# Audit Committee Agenda

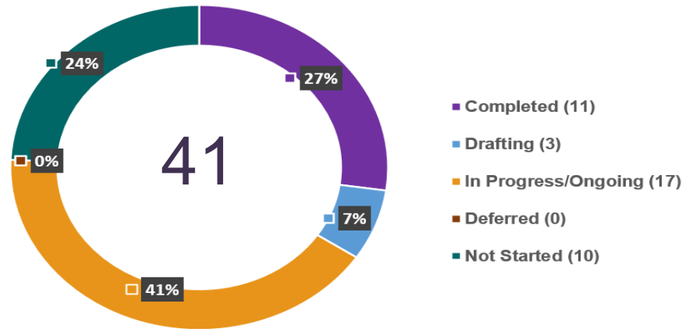
**Committee Members**
**Chair:** Todd Furniss, JD
Ramon Miguez, PE
Elizabeth Palacios, MD

Agenda for the ***Audit Committee*** meeting of the Dallas County Hospital District is scheduled for ***Tuesday, June 27, 2023 at 10:00 AM***, at 5200 Harry Hines Blvd (WISH Building) Dallas, TX 75235, Executive Conference Room 02-175. (If assistance is needed in locating the room, please see the Administration receptionist on the 4th floor, 04-131.) A quorum will be physically present at the location of the meeting. Videoconferencing access is also possible via WebEx. That application is available at https://www.webex.com/downloads.html. Teleconferencing access is possible by calling +1-415-655-0001. Both virtual access forms require inputting (meeting number: 2621 936 4728; meeting password: 1234) to join the meeting. The ***Audit Committee*** reserves the right to exercise discretion and may convene in Executive Session as permitted by Texas Government Code §§551.071 (consultation with attorney), 551.072 (deliberations regarding real estate), 551.074 (personnel matters), 551.076 (deliberations regarding security devices or security audits), 551.078 and/or 551.0785 (deliberations by medical committee or by governmental body that administers a public insurance, health or retirement plan regarding individuals' medical or psychiatric records), 551.085 (deliberation by governing board of certain providers of health care services), 551.087 (deliberation regarding economic development negotiations), 551.088 (deliberation regarding test item); Texas Government Code §418.183 (deliberation of information under §§418.175 – 418.182 for purposes of disaster management or disaster planning); Texas Health & Safety Code §161.032 (medical committee or medical peer review committee records, information or reports; and/or medical committee or medical peer review committee proceedings under Tex. Health & Safety Code Chapter 161 and/or Tex. Occ. Code Chapters 151 and 160); and/or as otherwise authorized by law on any item listed below. The ***Audit Committee*** may consider any of the agenda items in open or executive session and may continue the meeting as necessary to accomplish the business at the time and place designated by the Chair to reconvene.

| | | PAGE | TIME (MIN) | PRESENTER(S) |
|---|---|---|---|---|
| **I.** | **Opening/Call to Order/Declare a Quorum Present/Mission Statement/Opening Remarks**<br>***Advance Wellness \| Relieve Suffering \| Develop and Educate***<br><br>**I CARE**<br>**I**ntegrity **C**ompassion and Collaboration **A**ccountability **R**espect **E**quity | | | Chair |
| **II.** | **Public Comments Regarding Agenda Items**<br>*See public comment registration information and rules at https://www.parklandhospital.com/board-of-managers* | | | Chair |
| **III.** | **Reports Requiring Deliberation(s) or Approval(s)** | | | |
| A. | Fiscal Year 2023 Audit Plan Update | *3* | 05 mins | Vic Summers |
| B. | Fiscal Year 2023 Mid-Year Report | *5* | 10 mins | Vic Summers |
| C. | Audit Committee Charter – Annual Approval | *10* | 05 mins | Vic Summers |
| D. | Audit Charter – Annual Approval | *16* | 05 mins | Vic Summers |

| | | PAGE | TIME (MIN) | PRESENTER(S) |
|---|---|---|---|---|
| E. | Fiscal Year 2024 Internal Audit Budget – Action | *30* | 05 min | Vic Summers |
| F. | Open Session Audit Follow-up Summary and Report | *33* | 10 mins | Vic Summers |
| G. | Audit Report Summary | *39* | 05 mins | Vic Summers |
| i. | Lower Unit of Measure (LUM) Audit, Report No. 23-05 | *40* | 10 mins | Vic Summers |
| **IV.** | **Executive Session**<br>Tex. Gov't Code §§551.071, 551.074; Tex. Health & Safety Code §§161.032 | | | |
| A. | Executive Session Audit Follow-up Report [§§161.032] | *47* | 10 mins | Vic Summers |
| B. | Consultation with Attorney Regarding: | | | |
| i. | Status of litigation, claims, and settlements [§§551.071] | | 10 mins | Steven Roth |
| C. | Independent Briefing with Audit Committee (Verbal) [§§551.074] | | 10 mins | Chair |
| **V.** | **Action Items** | | | |
| A. | Committee may take action on any agenda item(s) above | | | Chair |
| **VI.** | **Closing Remarks** | | | Chair |
| **VII.** | **Reference Documents** | | | |
| **VIII.** | **Executive Session Reference Documents** | | | |
| A. | List each item included in the information section | | | |
| **IX.** | **Adjourn** | | | Chair |

# Internal Audit
# Fiscal Year 2023 Audit Plan Update




| Count | Risk Rating | Planned | Completed | Drafting | In Progress / Ongoing | Deferred | Not Started | Comments |
|---|---|---|---|---|---|---|---|---|
| **2022 Carry Forward** | **10** | | | | | | | |
| Foundation (IT Implementation) | | Yes | X | | | | | |
| UT Contract - CVTS | | Yes | X | | | | | |
| COVID-19 Post PHE | | Yes | X | | | | | |
| Employee Health Plan | | Yes | X | | | | | |
| UT Documentation Review | | Yes | X | | | | | |
| UT RVU Payment | | Yes | | X | | | | |
| Talent Acquisition | | Yes | X | | | | | |
| Procurement/Contracting | | Yes | X | | | | | |
| HIPAA Privacy | | Yes | X | | | | | |
| Population Health | | Yes | X | | | | | Risk Assessments completed for: GI & Liver Clinic, Internal Medicine Clinic, Neuro Clinic, Oak West Clinic, and Correctional Health. |
| **Audits** | **15** | | | | | | | |
| Chargemaster | | Yes | | X | | | | |
| Contract Labor | | Yes | | | X | | | |
| Lower Unit of Measure (LUM) Supplies | | Yes | X | | | | | |
| Out of County | | Yes | X | | | | | |
| UKG - Payroll | | Yes | | | X | | | |
| Epic - Documenation Auto-fil | | Yes | | | X | | | |
| Network | | Yes | | | X | | | |
| Remote Clocking | | Yes | | X | | | | |
| Vehicles | | Yes | | | X | | | |
| Disaster Recovery | | Yes | | | X | | | |
| Managed Care Payors Paying Correctly | | Yes | | | | | X | |
| Paitent Property | | Yes | | | X | | | |

| | Count | Risk Rating | Planned | Completed | Drafting | In Progress / Ongoing | Deferred | Not Started | Comments |
|---|---|---|---|---|---|---|---|---|---|
| Price Transparency Compliance | | | Yes | | | X | | | |
| Telehealth | | | Yes | | | | | X | |
| Population Health | | | Yes | | | X | | | Correctional Health Audit |
| **Affiliates** | **3** | | | | | | | | |
| PCHP | | | Yes | | | X | | | Management Request - Review and periodic monitor the delegate entity agreement established between PCHP and Parkland. |
| Foundation | | | Yes | | | | | X | |
| PCCI | | | Yes | | | | | X | |
| **Annuals** | **11** | | | | | | | | |
| Quality Assurance Review | | | Yes | | | | | X | Annual internal review as required by the Institute of Internal Auditor Standards. |
| RCA Validation | | | Yes | | | | | X | Validate prior RCA corrective actions have been sustained. Deferred to FY 2023 after consultation with Quality & Risk Management |
| HIPAA Privacy | | | Yes | | | | | X | Annual review that typically includes areas of high concern by the OCR. Collarboration project with Corporate Compliance. |
| External Audit (Interim & Final) | | | Yes | | | | | X | Assistance with external audit testing and following up on the prior year deficiencies. |
| Physical Inventory | | | Yes | | | | | X | Annual sampling of inventory counts to ensure accuracy. |
| HIPAA Self-Monitoring | | | Yes | | | | | X | |
| Follow-up Monitoring | | | Yes | | | X | | | |
| Treatment Team (1st on call response) | | | Yes | | | X | | | |
| Annual Audit Plan | | | Yes | | | X | | | |
| Enterprise Risk Management (ERM) | | | Yes | | | X | | | |
| Audit /GRC Management System RFP & Implementation | | | Yes | | | X | | | |
| **39** | | | | **11** | **3** | **15** | **0** | **10** | |
| | | | | **28%** | **8%** | **38%** | **0%** | **26%** | |
| **Management/BOM Requests** | **2** | | | | | | | | |
| COVID-19 Invoice Validation | | | | | | X | | | Validation of invoice accuracy prior to presenting to Dallas County for payment. |
| Pharmacy Invistics Implementation | | | | | | X | | | Participate in the implementation to enhance drug diversion and inventory understanding and ensure proper internal controls are implemented. |
| **41** | | | | **11** | **3** | **17** | **0** | **10** | |
| | | | | **27%** | **7%** | **41%** | **0%** | **24%** | |

# INTERNAL AUDIT SERVICES
# Mid-Year Report
**October 1, 2022 – March 31, 2023**

## Parkland Health

*Vic Summers, Senior Vice President and Chief Audit Executive*

Audit Committee Meeting
June 2023

## Purpose

The purpose of this mid-year report is to provide an update on the assurance services, consulting services, and other activities of the internal audit function for the current fiscal year.

During Fiscal Year 2023, Internal Audit Services (IAS) presented reports and issues to Parkland Management (Management) and the Dallas County Hospital District Board of Manager's Audit Committee (Audit Committee). The projects were the result of our annual audit plan approved by the Board of Managers on October 12, 2022 and requests from Management and/or the Board. This document summarizes the internal audit activity for the plan year as of March 31, 2023.

## Services

Internal Audit Services is an independent, objective assurance and consulting activity designed to add value and improve the organization's operations. Services performed include assurance reviews, consults, continuous monitoring, follow-up on prior audits, physical inventory, and continuous improvement of IAS processes.

IAS performs operational and financial audits to evaluate whether hospital departmental controls are effective and efficient, as well as to evaluate for sufficient controls over financial transactions.

Unlike independent external financial audits, internal financial audits do not express professional opinions on presentation of financial statements. Criteria used in the evaluation of the established controls are based on The Committee of Sponsoring Organizations (COSO) framework, and industry best practice criteria are used in evaluating operational effectiveness and efficiency. Frequently, these audits compare operational practices to the departmental procedures established by management.

IAS performs compliance reviews to determine whether processes and controls are compliant with regulations and functioning as intended; some examples of standards used for testing include Centers for Medicare & Medicaid Services Conditions of Participation, Joint Commission, and Federal/State laws.

IAS provides Parkland with a variety of information technology services including audits of general system controls, application controls, data integrity, physical security, information security, and internal data support. IAS also serves as consultants on various system implementation projects. Criteria used in evaluating information technology applications, procedures, and implementations are derived from COBIT (Control Objectives for Information and Related Technology) and industry best practices.

In accordance with The Institute of Internal Auditors' **International Standards for the Professional Practice of Internal Auditing (IIA Standards),** IAS performs consultation services at the request of Management. This value-added service is advisory in nature and is an independent review focusing on areas of management concern. Continuous monitoring activity is designed to provide a proactive review of high-risk topics. Issues noted during these reviews are immediately reported to management for remediation.

The 2023 Audit Plan outlined the internal audit projects and activities to be performed by Internal Audit Services during fiscal year 2023 in accordance with responsibilities established by the IIA Standards and consistent with the Audit Charter. The plan is prepared using a risk-based approach to ensure that areas and activities specific to Parkland Health with the greatest risk are identified for consideration to be audited. Following is the status of projects and other activity released or in progress.

## Audit Plan Performance

The approved 2023 audit plan included 39 audits, projects, and activities. The plan included 10 carryover projects from the prior fiscal year.

Projects completed or initiated are shown below. Reports with a performance rating were presented to the Audit Committee. Other projects and activities listed have started are shown with their status. The remaining projects and activities on the audit plan will be detailed by status at the end of the fiscal year.

## Legend:

- Controls are functioning as intended.
- Some controls are in place; however, several major issues were noted that could jeopardize the accomplishment of business objectives.
- The control environment is lacking or not functioning as intended and is a contributing factor to non-achievement of business objectives.

| Audits | Status | Performance Rating |
|---|---|---|
| • 21-19 UT Documentation Review | Complete | |
| • 22-11 Physical Inventory | Complete | |
| • 22-12 Cash Monitoring | Complete | |
| • 22-33 Procurement/Contracting | Complete | |
| • 22-01 Employee Health Plan | Complete | |
| • 22-04 COVID Post Pandemic Health Emergency | Complete | |
| • 22-06 Talent Acquisition | Complete | |
| • 22-16 UT Contract CVTS | Complete | |
| • 22-18 HIPAA Privacy | Complete | |
| • 22-27 Parkland Foundation System Implementation | Complete | |
| • 23-06 Out of County Billing Audit | Complete | |
| • 22-08 Population Health | Complete | N/A |
| • 22-19 External Audit | Complete | N/A |
| • 22-32 HIPAA Self-Monitoring | Complete | N/A |
| • 20-03 UT Payment Validation | Draft | |
| • 23-05 Lower Unit of Measure Supplies | In Progress | |
| • 23-03 Chargemaster | In Progress | |
| • 23-04 Contract Labor | In Progress | |
| • 23-11 Epic Intelligent Typing | In Progress | |
| • 23-12 Network | In Progress | |
| • 23-13 Remote Clocking | In Progress | |
| • 23-14 Vehicles | In Progress | |
| • 23-19 Disaster Recovery | In Progress | |

| | |
|---|---|
| • 23-21 Patient Property | In Progress |
| • 23-25 Price Transparency Compliance | In Progress |
| • 23-26 Telehealth | In Progress |
| • 23-36 Population Health | Delayed |

| **Activities** | **Status** |
|---|---|
| • Enterprise Risk Management | In Progress |
| • Fiscal Year 2024 Audit Planning | In Progress |
| • Audit/GRC Management System | In Progress |
| • UKG System Implementation | In Progress |
| • Pharmacy Invistics Implementation | In Progress |
| • Root Cause Analysis (RCA) Validation | In Progress |
| • COVID-19 Invoice Validation | In Progress |
| • UT Contract Perf Validation – Treatment Team | In Progress |
| • Audit Follow-up Monitoring | In Progress |
| • Various Committee Participation | In Progress |

## Follow-Up Projects

Internal Audit Services has provided quarterly reports on previously reported audit recommendations and management responses. Updates were provided to the Committee regarding the status of observations. Between October 1, 2022 and May 5, 2023, IAS tracked 36 audit issues. During the reporting period, Management addressed nine (9) and accepted the risk of zero (0) issues. This leaves an ending balance of 27 open issues as of March 31, 2023.

## Fraud Reporting and Coordination

Parkland Health maintains the following fraud reporting methods:

- Parkland's Internet home page **(https://www.parklandhealth.org/home)** and internal SharePoint site **(https://phhs.sharepoint.com/)** have ethics and compliance links to report fraud, waste, and abuse.
- Parkland has a hotline for reporting suspected noncompliance, ethics violations, and fraud at the Integrity Line maintained by an external vendor.
- The Code of Conduct includes information on fraud, waste, and abuse.

Compliance, Parkland Police, Patient Financial Services, and IAS coordinate and collaborate on investigations and allegations of fraud, waste, and abuse when appropriate.

## Quality Assurance Reviews

In accordance with IIA Standards, external quality assurance reviews are conducted every five years. Internal Audit Services received the highest ratings of Generally Conforms for both previous assessments. IIA Standards require an external assessment every five years, and Internal Audit Services will receive its next external quality assessment in November 2024. Periodic internal

assessments are also required by the standards, and the most recent internal assessment was completed in 2022.

## Time Summary

The following summary reflects the Audit Plan budget to the actual time dedicated for indirect and direct audit hours as of March 31, 2023.

| | Time Spent | %Time | Budgeted | %Budgeted | Δ% |
|---|---|---|---|---|---|
| **Indirect Hours** | 4,708 | 30% | 5,744 | 33% | 3% |
| **Direct Hours*** | 10,926 | 70% | 11,416 | 67% | -3% |
| **TOTALS** | **15,634** | | **17,160** | | |

* Includes Support, Special Projects, Consults, Follow-up, Affiliates, and Assurance Reviews.

## Financial Performance

Figures represented are as of March 31, 2023.

| | Actual | Budget | Variance | Percent |
|---|---|---|---|---|
| **Salaries** | $1,025,468 | $843,036 | ($182,432) | -21.6% |
| **Expense*** | $16,451 | $24,953 | $8,502 | 34.1% |
| **TOTALS** | **$1,041,919** | **$867,989** | **($173,930)** | **-20%** |

* Includes actual rent expense of $9,566 (budgeted $11,790).

**PARKLAND HEALTH**
**Audit Committee Charter**

The Board of Managers (the "Board") of Parkland Health ("Parkland") has authorized the formation of an Audit Committee (the "Committee") and approved the following charter to set forth the purposes, structure, authority, and duties and responsibilities of the Committee and the members thereof.

**Purpose**

The Committee, a standing committee of the Board, assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process, and the organization's process for monitoring compliance with laws and regulations.

The primary goals of the Committee are to: (a) assist the Board in fulfilling its fiduciary responsibilities relating to Parkland's legal and financial compliance with applicable laws, regulatory requirements, industry guidelines, and policies; (b) oversee applicable accounting and auditing reporting practices reflecting the condition of Parkland; (c) provide a vehicle for communication between the Board and management of Parkland with regard to proper operation of Parkland, (d) to receive and review audit reports prepared by internal and external auditors; and (e) direct the performance of special projects.

**Membership, Meetings, Minutes and Committee Action**

The Committee shall be chaired by a member of the Board and shall consist of the Chair and two other Board members. The executive liaisons to the Committee shall be the Chief Audit Executive and the General Counsel. The Chief Governance Officer shall assist the Committee and the Committee Chair in discharging their responsibilities. No member of the Committee shall be an officer or employee of Parkland, its subsidiaries or affiliates. All Committee members shall be independent of management and free of any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a Committee member.

The Committee will follow the operating guidelines for membership, meetings, minutes and committee actions as authorized by the Board and as amended from time to time.

The Committee will meet regularly and no less than quarterly unless the Committee determines otherwise. A majority of the Committee shall constitute a quorum for the purposes of conducting business.

**Responsibilities**

1. Authority – the Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

    A. Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.

    B. Resolve any disagreements between management and the auditor regarding financial reporting.

    C. Pre-approve all audit and non-audit services.

    D. Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.

    E. Seek any information it requires from employees, all of whom are directed to cooperate with the Committee's requests, or external parties.

    F. Meet with Parkland's officers, external auditors, or outside counsel, as necessary.

2. In carrying out its responsibilities for each area below, the Committee will:

   A. Internal Audit

      1) Review and approve in conjunction with management and the Chief Audit Executive (CAE) the internal audit charter, activities, staffing, budget, and organizational structure of the internal audit function.

      2) Review and approve the annual audit plan and all major changes for recommendation to the Board of Managers for final approval.

      3) Ensure there are no unjustified restrictions or limitations of the CAE.

      4) Approve the appointment and/or termination of the CAE.

      5) At least annually, review and approve the performance of the CAE and concur with the annual compensation and salary adjustment.

      6) Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards.*

      7) On a regular basis, meet separately with the CAE to discuss any matters that the Committee or CAE believes should be discussed privately.

   B. External Audit

      1) Provide oversight of Parkland's external audit function, including audit scope and approach, coordination of audit effort with internal audit, reporting obligations, and the proposed annual external audit plan.

      2) Review and recommend to the Board the appointment and/or termination of the independent auditors selected to audit Parkland's financial statements.

      3) Meet with the independent auditor and financial management of Parkland to review the audit for the current year including any comments or recommendations of the independent auditors for accuracy and appropriate disclosures.

      4) Review changes in the accounting standards and policies applicable to Parkland with the independent auditors. Make appropriate recommendations to the Board on the findings included in the independent auditors' management letter.

      5) On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

   C. Internal Controls

      1) Review management's assessments of risk of criminal conduct and effectiveness of internal controls to prevent fraud and abuse, and applicable remediation steps.

      2) Consider the effectiveness of the organization's internal control system.

3) Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

4) Provide opportunities for the Chief Executive Officer, CAE, and the independent auditors to brief the Committee on their independent evaluation of Parkland's compliance with legal, regulatory, financial, accounting, and auditing practices.

D. Legal Oversight

1) Review and oversight of significant litigation matters and settlements in conjunction with the General Counsel.

E. Reporting Responsibilities

1) Regularly report to the Board about Committee activities, issues, and related recommendations.

2) Review any other reports the organization issues that relate to committee responsibilities.

F. Other Responsibilities

1) Perform other activities related to this charter as requested by the Board.

2) Institute and oversee special investigations as needed.

3) Review the observations of third party audit engagements.

4) Annually review and assess the adequacy of the Committee charter, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

5) Confirm annually that all responsibilities outlined in this charter have been carried out.

6) Evaluate the Committee's and individual members' performance on a regular basis.

**Approvals:**

_____ _____

**Audit Committee Chair** **Date**

_____ _____

**Dallas County Hospital District Board Chair** **Date**

**Previously Approved**
~~**September 23, 2020**~~
**August 25, 2021**
**June 8, 2022**

**PARKLAND HEALTH**
**Audit Committee Charter**

The Board of Managers (the "Board") of Parkland Health ("Parkland") has authorized the formation of an Audit Committee (the "Committee") and approved the following charter to set forth the purposes, structure, authority, and duties and responsibilities of the Committee and the members thereof.

**Purpose**

The Committee, a standing committee of the Board, assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process, and the organization's process for monitoring compliance with laws and regulations.

The primary goals of the Committee are to: (a) assist the Board in fulfilling its fiduciary responsibilities relating to Parkland's legal and financial compliance with applicable laws, regulatory requirements, industry guidelines, and policies; (b) oversee applicable accounting and auditing reporting practices reflecting the condition of Parkland; (c) provide a vehicle for communication between the Board and management of Parkland with regard to proper operation of Parkland, (d) to receive and review audit reports prepared by internal and external auditors; and (e) direct the performance of special projects.

**Membership, Meetings, Minutes and Committee Action**

The Committee shall be chaired by a member of the Board and shall consist of the Chair and two other Board members. The executive liaisons to the Committee shall be the Chief Audit Executive and the General Counsel. The Chief Governance Officer shall assist the Committee and the Committee Chair in discharging their responsibilities. No member of the Committee shall be an officer or employee of Parkland, its subsidiaries or affiliates. All Committee members shall be independent of management and free of any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a Committee member.

The Committee will follow the operating guidelines for membership, meetings, minutes and committee actions as authorized by the Board and as amended from time to time.

The Committee will meet regularly and no less than quarterly unless the Committee determines otherwise. A majority of the Committee shall constitute a quorum for the purposes of conducting business.

**Responsibilities**

1. Authority – the Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

    A. Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.

    B. Resolve any disagreements between management and the auditor regarding financial reporting.

    C. Pre-approve all audit and non-audit services.

    D. Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.

    E. Seek any information it requires from employees, all of whom are directed to cooperate with the Committee's requests, or external parties.

    F. Meet with Parkland's officers, external auditors, or outside counsel, as necessary.

2. In carrying out its responsibilities for each area below, the Committee will:

   A. Internal Audit

      1) Review and approve in conjunction with management and the Chief Audit Executive (CAE) the internal audit charter, activities, staffing, budget, and organizational structure of the internal audit function.

      2) Review and approve the annual audit plan and all major changes for recommendation to the Board of Managers for final approval.

      3) Ensure there are no unjustified restrictions or limitations of the CAE.

      4) Approve the appointment and/or termination of the CAE.

      5) At least annually, review and approve the performance of the CAE and concur with the annual compensation and salary adjustment.

      6) Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards.*

      7) On a regular basis, meet separately with the CAE to discuss any matters that the Committee or CAE believes should be discussed privately.

   B. External Audit

      1) Provide oversight of Parkland's external audit function, including audit scope and approach, coordination of audit effort with internal audit, reporting obligations, and the proposed annual external audit plan.

      2) Review and recommend to the Board the appointment and/or termination of the independent auditors selected to audit Parkland's financial statements.

      3) Meet with the independent auditor and financial management of Parkland to review the audit for the current year including any comments or recommendations of the independent auditors for accuracy and appropriate disclosures.

      4) Review changes in the accounting standards and policies applicable to Parkland with the independent auditors. Make appropriate recommendations to the Board on the findings included in the independent auditors' management letter.

      5) On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

   C. Internal Controls

      1) Review management's assessments of risk of criminal conduct and effectiveness of internal controls to prevent fraud and abuse, and applicable remediation steps.

      2) Consider the effectiveness of the organization's internal control system.

3) Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

4) Provide opportunities for the Chief Executive Officer, CAE, and the independent auditors to brief the Committee on their independent evaluation of Parkland's compliance with legal, regulatory, financial, accounting, and auditing practices.

D. Legal Oversight

1) Review and oversight of significant litigation matters and settlements in conjunction with the General Counsel.

E. Reporting Responsibilities

1) Regularly report to the Board about Committee activities, issues, and related recommendations.

2) Review any other reports the organization issues that relate to committee responsibilities.

F. Other Responsibilities

1) Perform other activities related to this charter as requested by the Board.

2) Institute and oversee special investigations as needed.

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4) Annually review and assess the adequacy of the Committee charter, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

5) Confirm annually that all responsibilities outlined in this charter have been carried out.

6) Evaluate the Committee's and individual members' performance on a regular basis.

**Approvals:**

| | |
|---|---|
| _____ | _____ |
| **Audit Committee Chair** | **Date** |
| _____ | _____ |
| **Dallas County Hospital District Board Chair** | **Date** |

**Previously Approved**
**August 25, 2021**
**June 8, 2022**

| | |
|---|---|
| **STATEMENT OF PURPOSE** | According to the Institute of Internal Auditors (IIA) "Internal auditing is an **independent, objective assurance and consulting activity** designed to add value and improve an organization's operations. Auditing assists the Dallas County Hospital District (DCHD) in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes. Internal Audit Services (IAS) conducts reviews of operations and reports findings with recommendations to Administration and to the Audit Committee (the "Committee") of the DCHD Board of Managers (Board), as well as the related subsidiary committees and governance. |
| **SCOPE** | The IAS department of DCHD has been established, granted authority, and is responsible for the performance of its duties as set forth below.<br><br>The Board of Parkland Health ("Parkland") has authorized the formation of an Audit Committee. The committee has approved this charter to set forth the purposes, structure, authority, and duties and responsibilities of Internal Audit Services.<br><br>**International Standards for the Professional Practice of Internal Auditing (Standards)**<br><br>Professional Internal Audit activities are to be conducted in compliance with all District policies and procedures. All audit work is to be performed in a manner consistent with the mandatory elements of The IIA's International Professional Practices Framework (IPPF), including the Core Principles for the Standards, the Code of Ethics, and the Definition of Internal Auditing. The Chief Audit Executive (CAE) will report periodically to senior management and the audit committee regarding the internal audit department's conformance to the Code of Ethics and the Standards. The Core Principles for the Professional Practice of Internal Auditing, Code of Ethics and the Standards constitute an addendum to the charter. Audit reports generated by IAS may state that the audit activity conforms to the Standards if the activity, within the previous five years, has undergone an external assessment and has demonstrated that the internal audit activity is in conformance with the Standards. |

**Independence**

- All internal audit activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports. If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to the appropriate parties.

- All Internal auditors must have an impartial unbiased attitude and avoid any conflict of interest. Internal auditors shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop nor install systems or procedures nor prepare records which would normally be audited.

**Responsibilities**

IAS is responsible for assessing the various functions and control systems within the hospital and advising Administration and the Board concerning their condition. The fulfillment of this accountability is not confined to but includes:

- Appraising the effectiveness and application of administrative and financial controls and the reliability and integrity of data developed and reported by the hospital.

- Evaluating the sufficiency, adequacy and compliance with hospital policies and procedures, as well as compliance with all applicable governmental laws and regulations.

- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

- Ascertaining the adequacy of controls for the safeguarding of assets, and when appropriate, verifying the existence of those assets.

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| | • Performing special reviews as requested by Administration and the Board.<br><br>• Conducting appraisals of the effectiveness and efficiency in the use of hospital resources and making appropriate recommendations.<br><br>• Performing a risk assessment and developing an annual audit plan.<br><br>• Coordinating audit planning and scheduling activities with Administration and external auditors.<br><br>• Coordinating audit activities with Compliance, Legal, Quality, Safety as part of the organization's enterprise risk management activity.<br><br>• Maintain appropriate professional staff to accomplish Internal Audit Services mission.<br><br>• Maintenance of a robust Quality Assurance and Improvement program to ensure high-quality audit results.<br><br>• Monitoring and evaluating governance processes.<br><br>• Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization.<br><br>• Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.<br><br>IAS may periodically perform assurance and/or consulting services for internal and external clients. These services will result in a report to the requesting client. In the event of a significant compliance issue that may pose a material risk to the organization the issue will be communicated to Administration and the Board. In addition, IAS' Audit Plan Status Report to the Committee identifies all assurance or consulting projects. |

- Assurance services are categorized as follows: financial, compliance, process (operational), systems (including information technology), fraud (including ethics), and multiple objective department reviews (i.e. financial, operations, compliance, technology).

- Consulting services are categorized as follows: counsel and advice, facilitation, process evaluation, and training.

**Reporting**

- A written report will be prepared and issued by the CAE or designee following the conclusion of each audit and will be distributed as appropriate. A copy of each audit report and a summarization will be forwarded to the Chairman of the Audit Committee, the Board, and the Chief Executive Officer (CEO).

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- IAS shall be responsible for appropriate follow-up on audit findings and recommendations. All significant findings will remain in an open issue until cleared by the CAE or the Audit Committee.

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| | **Periodic Assessment**<br><br>The CAE should periodically assess whether the purpose, authority, and responsibility, as defined in this charter, continue to be adequate to enable the internal auditing activity to accomplish its objectives. The result of this periodic assessment should be communicated to Administration and the Board. |
| **MEMBERS** | The charter is applicable to IAS staff and Parkland Management |
| **LEADERSHIP** | Board, CEO, CFO, COO, CAE |
| **REPORTS TO** | IAS reports to the Audit Committee of the Board. The Audit Committee has final authority and responsibility to appoint and remove the CAE. (See the Board of Managers Policy Manual for the Audit Committee Charter).<br><br>IAS has been authorized to have full and unrestricted access to all Districts, including affiliates, records, property and personnel.<br><br>The Board has granted this authority, with the concurrence of Administration. Documents and information given to Internal Audit during a periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them.<br><br>The CAE will report functionally to the Board and administratively (i.e. day-to-day operations) to the CFO.<br><br>**The Board will:**<br><br>• Approve the internal audit charter.<br><br>• Approve the risk-based internal audit plan.<br><br>• Approve the internal audit budget and resource plan.<br><br>• Receive communications from the CAE on the internal audit activity's performance relative to its plan and other matters. |

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| **SUBCOMMITTEES** | N/A |
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| **MEETINGS** | N/A |
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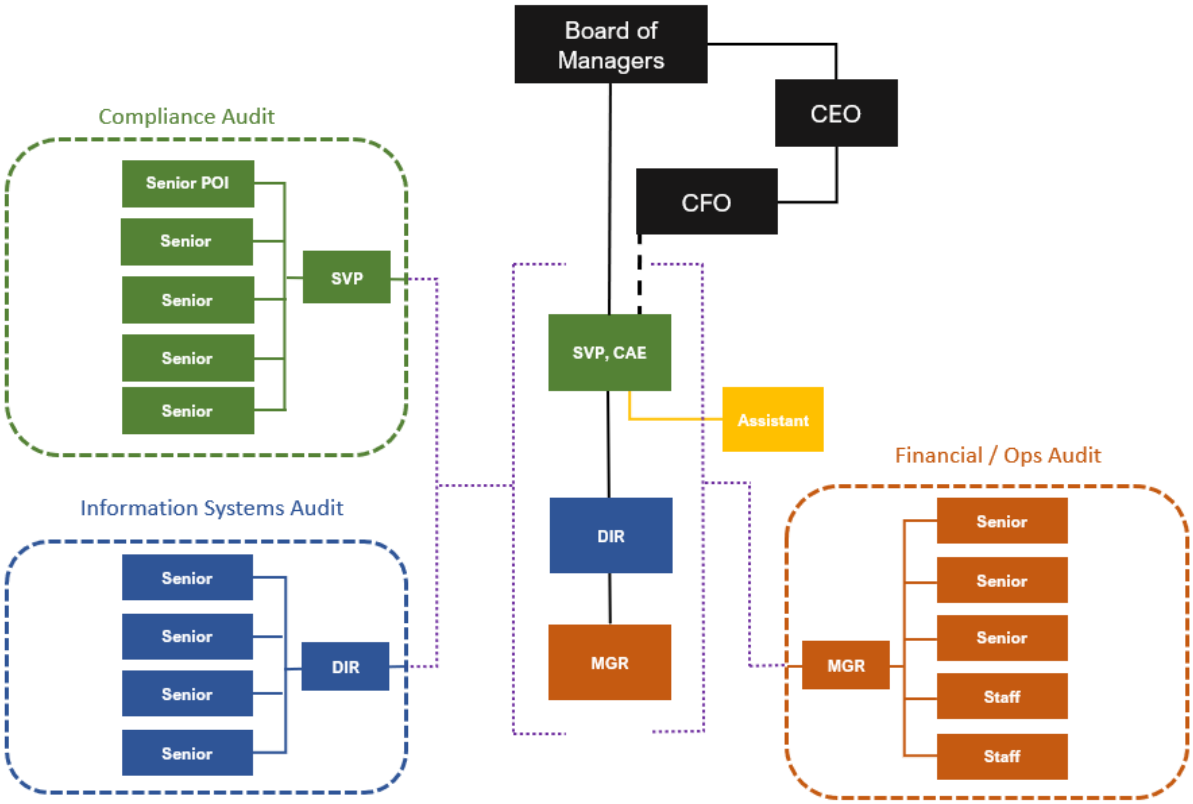
| **REFERENCES AND DEFINITIONS** | N/A |

## Appendix A – Organizational Chart



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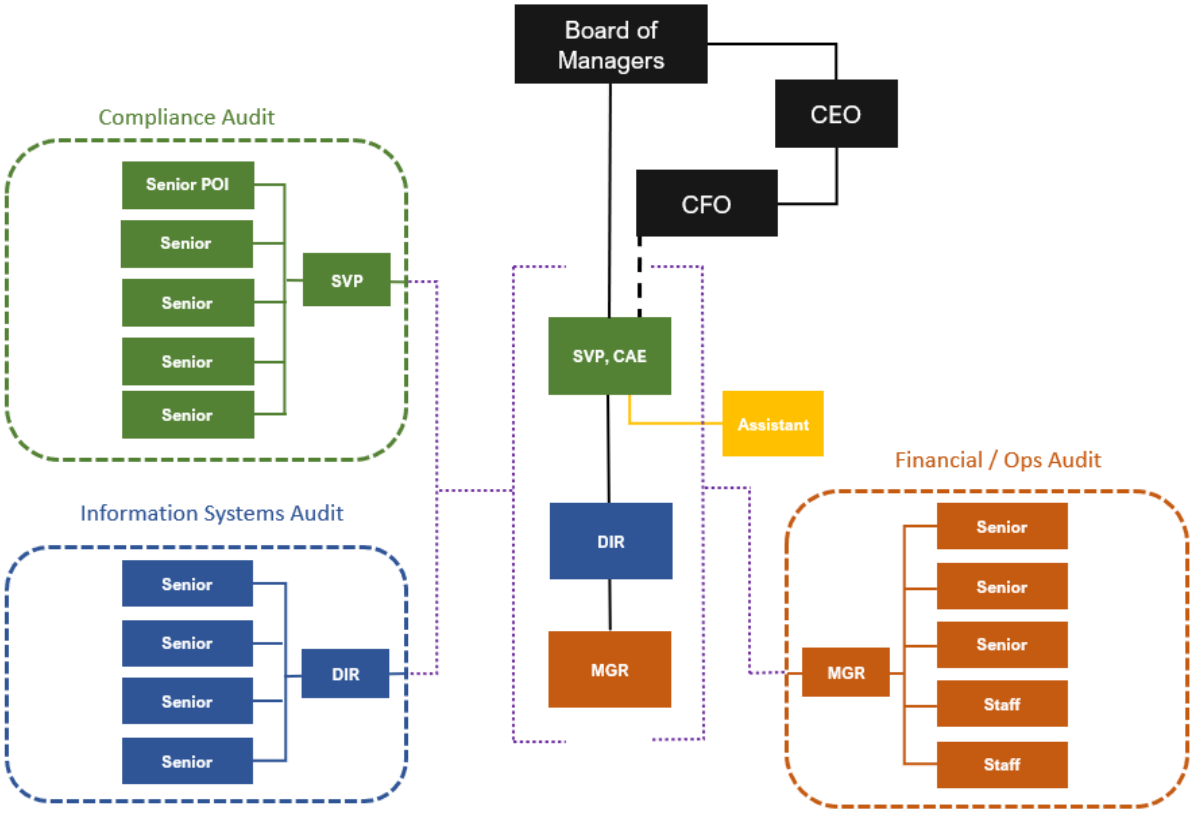
## Appendix A – Organizational Chart



Parkland

# Internal Audit Services

## Fiscal Year 2024 Budget

***Audit Committee Meeting***

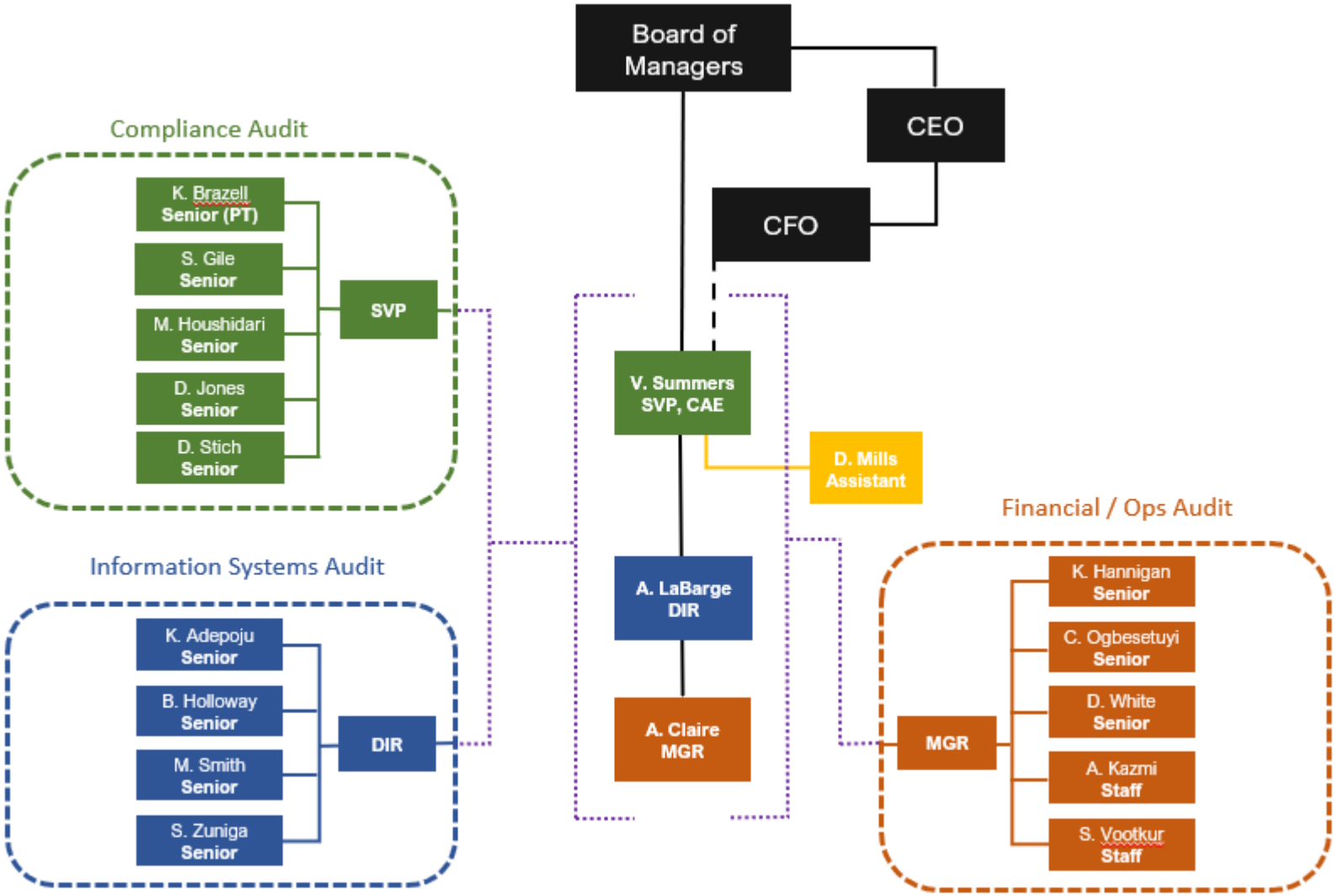
***June 27, 2023***

***Presented by:*** *Vic Summers, Senior Vice President and Chief Audit Executive*

# FY 2024 Budget

(As of June 6, 2023)

| | FY2023 | FY2023 | FY2024 |
|---|---|---|---|
| | Budget | Projected | Budget |
| | | | |
| Salaries | $1,686,071 | $2,093,041 | $2,256,308 |
| Professional Fees | 4,800 | 4,261 | 4,261 |
| Supplies | 5,030 | 912 | 4,467 |
| Other Expense | 40,076 | 31,803 | 31,803 |
| **Total Expenses** | $1,735,977 | $2,130,017 | $2,296,839 |






Parkland | Care. Compassion. Community.

# Internal Audit Services

## Audit Follow-up Report Summary

## April 6, 2023 – June 21, 2023

| | Overall | | | | | Current Period Activity | | |
|---|---|---|---|---|---|---|---|---|
| **Session Type** | Number of Audits | Number of Audits Greater than a Year Old | Number of Issues Reported | Number of Issues Addressed to Date | Number of Open Issues | Audits Closed During Period | Number of Issues Addressed | Number of Issues Where Management Accepted the Risk |
| **Open Session** | **8** | **3** | **31** | **9** | **22** | **0** | **0** | **0** |
| **Executive Session** | **8** | **3** | **41** | **13** | **28** | **0** | **1** | **0** |



Parkland | Care. Compassion. Community.

**Internal Audit Services**

**Follow-Up Report**
**OPEN SESSION**

| Audit | Issue | Action Detail | Status | Action Needed | Risk to Parkland if Corrective Actions are Not Implemented |
|---|---|---|---|---|---|
| 19-08 COPC | 19-08 Compliance with ABN Procedures and Regulatory Requirements | Action: 19-08 ABN Denial Review Process<br><br>Action Owner: Eboni Joseph-Wilson<br>Executive: Edmundo Castaneda<br><br>Action Due Date: 7/31/2023<br>% Complete: 80 | A review of inpatient, pharmacy, laboratory, ancillary services, charge codes is underway to ensure that ABNs are priced appropriately when triggered. | Parkland needs to review all Parkland clinical charge codes prior to implementing the new EPIC ABN application. | Failure to implement corrective actions could result in non-compliance with federal/state billing regulations and could subject Parkland to regulatory sanctions, civil and/or criminal penalties and negative publicity.<br><br>If under billing it would result in lost revenue. |
| 19-12 Revenue Cycle | 19-12 Missing Charges | Action: 19-12 Supply Charges - Perioperative Services<br><br>Action Owners: David Alexander<br>Executive: Donna Richardson<br><br>Action Due Date: 1/31/2024<br>% Complete: 75 | All items need to be vetted by the contract team, to ensure that the Unit of Measure (UoM) unit match the flag in Infor. The contract team will also verify duplicate line items in the contract. The duplicate records will then be sent to the MMDI team for removal during this process. The MMDI team will also have to confirm that the packaging string is correct. The packaging string is the breakdown of the UoM for each Infor item (i.e. Case to Box to Each). | The Clinical Bridge Interface team needs to load the remaining OR Clinical Bridge locations and determine the remaining OR supplies that need to be loaded into the Clinical Bridge.<br><br>Phase 1 has been completed and accomplishments include:<br>1. The Clinical Bridge is up and running<br>2. 375 OR supplies are processing successfully<br>3. 17 chargeable GI Lab supplies are available for IAS to test<br>4. The completion, documentation, approval and publication of the OR Clinical Bridge - New Supply Request Workflow | Failure to implement corrective actions could result in non-compliance with federal/state billing regulations and could subject Parkland to regulatory sanctions, civil and/or criminal penalties and negative publicity.<br><br>If under billing it would result in lost revenue. |
| 20-11 Consignment Process | 20-11 Pricing Inconsistencies Were Identified | Action: 20-11 Pricing Inconsistencies - Perioperative Services<br><br>Action Owner: Mary Alexander<br>Executive: Pamela Bryant<br><br>Action Due Date: 1/31/2024<br>% Complete: 75 | IAS retested and identified a control gap on how the latest contract price is not being pulled correctly from INFOR into EPIC.<br><br>The go live date for the perpetual inventory for OR is currently planned for late June or early July. This is expected to bring Consignment inventory into the perpetual inventory in Phase II of this project. | Supply Chain - Needs to develop a system to ensure prices for consignment items are current and updated in INFOR, and to ensure current contract prices are reflected in INFOR.<br><br>There is a flag in INFOR to ID consignment; however, Supply Chain is not currently using this flag. Supply Chain wants to implement a Perpetual Inventory System and work with INFOR to identify and separate Consignment from Parkland Owned supplies. | Failure to implement corrective actions could result in non-compliance with federal/state billing regulations and could subject Parkland to regulatory sanctions, civil and/or criminal penalties and negative publicity.<br><br>If under billing it would result in lost revenue.<br><br>Potential of co-mingling consignment with Parkland owned supplies. Potential of not being able to determine consignment expenditures if combined with Parkland owned inventory. Potential negative publicity associated with non-compliance with billing regulations. |
| | 20-11 Tracking and Monitoring of Consignment Items Were Lacking | Action: 20-11 Tracking and Monitoring of Consignment Items were Lacking<br><br>Action Owner: Mary Alexander<br>Executive: Pamela Bryant<br><br>Action Due Date: 1/31/2024<br>% Complete: 75 | Supply Chain is working on building Parkland's Perpetual Inventory for Surgical Services. Supply Chain and Surgical Services team are developing new processes and making some physical changes to restrict access to protect the integrity of inventory counts.<br><br>Currently, Supply Chain is monitoring and tracking consignment manually as reported previously. | Supply Chain needs to implement a Perpetual Inventory System and work with INFOR to identify and separate Consignment from Parkland Owned supplies. | Potential non-compliance with federal/state billing regulations could subject Parkland to regulatory sanctions, and civil and/or criminal penalties.<br><br>Potential of over/under billing. Potential of co-mingling consignment with Parkland owned supplies.<br><br>Potential of not being able to determine consignment expenditures if combined with Parkland owned inventory. |

| Audit | Issue | Action Detail | Status | Action Needed | Risk to Parkland if Corrective Actions are Not Implemented |
|---|---|---|---|---|---|
| | 20-11 The Recall Process Is Decentralized | Action: 20-11 The Recall Process Is Decentralized<br><br>Action Owner: Michael Lane<br>Executive: Roberto de la Cruz<br><br>Action Due Date: 6/30/2023<br>% Complete: 40 | A team representing Quality & Safety Operations, Safety & Clinical Risk Management and Supply Chain has:<br>1. Completed a cross walk of Parkland's current Recall process design and organizational reporting policies and have aligned them.<br>2. Identified a gap in the stated policies and that there is not a clinical assessment for timing of removing items from shelves, need for patient disclosure, etc.<br>3. Identified the need to add a position to support Parkland's Recall Process. This position will report to the Quality & Safety Operations department. | Quality & Safety Operations, Safety & Clinical Risk Management and Supply Chain need to centralize the recall process and finalize the recall policy. | Potential patient safety if the identification of recall products are not identified and communicated to the affected providers and patients.<br><br>Potential for inconsistent oversight, management, documentation of issues and corrective response. Potential negative publicity associated with non-compliance with patient safety recall communication and processes. |
| 22-01 Employee Health Plan | 22-01 MedImpact claim payments are not consistently settled in accordance with Parkland's Pharmacy Benefit Plan | 22-01 Settlement of Pharmacy Claims<br><br>Action Owner: Tawana McCullough<br>Executive: DeLancey Johnson<br><br>Action Due Date: 7/31/2023<br>% Complete: 90 | Parkland's Benefits Department, Employee Health Center team is ready for retesting. | Parkland's Benefits Department, Employee Health Center team needs to ensure current coverage parameters have been communicated to the TPA and Pharmacy claims are settled in compliance with Parkland's pharmacy schedule of benefits. i.e., Coverage level applicable for the fill location, product type and drug category. | Services were settled at an incorrect amount impacting both Plan expense and member responsibility. |
| | 22-01 Limited oversight of TPA processes | 22-01 Oversight of TPA processes<br><br>Action Owner: Tawana McCullough<br>Executive: DeLancey Johnson<br><br>Action Due Date: 7/31/2023<br>% Complete: 90 | | Benefits Department, Employee Health Center team needs to ensure TPA processes are monitored on a routine basis | Claims were settled at the incorrect amount |
| | 22-01 UMR Claim Payments are Not Consistently Settled | 22-01 UMR Claim Payments are Not Consistently Settled<br><br>Action Owner: Tawana McCullough<br>Executive: DeLancey Johnson<br><br>Action Due Date: 7/31/2023<br>% Complete: 90 | | Benefits Department, Employee Health Center team needs to ensure medical claims are settled in compliance with Parkland's medical schedule of benefits. i.e., Coverage level directed by the Tier accessed and subject to deductible and coinsurance applicable to the type of service provided. The medical schedule of benefits should be reviewed for these areas to ensure benefits are clearly detailed for all provisions of care | Claims were settled at an incorrect amount impacting both Plan expense and member responsibility |

**Internal Audit Services**

**Follow-Up Report**
**OPEN SESSION**

| Audit | Issue | Action Detail | Status | Action Needed | Risk to Parkland if Corrective Actions are Not Implemented |
|---|---|---|---|---|---|
| 22-03 Procurement and Contracting | 22-03 Requisition Approvals | Action: 22-03 Requisition Approvals<br><br>Action Owner: James Floyd<br>Executive: Pamela Bryant<br><br>Action Due Date: 6/30/2023<br>% Complete: 50 | Management is working to complete the action plan. | Supply Chain needs to ensure that administrative and system boundaries are reviewed and established between a requester and someone approving a requisition or a purchase order or implement additional controls to monitor the individual's activity. | Without adequate separation of duties, unauthorized purchases could occur |
| | 22-03 Advertising Procurement Opportunities to Vendors | Action: 22-03 Advertising Procurement Opportunities to Vendors<br><br>Action Owner: James Floyd<br>Executive: Pamela Bryant<br><br>Action Due Date: 6/30/2023<br>% Complete: 90 | The Contract Team receives a list of potential MWBE vendors from the Diversity Team and separate email is sent to all vendors listed. The Diversity team also notifies multiple business advocacy groups including, but not limited, to the Dallas Black, Hispanic and Asian Chambers and the regional Black and Hispanic Contractors Associations, of the opportunity for them to distribute to their respective members. During the Contract Team meeting on 12/8/2022 (agenda item 6a) team members were reminded to keep the lists of vendors from the business owners and Diversity team in the project folder. Adding additional advertising avenues would increase costs significantly. | Supply Chain needs to expand advertising of procurement opportunities to include publications in widely circulated news outlets so that members of public who may not have any need to visit Parkland supplier portal or the Daily Commercial Record can be informed to further entrench Parkland Diversity and inclusion policies. | If publicity is not adequate, the pool of vendors available for selection may be limited which may not result in selection of the best vendor, the best price, or the best results for Parkland. |
| | 22-03 Evaluation Forms were Incomplete | Action: 22-03 Evaluation Forms were Incomplete<br><br>Action Owner: Vic Summers<br>Executive: Richard Humphrey<br><br>Action Due Date: 6/30/2023<br>% Complete: 90 | IAS is currently retesting. | Supply Chain needs to establish a process to revisit evaluation forms for accuracy of calculations and completion of evaluation forms as a precursor to award of contract. | Incomplete documentation may limit Parkland's ability to defend a legal challenge with an unselected vendor. |
| | 22-03 Notices of Award | Action: 22-03 Notices of Award<br><br>Action Owner: James Floyd<br>Executive: Pamela Bryant<br><br>Action Due Date: 6/30/2023<br>% Complete: 90 | IAS is currently retesting. | Supply Chain needs to develop contract completion and monitoring checklist. A review of contract files and folders should be completed after each contract is awarded. | Transparency and fair competition may not be achieved, and records retention requirements may not be met. |

**Internal Audit Services**

**Follow-Up Report**
**OPEN SESSION**

| Audit | Issue | Action Detail | Status | Action Needed | Risk to Parkland if Corrective Actions are Not Implemented |
|---|---|---|---|---|---|
| 22-06 Talent Acquisition | 22-06 Inefficient Execution and Monitoring of Sign-On Agreement Process | 22-06 Agreement Review, Execution and Monitoring<br><br>Action Owner: Stacy Dorsey<br>Executive: Felicia Miller<br><br>Action Due Date: 7/31/2023<br>% Complete: 90 | The Talent Acquisition (TA) team has implemented a new software, ADOBE sign which tracks the signature process and produces a signed document. The TA team has been trained on the new system; pilot testing has been completed and the new process was implemented on 6/12/2023. | The Office of Talent Management (OTM) needs to:<br>Develop a process to ensure that agreements are adequately reviewed, timely executed, and monitored post execution; and<br>The process should clearly define the responsible parties throughout the lifecycle and include training. | Inability to recover funds paid to attract and retain new hires who failed to meet the agreement. |
| | | 22-06 Implement processes and controls related to recovering funds from sign-on bonus breaches<br><br>Action Owner: Stacy Dorsey<br>Executive: Felicia Miller<br><br>Action Due Date: 7/31/2023<br>% Complete: 50 | OTM is automating the sign on agreement. OTM is developing a new process utilizing a “DocuSign” tool, to create, track, and sign agreements all within the system. This will track where each document is in the process and that the agreement has been signed timely.<br>In addition, OTM created a process in which Payroll and legal are informed when an employee is in violation of the sign on agreement. | The Office of Talent Management (OTM) needs to continue to work with Accounting and Legal Affairs to improve the processes and controls related to recovering funds from sign-on bonus breaches, possibly via automation. All processes should be reviewed and approved by the Legal Department prior to implementation. | |
| | 22-06 Inconsistent Reporting and Monitoring of Talent Acquisition Service Level Agreements | 22-06 Inconsistent Reporting and Monitoring of Talent Acquisition Service Level Agreements<br><br>Action Owner: Stacy Dorsey<br>Executive: Felicia Miller<br><br>Action Due Date: 10/31/2023<br>% Complete: 10 | Talent Acquisition (TA) leadership team is assessing the current SLAs and redesigning the SLAs based on organization need and team feedback. | OTM needs to:<br>Evaluate the Service Level Agreements (SLA) to ensure they are measurable and develop a process to attain and retain appropriate documentation; and<br>Ensure that the SLA and OTM Reporting definitions align. | Untimely hiring process, and poor working relationships with hiring leaders. |
| | 22-06 Inefficient Identification of Internal Candidates | 22-06 Inefficient Identification of Internal Candidates<br><br>Action Owner: Stacy Dorsey<br>Executive: Felicia Miller<br><br>Action Due Date:10/31/2023<br>% Complete: 90 | Talent Acquisition (TA) leadership has re-educated the recruiters during the monthly meeting. A template was created and rolled out to all recruiters for documentation in the ATS system. every other month the TA leadership team audits the recruiters file for intake notes. | OTM needs to:<br>Ensure that the identification of internal candidates is addressed and documented during the intake meeting;<br>Review the Interview process and develop documentation guidelines and responsibilities to share with hiring leaders; and<br>Ensure that complete and proper documentation is maintained when moving candidates from one requisition to another. | Decreased employee retention leading to increased costs associated with external recruitment, and lack of employee engagement. |
| | 22-06 Deficiencies in the use and retention of documentation used in the Offer Process. | 22-06 Offer Process Documentation Retention<br><br>Action Owner: Stacy Dorsey<br>Executive: Felicia Miller<br><br>Action Due Date: 7/31/2023<br>% Complete: 25 | The compensation team will be replacing the salary offer tool. The goal will be to provide the recruiters a tool that makes it easy to see all the elements of the equation utilized to determine the salary. In replacing the tool, it will eliminate all the above-mentioned concerns regarding documentation and ability to audit the offer process. | Compensation needs to improve the Salary Offer Tool and collaborate with Talent Acquisition leadership to implement a QA process to ensure the proper use of the tool, compensation review process and documentation of all necessary support involved process. Talent Acquisition should collaborate with Records Information Management in Legal Affairs to ensure Parkland's record retention is compliant with regulatory requirements. | Non-compliance with document retention requirements established by the Equal Employment Opportunity Commission, and internal policies and procedures. |
| | 22-06 Inadequate retention and preservation of Signed Application Disclosure and Authorization Forms for Background Checks. | 22-06 Retention and Preservation of Signed Authorization Forms<br><br>Action Owner: Stacy Dorsey<br>Executive: Felicia Miller<br><br>Action Due Date: 10/31/2023<br>% Complete: 10 | The OTM team will work with Legal Affairs to determine need to transition all current consent forms to a Parkland database. | OTM needs to address the storage and retention of data developed during the Group One contract post the agreed retention period. | Inability to produce required hiring process documentation to support hiring decisions and compliance with Equal Employment and Opportunity Commission and Department of Labor regulations. |

| Audit | Issue | Action Detail | Status | Action Needed | Risk to Parkland if Corrective Actions are Not Implemented |
|---|---|---|---|---|---|
| | 22-06 Consent and Release of Liability Forms for Health and Drug Screening are not adequately reviewed and maintained | 22-06 Review and Maintenance of Consent and Release of Liability Forms<br><br>Action Owner: Stacy Dorsey<br>Executive: Felicia Miller<br><br>Action Due Date: 7/31/2023<br>% Complete: 10 | Procedure 6000-400 policy has been submitted for revisions to remove verbiage "According to this same procedure, the form requires the employee/applicant to disclose all over-the-counter medicines recently taken or being taken at the time of the drug test." from the policy to align with current urine drug screening process within the Occupational Health Department. | Occupational Health needs to:<br>Review and modify the existing Consent and Release of Liability Form and Parkland's Office of Talent Management Drug Free Workplace Policy & Procedure to ensure they align with one another;<br>Develop a process to ensure adequate review and maintenance of all signed form; and<br>Consult Legal Affairs for direction on retention requirements. | Increased risk for unfavorable position in an unemployment case or lawsuit arising from a drug test. |
| 23-06 Out of County Process | 23-06 County Notification Process is Inconsistent | 23-06 County Notification Process is Inconsistent<br><br>Action Owner: Gerry Baker<br>Executive: Richard Humphrey<br><br>Action Due Date: 7/31/2023<br>% Complete: 10 | IAS and Management are working to develop an action plan. | Revenue Cycle needs to ensure notification and billing criteria align with management expectations and the Indigent Health Care and Treatment Act (Act).<br><br>Review the notification process with PFS staff to ensure notifications are sent to the counties on a timely basis; and<br>Review the Act to ensure all requirements are being met.<br>Implement a quality assurance process. | The lack of proper notification may prevent reimbursements from counties. |
| | 23-06 Lack of Payments Received | 23-06 Lack of Payments Received<br><br>Action Owner: Gerry Baker<br>Executive: Richard Humphrey<br><br>Action Due Date: 7/31/2023<br>% Complete: 10 | IAS and Management are working to develop an action plan. | Revenue Cycle needs to ensure Parkland receives maximum reimbursement from counties and monitor outstanding balances to ensure timely collection of payments. | Parkland is missing out on potential reimbursement due to not following state regulations with notifications not being sent timely to counties |

Parkland

| Audit Title | Objective | Significance | Results/Conclusion | Follow-up |
|---|---|---|---|---|
| **Importance Rating – High** | | | | |
| 23-05<br>Lower Unit of Measure (LUM) | The objective of the audit was to assess the adequacy, completeness, and effectiveness of internal controls over the ordering, receiving, invoicing and payment of LUM supplies. | This audit received a high-risk rating for importance due the need to have the correct quantity of PAR/LUM supplies available per The Joint Commission Standard, for patient care needs, and the financial impact, representing 17% Parkland's Total Supply Expense. | The current controls are incomplete and prevent Parkland from ensuring that the supplies ordered (item and quantity) match supplies received, invoiced, and paid.<br><br>**Performance Rating:** Medium | **Committee**<br>None<br><br>**IAS**<br>Routine Follow-up process |
| **Importance Rating – Medium** | | | | |
| **Importance Rating – Low** | | | | |

*Prepared By*
Vic Summers

*Prepared For*
Audit Committee Meeting
June 2023

| | |
|---|---|
| **Audit Title** | 23-05 Lower Unit of Measure (LUM) |
| **Performance Rating - Importance Rating** | Medium-High |
| **Audit Group** | Internal Audit |
| **Audit Start Date** | 03/01/2023 |
| **Audit End Date** | 06/27/2023 |
| **Auditors** | Debra Stich, Senior Compliance Auditor |
| **Audit Type** | Annual Audit Plan |

## Distribution List

| | |
|---|---|
| Frederick Cerise, MD | President and Chief Executive Officer |
| Edmundo Castañeda, FACHE | Executive Vice President and Chief Operating Officer |
| Richard Humphrey | Executive Vice President and Chief Financial Officer |
| Pamela Bryant | Senior Vice President and Chief Supply Chain Officer |
| Mary Alexander | Director, Supply Chain Informatics |
| Ellena Fox | Senior Manager, Supply Chain Operations |
| Brian Green | Operations Manager, Supply Chain |
| Cory James | Operations Manager, Supply Chain |
| Joe Chin-Kuo Lo | Manager, Purchasing |

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## Background

While there are several different supply distribution models available to hospitals, ordering and storing in bulk in a central storage area is one of the most familiar. A hospital's Supply Chain staff then deliver in lower units of measure to the designated areas as needed. Another established model is the lower unit of measure (LUM) using a third-party distributor, which is similar to a just-in-time delivery system. This model is used with the expectation of decreasing warehouse square footage while maintaining product variety. In addition to freeing up space, this model helps reduce labor expense and inventory holding costs as well as decreases product waste due to expired inventory. Parkland uses both models. This audit is focused on Parkland's Periodic Automatic Replenishment (PAR) and Lower Unit of Measure (LUM) model.

Medline (vendor) is Parkland's only LUM vendor, and the New Parkland Hospital dock is the only place LUM items are delivered. Parkland began using LUM in 2017, initially with Cardinal Health and then switched to Medline July 1, 2018. PAR/LUM supplies are delivered Tuesday through Saturday with two deliveries starting at 4:00 AM with the 2nd truck arriving between 6:00 – 7:00 A.M. LUM supplies arrive in totes or cardboard boxes that have palleted and plastic wrapped by the vendor. The vendor's driver unloads and places the pallets into the assigned zones according to their delivery destination. Each individual tote or box has a "license plate" with the destination for the individual tote i.e., NNICU Dragonfly.

Supply Chain is responsible for maintaining the appropriate inventory count in the PAR Rooms throughout the organization. Between October 1, 2022, to April 30, 2023, Supply Chain delivered to 191 inpatient, 91 outpatient (including Ron J. Anderson Clinic, Moody Outpatient Center, and Correctional Health Services) and 45 surgical services PAR/LUM locations. Using actual spend data from the reporting period and annualizing, Parkland's PAR/LUM annualized spend represents $51,108,561 compared to annualized Parkland's Supply Expense of $307,938,719. Parkland's PAR/LUM Supply Expense represents 17% Parkland's Total Supply Expense.

The Joint Commission (TJC) requires that a hospital's documented plan details the actions the hospital will take to sustain the needs of the hospital for up to 96 hours (4 days) based on calculations of current resource consumptions. Parkland's PAR levels have been established to provide inventory for each (PAR) supply item for a minimum of three (3) days which ensures the correct quantity on hand to avoid excess overstock. With current PAR levels and the ability to supplement inventory from Parkland's bulk warehouse, this meets TJC's Standard.

PAR changes are tracked in Service Now and recorded in the Infor System (Parkland's financial system). PAR level updates are performed by Supply Chain Informatics. Each item has its own barcode which is loaded into Infor and has an item number so the Supply Chain Distribution Technician (technician) knows how much product should be there, depending on PAR levels.

When the technician scans his/her assigned PAR Room, a requisition for each supply item that needs to be replenished is automatically turned into a purchase order to the vendor. LUM orders bypass the receiving process and are auto received via electronic data interchange (EDI) receipt. The EDI856 transaction set performs auto-receipt with the Advance Ship Notice (ASN) Report. The data is translated to match the appropriate purchase order (PO) and received based on vendor information transmitted through the interface. The invoice is sent via EDI to Infor. Accounts Payable matches the Invoice to the received lines on the PO and the invoice is automatically processed for payment.

The Infor System requires a three-way match before an invoice is processed for payment. In this case, the three-way match consists of the following which are all electronic documents the PO, the EDI 856 Advanced Ship Notice and the Invoice. If the invoice does not match the PO and receipt exactly, the invoice will not be paid. The Pack List Reports are sent electronically as the LUM receipts and stored electronically. An invoice discrepancy requires Purchasing to resolve the issue before payment can be processed.

Supply Chain has implemented a control where the technician matches the items and quantity in the tote or box to the item and quantity documented on the content label. The content label documents key information such as: Receiving Department location, Purchase Order number, Customer "Cust" Item, Line Item, and Supply Name.

Quantity errors, wrong product, and damages are reported by technician to the Parkland's Supply Chain Supervisor the same day of receipt. The Supervisor must submit quantity errors, wrong product, and damages claims to the vendor within 48 hours of product receipt or they will be denied. The Supervisor notifies the Supply Chain Coordinator, who notifies the vendor to resolve the discrepancy, which are tracked on the vendor's OSI (Operation Service Issue) report.

In addition, to the Advanced Shipping Notice Report and the Pack Lists, the vendor also provides the following reports on the same day that Parkland receives LUM Supplies: Open Order Report, Fill-Kill Report and Rejected Order Report.

### Audit Purpose/Rationale

In accordance with the Annual Audit Plan, Internal Audit Service (IAS) conducted a review of the Lower Unit of Measure (LUM) processes at Parkland. The objective of the audit was to assess the adequacy, completeness, and effectiveness of internal controls over the ordering, receiving, invoicing and payment of LUM supplies. Steps performed during the audit included the following:

- Performed a review of the controls, policies, training materials and procedures for the ordering, receiving, invoicing and payment related to the PAR/LUM process;
- Validated the vendor's Advanced Ship Notice (ASN) against Parkland's Infor Purchase Order;
- Conducted twelve (12) on-site reviews of the PAR/LUM process. This included:
    - Selecting Parkland PAR/LUM Inpatient/Outpatient supply locations based on usage;
    - Reviewing how supplies are placed in zones;
    - Observing how Parkland's Supply Technician identified the correct tote/box to take to his/her assigned location and then validating the supply quantity received to the Content Label;
    - Collected all Content and Box Labels for each observation site and then compared the item ordered quantity to the quantity on the Content Label to the actual quantity received to the quantity sent per the vendor's Pack List.
- Completed an Invoice Comparison by reviewing the ordered quantity to the actual quantity received to the quantity and price charged to Parkland.
- Completed an Infor Unit Price to the vendor's Contract Price comparison.

### Performance Risk Rating: **Medium**

This audit received a medium-risk rating for performance due to control weaknesses that prevent Parkland from ensuring that the supplies ordered (item and quantity) match supplies received, invoiced, and paid (three-way match).

### Importance Risk Rating: **High**

This area received a high-risk rating for importance due the need to have the correct quantity of PAR/LUM supplies available per The Joint Commission Standard, for patient care needs, and the financial impact, representing 17% Parkland's Total Supply Expense.

## Risk Rating Legend

| | | |
|---|---|---|
| **Top Performance** | • Controls are functioning as intended<br>• Corrective action plan, if any, is simple | 99-100 |
| **Low Risk** | • Zero or minor weaknesses identified<br>• Controls are functioning with minor errors or gaps identified<br>• Corrective action plan, if any, is straightforward | 95-98 |
| **Medium Risk** | • Controls are present, but not yet effective or sufficient and major issues noted that could jeopardize the accomplishment of business objectives<br>• May include a pattern of multiple minor weaknesses or newly identified findings<br>• Corrective action plan to remediate will be moderately complex | 90-94 |
| **High Risk** | • Controls not yet identified, not yet implemented, ineffective or insufficient; not functioning as intended and is a contributing factor to non-achievement of business objectives<br>• May include a pattern of moderate or significant weakness such as “second generation” findings<br>• Corrective action plan to remediate will be complex | Below 90 |

## Audit Conclusion

Per the contract, the vendor agrees to ensure product pick accuracy at 99% for LUM Products. During the review period, IAS observed 12 locations representing a total number of line items ordered of 5,387 with an error rate of 4.86% (items not received and items received but delivered to the incorrect location).

The current controls are incomplete and prevent Parkland from ensuring that the supplies ordered (item and quantity) match supplies received, invoiced, and paid.

Areas where controls function as intended include the following:

### Top Performance

- Updated Logging Inbound Supplies at the Receiving Dock Procedure which was last published on 1/26/2022;
- Provided training to the Supply Chain Technicians on the importance of validating contents against the content list and tote label and reporting discrepancies and damages to the Supervisor on the same day; and
- Supply Chain technicians validating the tote or box contents and quantity against the content label.

Many thanks and much appreciation to the Supply Chain team (Managers, Supervisors and Technicians) for the assistance and warm welcome extended to IAS during this audit.

## Issues/Findings

**Issue 1: LUM Supplies Not Received but Invoiced as Ordered and Paid**
**Risk Rating: Medium**
**Risk: Without controls in place, Parkland may be paying for supplies that were not received**

For 2 out of 12 (16.7%) Parkland Supply PAR/LUM locations reviewed, Supply Line Items ordered were not received as ordered. Parkland was Invoiced for items as ordered.

1. SICU - For 2 out of 34 (5.9%) Supply Line Items reviewed, the supplies were not received.

   For sample 12 – Parkland Ordered a quantity of 25 each and received zero (0).
   Variance = 25 each. The items were invoiced and paid.

   For sample 21 – Parkland Ordered a quantity of 40 each and received 15. Variance = 25 each.
   For the 15 items received there was a Content List showing that 15 items were delivered.
   The items were invoiced and paid.

2. MICU A - For 1 out of 38 (2.6%) Supply Line Items reviewed, the supplies were not received.
   For sample 25 – Parkland Ordered a quantity of 50 each and received 25. Variance = 25 each.
   For the 25 items received there was a supporting Content List showing that 25 items were delivered.
   The items were invoiced and paid.

## Recommendation

Conduct random audits of PAR/LUM supply locations to ensure supply line Items received matches what Parkland ordered (unless noted by the vendor as not filled/killed) and was invoiced correctly.

## Management Response

**Pamela Bryant, Senior Vice President and Chief Supply Chain Officer**

Supply Chain Supervisors will conduct and document random audits once a month.

**Targeted Completion Date:** June 30, 2023

**Issue 2: LUM Supplies "Shipped To" (Delivered) to the Incorrect Zone**
**Risk Rating: Medium**
**Risk: Supplies "Shipped To" (Delivered) to the Incorrect Zone decreases Supply Chain's productivity, negatively impacts financials since the ordering department was charged for supplies that they never received, impacts the receiving department by having too much inventory on hand that could increase inventory holding costs as well as increase product waste if products are not used prior to their expiration date.**

For 2 out of 12 (16.7%) Parkland Supply PAR/LUM locations reviewed, supplies that the vendor palleted and wrapped, were placed in the incorrect zone. Parkland was Invoiced for items to the "Shipped To" Locations as Ordered.

When one location receives supplies intended for a different location, this decreases Parkland's Supply Chain technicians' and supervisors' productivity by investigating and tracking where the supplies were delivered and/or taking the supplies to the correct location.

If the supplies are not located or returned to the ordering department, it negatively impacts financials since the ordering department was charged for supplies that they never received. This situation

impacts the receiving department by having too much inventory on hand that could increase inventory holding costs as well as increase product waste if products are not used prior to their expiration date.

1. Moody Medicine Infusion Therapy – Received 5 supply items (representing 189 Line Items) that should have been “Shipped To” the NPH Infusion Center.

2. ER Pod A – Received 11 supply items (representing 271 Line Items) that should have been “Shipped To” ER Pod B. The Outside Tote Label and the Pack List showed Shipped to POD A; however, the Content List inside the Tote showed ER POD B. The Supply Tech explained to IAS that this was a common issue and delivered the tote to ER POD B.

### Recommendation

Provide training to the Supply Technicians to report all incorrect zones deliveries to their Supply Chain Supervisor so that this information can be tracked and reported back to Medline.

### Management Response

**Pamela Bryant, Senior Vice President and Chief Supply Chain Officer**

Supply Chain will provide training to Technicians to report all incorrect zones deliveries to their Supply Chain Supervisor for reporting and tracking purposes.

**Targeted Completion Date:** June 30, 2023