within the Detailed Observations and Action Plans Matrix of this report, please note that we have included a color-coded depiction as to the perceived degree of risk represented by each of the observations identified during our review. The following chart is intended to provide information with respect to the applicable definitions and terms utilized as part of our risk ranking process:

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| <p>Risk Definition- The degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management.</p> | Degree of Risk and Priority of Action | |
| | Priority | An issue identified by Internal Audit that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole. |
| | High | A finding identified by Internal Audit that is considered to have a high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level. As such, immediate action is required by management in order to address the noted concern and reduce risks to the organization. |
| | Medium | A finding identified by Internal Audit that is considered to have a medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action is needed by management in order to address the noted concern and reduce the risk to a more desirable level. |
| | Low | A finding identified by Internal Audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action should be taken by management to address the noted concern and reduce risks to the organization. |

It is important to note that considerable professional judgment is required in determining the overall ratings presented on the subsequent pages of this report. Accordingly, others could evaluate the results differently and draw different conclusions.

It is also important to note that this report provides management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.