

UT Southwestern Medical Center

Core Facilities Audit

Internal Audit Report 19:15

September 25, 2019

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Executive Summary

Background

Core Facilities are internal operating units within an academic or basic science department dedicated to providing the latest services, equipment, and expertise necessary to assist researchers in their work on a recurring basis. There are approximately 40 approved Cores with specialties to provide services to internal, external academic and commercial customers. Cores are either UT Southwestern Institute for Innovations in Medical Technology (IIMT) based or non-IIMT.

Tissue Management Core (Core) within Simmons Cancer Center (SCC) was the core selected to audit and is a non-IIMT core. The Core provides Institutional Review Board (IRB) approved centralized tissue procurement services, fresh tissue collection, histology services, and tissue microarrays for SCC members. Frozen and formalin-fixed paraffin-embedded tissue, serum, plasma, and buffy coat aliquots are available for research projects. Currently, there are more than 30,000 tissue specimens archived.

The Core Director, with oversight by Department Administrators, manages the day-to-day operations including billing, collecting, reconciling accounts receivables, managing capital equipment purchase and inventory, and ensuring compliance with Uniform Guidance regulatory requirements. The Core formulates a fee schedule that includes the costs for providing supplies and services. The fees are determined in accordance with cost recovery requirements.

OpenSpecimen is the tissue management database used by this Core to capture and store specimen-related data. UT Southwestern researchers have the capability to search for specimen availability using the OpenSpecimen catalog. PeopleSoft Financials is the system used to bill and collect from internal customers. For external customers, this Core uses the iLab accounts receivable system to manage service requests and customer billings.

Scope and Objectives

The Office of Internal Audit has completed its Core Facilities audit. This was a recurring risk based audit and part of the fiscal year 2019 Audit Plan. The overall audit objectives were to evaluate processes and controls for the Tissue Management Core at UT Southwestern. Specifically:

- Accurate and complete charge capture processes to support fee schedule and invoicing
- Appropriate billing to and collections from internal and external customers
- Accurate and complete documentation to support charges for services
- Compliance with Uniform Guidance Title 2 Part 200, Subpart E section 200.468 and key institutional policies and procedures

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

Executive Summary

Conclusion

Overall, compliance with federal requirements and key operational and financial metrics is in place. There are opportunities to enhance governing oversight for documenting and communicating required adjustments to fee schedules. Additionally, opportunities exist for Tissue Management Core to enhance capital equipment acquisition recording process.

The following table summarizes the observations and the respective disposition of these observations within the UT Southwestern internal audit risk definition and classification process. See Appendix A for Risk Rating Classifications and Definitions.

Priority (0)	High (0)	Medium (2)	Low (0)	Total (2)
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Key improvement opportunities are summarized below.

- 1. **Establish Biennial Fee Schedule Documentation Consistency with Uniform Guidance** – Evidence of the Tissue Management Core fee schedule last documented biennial adjustment was in 2016. In addition, oversight communication that provides awareness of the Uniform Guidance Title 2 Part 200, Subpart E section 200.468 biennial requirement is not in place. This may result in non-compliance with federal regulations and loss of future federal grant funding.
- 2. **Enhance Capital Equipment Recording Process to Comply with Uniform Guidance** – A \$17,000 freezer purchase in FY2019 used Tissue Management Core account funds; however, the Core intended to make the purchase through the Simmons Cancer Center (SCC) account. Inaccurate use of funds increases the risk of compliance with Uniform Guidance regulations.

Management has implemented or is implementing corrective action plans. Management responses are presented in the Detailed Observations and Action Plans Matrix section of this report.

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

Sincerely,

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

Executive Summary

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Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium ●</p> <p>1. Establish Biennial Fee Schedule Documentation Consistency with Uniform Guidance Requirements</p> <p>Evidence of the Tissue Management Core fee schedule last documented biennial adjustment was in 2016. Missing or incomplete documenting of fee schedule evaluations may not provide sufficient evidence that the fee schedule evaluations took place.</p> <p>In addition, Core Leadership refresher training to communicate the Uniform Guidance Title 2 Part 200, Subpart E section 200.468 requirement is not in place. Lack of awareness could result in non-compliance with federal regulations and loss of future federal grant funding.</p>	<ol style="list-style-type: none"> 1. Document fee schedule evaluations at least once every two years as required by the Uniform Guidance regulation. 2. Update the website to document the most recent fee schedule evaluation date. 3. Provide refresher training on Uniform Guidance requirements to Core leaders and team members that includes the biennial fee schedule review. 4. Update the annual business plan instructions to include information about documenting the fee schedule analysis including the dates reviewed and the reason (i.e., Uniform Guidance biennial requirement). 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. An update to Core procedures will include fee schedule evaluations no less than once every two years. 2. An update to Core procedures include adding the new review date to the website once each fee schedule evaluation is completed. 3. Provost Office is developing training for Core leaders to provide refresher training on key compliance areas including biennial fee schedule reviews and documentation. 4. Provost Office will update the annual business plan instructions to include guidance on documenting the fee schedule analysis and conclusion. Each Core will be responsible for conducting the analysis review. <p><u>Action Plan Owners:</u></p> <ol style="list-style-type: none"> 1. – 2. Tissue Management Core Director; Associate Director, Financial Affairs, Simmons Cancer Center 3. – 4. Director, Finance, Academic Affairs; Director of Operations and Analytics, Academic Affairs <p><u>Target Completion Date:</u></p> <ol style="list-style-type: none"> 1. – 2. November 30, 2019 3. December 31, 2019 4. March 31, 2020

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium ●</p> <p>2. Enhance Capital Equipment Recording Process to Comply with Uniform Guidance</p> <p>A \$17,000 freezer purchase in FY2019 used Tissue Management Core account funds; however, the Core intended to make the purchase through the Simmons Cancer Center (SCC) account. Inaccurate use of funds increases the risk of non-compliance with Uniform Guidance regulations.</p>	<p>Transfer the capital equipment expenditure to the correct account and develop a monitoring procedure to confirm accurate use of funds.</p>	<p><u>Management Action Plans:</u></p> <p>Cost transfer occurred to accurately recording the capital expenditure to the SCC, Cancer Discovery account.</p> <p><u>Action Plan Owners:</u></p> <p>Associate Director, Financial Affairs, Simmons Cancer Center</p> <p><u>Target Completion Date:</u></p> <p>Completed</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:

<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.