



A Legislative Summary Document Regarding
**The University of Texas M.D.
Anderson Cancer Center**

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Prepared for the 78th Legislature
by the State Auditor's Office

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SAO No. 03-342

This is not an audit report and, with the exception of any audit report summaries, the material in this document has not been subjected to all of the tests and confirmations performed in an audit.

The University of Texas M.D. Anderson Cancer Center

SAO Contact: Ron Franke
(512) 936-9500

Key Findings from Previous Audits and Reviews

January 1, 2001–December 31, 2002

An Audit Report on State Entity Compliance With Benefits Proportional by Fund Requirements

(Report No. 02-069, August 2002)

The University of Texas M.D. Anderson Cancer Center (M.D. Anderson) submitted its fiscal year 2001 *Benefits Proportional by Fund Report* by the due date. Our review found that the \$363,712 reimbursement M.D. Anderson made to General Revenue was correct.

State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2001¹

(February 2002)

Cash Management

The majority of the University of Texas M.D. Anderson Cancer Center's (M.D. Anderson) research and development grant requests for federal funds are on a reimbursement basis. Typically, M.D. Anderson calculates its drawdowns on a weekly basis for the program costs that have occurred in the prior week. Based on our audit procedures, we noted that not all of the program costs had been paid for prior to the request for reimbursement. Six of 30 items (totaling \$1,850) were not paid for prior to the request for reimbursement. However, only one of the six was not paid out within three days of receipt. Additionally, the process to identify when a reimbursement drawdown defaults to an advance basis is not monitored.

Status of Audit Recommendations as of November 30, 2002

KPMG LLP will report on the status of these recommendations in the federal portion of the statewide single audit for fiscal year 2002. This report is expected to be released in Spring 2003.

Allowable Costs

M.D. Anderson uses the plan confirmation method as its effort reporting system, which is an acceptable method under Office of Management and Budget Circular A-21. However, because M.D. Anderson is recognized as a hospital, the cost principles set forth in "A Guide for Hospitals," (Office of Assistant Secretary Comptroller, OASC-3) should be followed. The plan confirmation method is not included as an acceptable method under OASC-3. M.D. Anderson should clarify with the U.S. Department of Health and Human Services that it is using the appropriate cost methodology.

¹ Results from only the most recent statewide single audit are included in this Legislative Summary Document. KPMG LLP conducted the federal portion of that audit under contract with the State Auditor's Office. Only excerpts from the KPMG audit report are presented above. For the full text of the KPMG audit report, please see www.sao.state.tx.us/Reports/report.cfm?report=2002/02-345.

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Most Recent Performance Measure Certification

Fiscal Year 1998–Fiscal Year 2003

The results of *An Audit Report on Performance Measures at 36 State Entities–Phase 12 of the Performance Measures Reviews* (Report No. 98-040, May 1998) for this entity are summarized below.

Period	Measure	Certification Results
1997	Total Number of Filled Positions in Residency Programs	Inaccurate
1997	Total Number of Filled Post-Doctoral Positions	Inaccurate
1997	Total Gross Charges for Un-sponsored Charity Care Provided in State Facilities	Factors Prevented Certification
1997	Total Gross Charges for Patient Care (Excluding Un-sponsored Charity Care) Provided in State-owned Facilities	Certified
Total Measures Certified Without Qualification ^a		1/4 (25%)
Data Reliability Percentage (Certified and Certified with Qualification)		1/4 (25%)

^a The percentage of unqualified certifications is presented because it is used in determining an entity's eligibility for performance rewards as established in the General Appropriations Act [77th Legislature, Article IX, Sec. 6.31(d)(2)].

Category	Definition
Certified	Reported performance is accurate within +/-5 percent, and controls appear adequate to ensure accurate collection and reporting of performance data.
Certified with Qualification	Reported performance is within +/-5 percent, but the controls over data collection and reporting are not adequate to ensure the continued accuracy of performance data.
Factors Prevented Certification	Actual performance cannot be determined because of inadequate controls and insufficient documentation.
Inaccurate	Reported performance is not within +/-5 percent of actual performance, or there is an error rate of at least 5 percent in the supporting documentation.
Not Applicable	A justifiable reason exists for not reporting performance.

Quality Assurance Team Reviews

Conducted by the Legislative Budget Board and State Auditor's Office

Completed Projects

Quality Assurance Team Annual Report – January 2003

The University of Texas M.D. Anderson Cancer Center (M.D. Anderson) completed the Anatomic Pathology project at a cost of \$1,665,029 on August 30, 2002. The initial budget was \$2,049,852, and the initial completion date was December 17, 2001.

M.D. Anderson completed the Materials Management and Accounts Payable System project at a cost of \$2,237,351 on March 31, 2002. The initial budget was \$7,198,351, and the initial completion date was May 31, 2001.

M.D. Anderson completed the PeopleSoft™ Upgrade Project — Wave 1 at a cost of \$21,616,380 on February 28, 2002. The initial budget was \$15,772,911, and the initial completion date was June 30, 2002.

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Completed Projects

Quality Assurance Team Annual Report – January 2002

M.D. Anderson completed the Enterprise Financial Reporting project at a total cost of \$3,200,000.

Canceled Projects

Quality Assurance Team Annual Report – January 2002

M.D. Anderson canceled the Computer-based Patient Record Phase I project at a total cost of \$11,820,993. This project was resumed as the Ambulatory Electronic Medical Record project (see below).

Ongoing Projects

Quality Assurance Team Annual Report – January 2003

Ambulatory Electronic Medical Record (AEMR) — In September 2000, M.D. Anderson began to develop a system for patient data that automates all functions of the medical record. This project is leveraging work developed as part of M.D. Anderson's previous Computer-based Patient Record Phase I project (canceled in 2001). Current expenditures for this project are \$12,452,927.

Project	Function	Initial Budget	Current Budget	Budget Change	Initial End Date	Current End Date	Time Change
AEMR	Automate functions of medical records	\$63,262,483	\$64,809,978	\$1,547,495	08/31/10	09/07/04	(72 months)

Information System Vulnerability Assessments

The State Auditor's Office (SAO) and/or the Department of Information Resources performed one or more information system vulnerability assessments at The University of Texas M.D. Anderson Cancer Center between January 2000 and November 2002. Detailed results of this work are confidential under Texas Government Code, Section 2054.077(c). The SAO's Legislative Summary Document titled "Information System Vulnerability Assessments" provides general information about the results of information system vulnerability assessments.