Overall Conclusion

The Texas A&M Health Science Center’s patient billing and collection processes at the College of Medicine’s Family Medicine Clinic in College Station do not provide reasonable assurance that the clinic is managed efficiently and effectively and in compliance with applicable policies, regulations, and rules and that assets are properly safeguarded. Significant improvements are needed in the clinic’s patient accounts receivable and cash handling processes. The Family Medicine Clinic reported patient revenue of $8 million for fiscal year 2013.

Additionally, the Family Medicine Clinic lacks a strong control environment and integrity of financial operations. In the past two years, System Internal Audit has received a dozen hotline complaints related to personnel issues such as hiring practices, leave abuse, and general management of the clinic. During the current fiscal year, two clinic administrative office employees resigned their positions during investigations involving complaints of misconduct. Past monitoring and management oversight practices for the clinic have not been successful in promoting an ethical culture and implementing adequate internal controls to ensure the integrity of the clinic’s financial operations.

The Baylor College of Dentistry's (BCD) clinics located in Dallas have developed strong control environments that provide reasonable assurance that the clinics have adequate internal controls to ensure the integrity of the clinics’ financial operations. Opportunities for improvement were noted in the areas of patient billing system access, and the professional services clinic's cash handling and claim submission documentation. BCD reported patient revenue of $10 million for fiscal year 2013.

Summary of Significant Results

Patient Billings and Collections at the Family Medicine Clinic

Management of the Family Medicine Clinic's patient accounts receivable function needs significant improvement to provide assurance that assets are safeguarded and patient accounts receivable are maintained in compliance with A&M System regulations. Monthly accounts receivable reconciliations are not prepared to compare accounts receivable balances recorded in the university's Financial Accounting Management Information System (FAMIS) to the balances in the Family Medicine Clinic's patient billing system for timely detection and resolution
of discrepancies. Patient account collection efforts are lacking necessary supporting documentation and are not processed in compliance with A&M System regulations. Improvements are also needed in the Family Medicine Clinic’s cash handling procedures to maintain adequate security over funds. Without sufficient management oversight, training and monitoring to ensure that the Family Medicine Clinic employees understand their job responsibilities and carry out required internal control procedures, there is a high risk that funds will be lost due to misappropriation or undetected errors.

Summary of Management’s Response

The Health Science Center has taken, or is in the process of, taking significant steps to correct the deficiencies noted in this audit and all recommendations will be implemented by the end of March 2015.
Detailed Results

1. **College of Medicine Family Medicine Clinic**

   **Management of the Family Medicine Clinic’s patient accounts receivable function needs significant improvement to provide assurance that assets are safeguarded and patient accounts receivable are maintained in compliance with A&M System regulations.** Monthly accounts receivable reconciliations are not prepared, patient account collection efforts are not in compliance with A&M System regulations, and cash handling procedures lack individual security and accountability for funds. Details are noted below:

   - Monthly accounts receivable reconciliations are not prepared to compare accounts receivable balances recorded in FAMIS to the balances in the Family Medicine Clinic’s patient billing system. According to management, the Health Science Center was unable to reconcile FAMIS to the patient record system after the Family Medicine Clinic was brought into the College of Medicine in 2009. An unidentified difference between the accounting systems occurred and it has not yet been resolved. After discussions with the software vendor about problems with the patient billing system, efforts to reconcile the two systems stopped. No written procedures were developed to support the accounts receivable reconciliation process. Management did not monitor the Family Medicine Clinic to ensure monthly accounts receivable reconciliations were conducted to identify and resolve differences between FAMIS and the patient record system.

   - The Family Medicine Clinic account collection procedures are not in compliance with A&M System regulations. Of the 36 patient accounts reviewed, all but two had exceptions with some accounts having multiple exceptions. Fourteen patient accounts reviewed did not have documentation to support collection attempts; three accounts had no record of collection attempts and 11 accounts were missing documentation of one or more collection attempts. A&M System regulations require all attempts to collect debt to be recorded and maintained on file. In addition, 24 patient accounts did not have timely demand letters as required by A&M System regulations. Twenty-one accounts had first demand letters sent more than 30 days after the account became delinquent and 14 accounts had second demand letters that were not sent timely.

   Collection attempts for Family Medicine Clinic patient accounts were not consistent and were not monitored for compliance with A&M System regulations.
regulations. Delinquent accounts were first sent to a collection agency in September 2013 although contracts with collection agencies had been in place twelve months earlier. The Family Medicine Clinic had an accounts receivable balance of $1.5 million as of August 31, 2013. The balance as of June 30, 2014 was $500,000 reduced primarily from old accounts sent to the collection agency.

• At the Family Medicine Clinic, funds collected were not properly secured within the clinic’s front desk cashiering area where payments were taken for patient services. The cashier did not keep the key to the drawer containing cash and check payments on her person as required by A&M System regulations. The door to the cashier area was also unlocked and accessible by all staff within the clinic. The Family Medicine Clinic did not have documented procedures to instruct employees on how to process payments received from patients. In addition, clinic office staff had not received formal training on proper cash handling and patient receipting procedures.

Without sufficient management oversight, training, and monitoring to ensure that the Family Medicine Clinic employees understand their job responsibilities and carry out required internal control procedures, there is a high risk that funds will be lost due to undetected errors or misappropriations.

Recommendation

Provide management oversight for the Family Medicine Clinic operations to ensure a strong control environment exists to provide integrity of the clinic’s financial operations.

Establish monitoring processes over Family Medicine Clinic accounts receivable reconciliations to ensure that the accounts receivables recorded in the patient billing system are reconciled to FAMIS each month identifying and explaining all differences. Develop a written set of procedures to support the accounts receivable reconciliation process for the Family Medicine Clinic.

Routinely monitor accounts receivable collection processes to ensure compliance with A&M System regulations.

Secure funds by keeping keys in the possession of the individual responsible for the funds and implement controls to maintain limited access of the overall cashiering areas. Ensure all employees with cash handling responsibility are adequately trained and understand their cash handling responsibilities.
Management’s Response

We concur.

The College of Medicine is in the process of implementing two key measures which will address the control environment at the Family Medicine Clinic operations, namely:

1. The College of Medicine began negotiations in spring 2014 to outsource all non-physician operational and administrative functions of the Family Medicine Clinic to St. Joseph Health System. The College of Medicine has decided to partner with St. Joseph as they currently operate 16 clinics across the Brazos Valley and have well-established processes and procedures for the handling of administrative and operational functions within a clinic setting. The St. Joseph Health System is already a significant affiliate of the College of Medicine in terms of undergraduate medical education support and as a founding partner/sponsor of the Family Medicine Residency program. While the college will employ all physicians and residents associated with the clinic, St. Joseph Health System will provide clinic administrative and physician-support personnel who will attend to general support operations, including patient scheduling, check-in, insurance verification, and receipt of payments for services. In addition, St. Joseph personnel will handle cash collections at the clinic, while also managing the non-physician staff, and will be responsible for ensuring the clinic cash security, deposits, etc. are handled appropriately. Outsourcing will allow the College of Medicine to focus on its core mission of education while allowing St. Joseph Health System to provide improved administrative and operational support. Date of implementation: March 1, 2015.

2. The College of Medicine Office of Business Affairs is in the process of filling a vacant accounting position which will be primarily responsible for the verification of compliance with A&M System regulations, TAMU rules, and HSC guidelines related to financial management. This position will ensure that all College of Medicine departments that handle cash or process billings/collections have written procedures that are consistent with the aforementioned policies. Additionally, this individual will verify all departmental reconciliations and will provide assistance, as necessary, in the development and revision of procedures and processes related to financial policy compliance and serve as a liaison between the College of Medicine and St. Joseph Health System. Date of implementation: January 5, 2015.

The College of Medicine has acquired and implemented a new electronic medical record (GE Healthcare’s Centricity) that includes a new patient care billing system.
Additionally, the college has outsourced the patient billing and collections process to an outside service provider, Alta Medical Management. Written procedures have been developed to reconcile the Centricity patient billing system with FAMIS. Reconciliations will be prepared monthly by the financial officer of the clinical enterprise and reviewed by the College of Medicine Business Affairs Office. The first month of activity recorded in Centricity and billed by Alta Medical Management was reconciled with no unexplained differences. Date of implementation: March 1, 2015.

Alta Medical Management will manage the billing and collections process from the initial billing to the final demand letter and ultimately referral of the account directly to the TAMHSC contracted collection agency. The accounting position in the business office will have the primary responsibility of monitoring the accounts receivable collection process ensuring compliance with A&M System regulations. Date of implementation: March 1, 2015.

The cashiering area will be the responsibility of St. Joseph Health System according to the outsourcing agreement. St. Joseph staff will be required to complete annual training in accordance with compliance requirements. Specifically, all staff will be required to complete the A&M System Cash Handling training and other appropriate A&M System, TAMU, and HSC trainings, including HIPPA, IT, exposure, etc. Date of implementation: March 1, 2015.

In addition, the College of Medicine operations manager will provide oversight of daily operations and serve as an onsite liaison between the college and St. Joseph. This individual will monitor compliance with policy and regulations to ensure that proper procedures and processes are being adhered to.

In the interim:

- Keypad locks have been installed on the cashiering area in the clinic limiting access to only those personnel who have cash handling responsibility.
- The position descriptions of all administrative personnel have been reviewed, training needs assessment forms have been updated to include cash handling training, and all personnel who handle cash, or supervise those who do, have completed the Cash Handling – System Version (2111772) training course in TrainTraq.

2. **Baylor College of Dentistry Patient Billing System Access**

Terminated employees’ access to the patient billing system needs improvement to ensure timely access removal from the system and compliance with information security standards. Eight of 19 (42%) former
employees reviewed did not have their access removed in a timely manner. Of these eight terminated employees, seven still had active patient system access at the time of audit testing, and one had patient system access removed 70 days after terminating employment. Four also had access to the college's network (active directory) at the time of audit testing. In addition, three employee ID badges were not collected at the time the employees terminated employment and these employees' building access had not been removed at the time of audit testing. The patient record system can only be accessed after the user has accessed the college network and then used their employee ID badge to swipe a card reader on a computer in the college. The Texas Administrative Code and university information security standards on account management address the identification and authentication of users including the removal or modification of access when the user’s employment or job responsibilities change. Terminated employee accounts with continued access may be abused and/or become targets for compromise.

Patient record, active directory, and building security system records indicated that none of the above listed employees accessed the systems after their termination date; however, the accounts were still active. The administrators of the patient record system and the college network did not receive timely notification of employee terminations to inform them to remove the employee accounts, and the Security Office has no record of receiving the ID badges. Although a notification process had been established for terminating employees, it was not working as well as intended. In addition, a process to have supervisors periodically review employee access to the patient record system had not been established.

**Recommendation**

Review the notification process and develop procedures to ensure timely notification of employee terminations and removal of the ability to access the patient record system. Establish a process for the periodic review of employee access to the patient record system.

**Management’s Response**

*We concur.*

The notification process will be refined by Human Resources, Office of Information Technology (OIT), and Security so that software administrators in the Office of Clinical Affairs receive timely notification of all local area employee terminations. The refinement will include ensuring Human Resources receives all employee termination forms, forwards all to OIT and Security, and that OIT forwards all to the Office of Clinical Affairs for appropriate action. Refinement of procedures will also occur in the
Office of Security to ensure historical records are kept regarding beginning and ending badge access for each employee. The College of Dentistry anticipates updated procedures to be in desk manuals, and will be implemented effective March 1, 2015.

The College of Dentistry has already established a process to review access to, and security levels within, the clinic management system twice per year by departmental chairs and administrative assistants. The new procedure has been added to the desk manual of the Manager of Clinic Services and will be implemented by December 15, 2014. The clinic management system already keeps track of employee access levels and when such access starts and stops so that history is maintained.

3. Baylor College of Dentistry Cash Handling

Security over cash funds at the professional services clinic needs improvement to provide greater assurance that funds are safeguarded and maintained in compliance with A&M System regulations. One of the three BCD clinics collecting patient payments did not properly secure funds collected during the day. Although BCD had established cash handling procedures and training for all clinic cashiering functions, the professional services clinic cashier kept the key to the drawer containing the money bag in a separate drawer that remained unlocked. The door to the cashier area was also kept unlocked to allow doctors to access the area to view electronic scheduling records. A&M System regulations require individual responsibility and security over funds be maintained at all times. Without appropriate security over funds, the risk of loss is increased.

Recommendation

Secure funds by keeping keys in the possession of the individual responsible for the funds and implement controls to maintain limited access of the overall cashiering areas. Ensure all employees with cash handling responsibility are adequately trained and understand their cash handling responsibilities.

Management’s Response

We concur.

Each department cashier and supervisor has had adequate training regarding cash handling and security. They all know their keys should be kept on their person. In addition, the College of Dentistry requires annual reviews with each cashier and supervisor regarding applicable A&M System policies to ensure compliance with cash handling requirements. All current A&M System policies regarding cash handling are in each cashier’s desk manual, and have been since 2006. In addition, specific cash handling procedures that relate to specific details at the College of Dentistry are and
have been in each cashier’s desk manual. Effective December 15, 2014, the College of Dentistry will perform surprise checks on a quarterly basis, rather than annually. This additional control measure has been added to the College of Dentistry desk manuals.

4. Baylor College of Dentistry Claim Documentation

Improved documentation of patient claims submitted for the unsponsored patient program is needed to ensure compliance with debt collection requirements. Three of 41 (7%) patient accounts tested did not have formal documentation of when claims were submitted by the professional services clinic to the hospital for unsponsored patient program payments. A process was not in place to record the date the claims were submitted. Although other patient billing and collection procedures for the professional services clinic were documented, procedures for unsponsored patient program patients have not been documented. The Texas Administrative Code states that documentation of all attempts to collect the debt must be recorded and maintained on file. Without documented procedures, employees may not have the information needed to perform their responsibilities in compliance with regulations.

Recommendation

Develop written procedures for billing and collection processes related to the unsponsored patient program. Establish a documentation process to record dates that claims are submitted to the hospital for unsponsored patient program payments in order to track timeliness and status of claim submissions.

Management’s Response

We concur.

Effective December 15, 2014, the professional services department has added procedures to track patient claims submitted for the unsponsored patient program and has added that documentation to the desk manuals in the professional services program. The claims are now included in the Professional Services accounts receivable report which will allow login ad tracking of the unsponsored patient program claims and will be collected or written off like all other patient accounts. The new procedures are in line with A&M System debt collection requirements.
Basis of Review

Objective and Scope

The overall objective of this audit was to review the controls over patient billing and collection processes to determine compliance with policies, regulations and rules, and provide reasonable assurance that these areas are managed efficiently and effectively and assets are being properly safeguarded.

The review of patient billing and collection processes at Texas A&M Health Science Center focused on accounts receivable collections, receipts and deposits, reconciliations, monitoring of patient billing codes, revenue reporting, and system access controls. The audit period focused primarily on activities from September 1, 2013 to April 30, 2014. Fieldwork was conducted from May to July, 2014.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; Texas Administrative Code; Texas A&M Health Science Center Rules and procedures; Health Insurance Portability and Accountability Act; the Treadway Commissions’ Committee of Sponsoring Organization’s Internal Control – Integrated Framework; and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
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