

**RIVERSIDE: AUDIT & ADVISORY SERVICES**

June 12, 2012

To: Cindy Wong, Director  
Campus Health Center

Subject: Campus Health Center

Ref: R2012-19

We have completed our limited audit of the Campus Health Center in accordance with the UC Riverside Audit Plan. Our report is attached for your review. We will perform audit follow-up procedures in the future to review the status of management action. This follow-up may take the form of a discussion or perhaps a limited review. Audit R2012-19 will remain open until we have evaluated the actions taken.

We appreciate the cooperation and assistance provided by your staff. Should you have any questions concerning the report, please do not hesitate to contact me.

Michael R. Jenson  
Director

Attachment

Xc: Audit Committee Members  
Vice Chancellor Student Affairs Associate Vice Chancellor Kim

UNIVERSITY OF CALIFORNIA AT RIVERSIDE  
AUDIT & ADVISORY SERVICES  
MEMBER OF ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS

INTERNAL AUDIT REPORT R2012-19  
CAMPUS HEALTH CENTER  
JUNE 2012

Approved By:

---

Rodolfo Jeturian  
Assistant Director

---

Elizabeth S. Clarke  
Sr. Principal Auditor

---

Michael R. Jenson  
Director

# Table of Contents

<u>Section</u>	<u>Page</u>
I. Management Summary	1
II. Introduction	
A. <i>Purpose</i>	2
B. <i>Background</i>	2
C. <i>Scope</i>	3
D. <i>Internal Controls and Compliance</i>	4
III. Observations, Comments, and Recommendations	
A. <i>Internal Controls</i>	5
B. <i>Financial Management</i>	5
C. <i>Cashiering Operations</i>	6
D. <i>Billing and Reimbursement</i>	6
E. <i>Non-Payroll Expenditures</i>	9
F. <i>Payroll Expenditures</i>	10
G. <i>Pharmacy Inventory</i>	10
H. <i>HIPAA Compliance</i>	11

**UC RIVERSIDE  
CAMPUS HEALTH CENTER  
INTERNAL AUDIT REPORT R2012-19  
JUNE 2012**

**I. MANAGEMENT SUMMARY**

Based upon the results of work performed within the scope of the limited review, it is our opinion that, overall, the Campus Health Center's system of internal controls is operating satisfactorily and generally in compliance with University policies and procedures.

Positive observations include:

- In February 2011, the Accreditation Association for Ambulatory Health Care, Inc. (AAAHC) granted the Campus Health Center (CHC) a three-year accreditation expiring January 25, 2014 based on AAAHC's survey that CHC meets and complies with the standards found in the Accreditation Handbook for Ambulatory Health Care.
- CHC accounting functions appear to be effectively managed by the Management Services Officer with monthly internal financial reports prepared that present revenues and expenditures for each CHC service center.
- CHC develops and maintains manuals on its policies and procedures that cover administration, services, clinical operations, and front desk protocols.
- Five committees support and assist CHC in the management of the center. The responsibilities of each committee are delineated in the CHC Policies and Procedures Manual.

We observed some areas that need enhancement to strengthen internal controls and/or effect compliance with University policy:

- Insurance reimbursements for the period October to December 2011 had not been billed. Changes in billing procedures have caused delays in CHC's billing insurance reimbursements for services in October to December 2011. New billing procedures planned to be implemented by September 2011 required further changes that were resolved in January 2012 with billings being processed beginning with the January 2012 services. While CHC is up-to-date with its billings for 2012, those for the period October to December 2011 amounting to approximately \$400,000 still need to be billed and CHC indicated it would require additional resources to accomplish this. (Observation III.D.2)

- CHC does not have a disaster recovery plan for its information systems (e.g., Point and Click, ProPharm). (Observation III.D.3)

These are explained in greater detail in Section III of this report. Minor items that were not of a magnitude to warrant inclusion in the report were discussed verbally with management.

## **II. INTRODUCTION**

### **A. PURPOSE**

UC Riverside Audit & Advisory Services, as part of its Audit Plan, performed a limited review of the Campus Health Center to evaluate compliance with certain University policies and procedures, efficiency and effectiveness of selected operations and adequacy of certain internal controls.

### **B. BACKGROUND**

The UCR Campus Health Center is the campus department that provides health care to students. Its mission is to promote academic excellence, enrich the student experience, and support student retention by providing high quality, accessible, cost-effective, and comprehensive medical care to students, with a focus on multidisciplinary services, health education and prevention.

Five committees provide support and input in the management of the CHC:

1. Executive Committee – Acts as the decision-making board and conducts final review of changes to CHC policies and procedures. The Committee meets twice a month and conducts an Annual Meeting.
2. Student Health Advisory Committee (SHAC) – Primarily negotiates with CHC on insurance premiums to be charged to the students. Also, discusses coverage, benefits, allowables, and price changes on fees for services. The SHAC voting members consist of 12 student representatives from campus student organizations. Non-voting members consist of CHC, VCSA, and Counseling Center management.
3. Quality/Risk Management Committee (QRM) – Responsible for the Quality Management and Improvement Program. QRM meets quarterly and is primarily responsible for developing a process to identify significant problems or concerns relevant to improving the quality of services provided.

4. Credentialing Committee – Responsible for reviewing certification and re-certification of professional healthcare staff and CHC's AAAHC credentialing.
5. Emergency and Safety Committee – Responsible for emergency response and safety at CHC. The committee meets quarterly.

The above five committees provided support and assistance during CHC's AAAHC accreditation process.

In November 2011, CHC hired a new Director. CHC has a staff complement of 38 career, 12 limited, and one contract employees.

CHC is primarily funded by fees for services recorded in Fund 66019. Annual revenues from Fund 66019 for the last three fiscal years averaged \$4 million. CHC also receives funding from the UC Student Services Fees (Fund 20000) averaging \$1.4 million annually. Overall annual expenditures averaged \$5.3 million.

## **C. SCOPE**

Audit & Advisory Services reviewed selected records supporting transactions that occurred between January and December 2011, and examined procedural controls relating to the following major administrative areas:

### **1. Internal Controls**

We evaluated administrative and accounting procedures and internal controls based on management responses to the internal control questionnaire and verification of selected areas.

### **2. Financial Management**

We performed a financial analytical review of revenues and expenditures for fiscal years 2007-2008, 2008-2009, 2009-2010, and 2010-2011. This included identifying unusual trends or fluctuations including the reasons for any variances. Also, we identified any funds with deficit balances.

### **3. Cashiering Operations**

Controls over cashiering operations were evaluated. A judgmental sample of 10 Deposit Advice Forms (DAF) from January through December 2011 totaling \$115,228 was tested for propriety, accuracy, and policy compliance.

#### **4. Billing and Reimbursement**

We determined CHC billing procedures for services. We performed an analytical review of billings and reimbursements posted in Balance Sheet Account 112789, Accounts Receivable, for the prior and current fiscal years, and noted any unusual variances that should be researched or investigated. We interviewed the Information Technology Director regarding delayed billings and the CHC information systems disaster recovery plan.

#### **5. Non-Payroll Expenditures**

We selected and reviewed a judgmental sample of 24 non-payroll expenditures totaling \$323,240. The sample consisted of 10 travel and entertainment transactions totaling \$8,905 and 14 other non-payroll expenditures totaling \$314,335.

#### **6. Payroll Expenditures**

We judgmentally selected the January to December 2011 timesheets of 12 employees. We reviewed their timesheets for wages paid and leave posted to the Payroll/Personnel System (PPS) and the Distribution of Payroll Expense (DOPE) reports.

#### **7. Pharmacy Inventory**

Controls over the Pharmacy Inventory were reviewed and evaluated. We performed an analytical review of Pharmacy purchases and reviewed the most recent physical inventory.

#### **8. Health Insurance Portability and Accountability Act (HIPAA) Compliance**

We reviewed the results of the AAAHC accreditation process with regard to HIPAA compliance noting that CHC was indicated to be in compliance.

### **D. INTERNAL CONTROLS AND COMPLIANCE**

As part of the review, internal controls were examined within the scope of the audit.

Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations

Our substantive audit procedures were performed from January to March 2012 (not inclusive). Accordingly, this evaluation of internal controls is based on our knowledge as of that time and should be read with that understanding.

### **III. OBSERVATIONS, COMMENTS, AND RECOMMENDATIONS**

#### **A. Internal Controls**

We reviewed and evaluated the CHC's overall organizational structure and controls to ensure that these are conducive to accomplishing their business objectives through the completion of the Internal Control Questionnaire (ICQ).

Our review did not disclose any exceptions.

#### **B. Financial Management**

Expenditures were funded by Sales and Service Fund 66109, Student Health Services, and Fund 20000, UC Student Services Fee. Financial highlights during the current and last three fiscal years (FY) are presented below:

	<b>2011-2012</b>	<b>2010-2011</b>	<b>2009-2010</b>	<b>2008-2009</b>
Revenues - 66019	1,745,915	4,461,951	3,979,898	3,416,718
Fund 20000	1,275,000	1,642,929	1,276,976	1,299,865
Total Funding	3,020,915	6,104,880	5,256,874	4,716,583
Expenditures	2,891,955	6,062,912	5,037,442	4,893,888
Surplus (Deficit)	128,960	41,968	219,432	( 177,305)

Note: Revenues and expenditures recorded in Fund 66164, Student Health Insurance Premiums, beginning FY 2011-2012 were excluded from the above table. Revenues – 66019 and Expenditures were as of 12/31/2011.

Sales and Service revenues continue to increase since FY 2008-2009, averaging 11% annually. Fund 20000 allocation to CHC had been decreasing from FY 2007-2008 to FY 2009-2010 but in FY 2010-2011, CHC was given funding of \$1.6 million. However, for the current FY 2011-2012, CHC's Fund 20000 allocation decreased to \$1.3 million.

Increases in revenues and expenditures appeared reasonable and consistent with student population growth. No unusual trends in revenues and expenditures were detected that could not be explained.

Monthly internal financial reports reflect budgeted, actual, and projected (for the remaining months) revenues and expenditures for each CHC cost center: medical clinic, dental, pharmacy, laboratory, etc. The reports are prepared by the Management Services Officer and submitted to the CHC Director and Vice Chancellor, Student Affairs Associate Vice Chancellor.

### **C. Cashiering Operations**

Excluding insurance reimbursement checks, cash receipts averaged \$250,000 annually consisting of cash and checks of \$60,000 and credit card receipts of \$190,000. Insurance reimbursement checks averaged \$1.4 million annually.

CHC maintains change and petty cash funds totaling \$700. We conducted an unannounced cash count on 3/22/2012 and no exceptions were noted during that cash count.

Cash, checks, and credit card payments are received and processed by the Front Office cashiers. Daily reconciliation of all receipts is supported by the following documentation: Cash Collection Report, Ring-out Totals Tape for each cashier, Sales Summary, Detailed Listing of Transactions by Cashier, Deposit Summary, and Deferred Charges Report (Accounts Receivable).

A judgmental sample of 10 Deposit Advice Forms (DAF) from January through December 2011 totaling \$115,228 was tested for propriety, accuracy, and policy compliance. Cash receipts were traced to supporting documentation. Also, procedures were performed to determine the timeliness of bank deposits, tracing them to CHC's Armored Car Pick up Log. Daily collections, as reported in the daily Cash Collection Reports, were deposited intact and in a timely manner.

### **D. Billing and Reimbursement**

#### **1. Summary**

Charges for services for insurance billing are processed daily and included as revenues in the Deposit Advice Form (DAF) with amounts identified as "deferred" and debited to the Balance Sheet Account (BSA) 112789, Accounts Receivable, Student Health Service.

Billings are processed and forwarded electronically to insurance claim administrators for reimbursement. When reimbursement checks are received by CHC, they are credited to the BSA 112789.

Our observations are discussed below.

## 2. Accounts Receivable

Insurance reimbursements for the period October to December 2011 had not been billed. Changes in billing procedures have caused delay in CHC's billing insurance reimbursements for services for the period October to December 2012.

### COMMENTS

In FY 2011-2012, UCOP had implemented a change in insurance carriers that required a change in billing procedures. New billing procedures planned to be implemented by September 2011 required further changes that were resolved in January 2012 with billings being processed beginning with the January 2012 services. While CHC is up-to-date with its billings for 2012, those for the period October to December 2011 amounting to approximately \$400,000 still need to be billed and CHC indicated it would require additional resources to accomplish this.

BSA 112789 quarterly balances in FY 2011 ranged from \$98,000 to \$135,000, averaging \$115,000. In FY 2012, outstanding Accounts Receivable (A/R) as of 12/31/2011 was \$624,000, increasing to \$687,000 as of 1/31/2012, and declining to \$505,000 by 2/29/2012.

FY 2011		FY 2012	
Date	Balance	Date	Balance
9/30/2010	114,091	9/30/2011	120,871
12/31/2010	98,176	12/30/2011	624,126
3/31/2011	134,872	1/31/2012	686,902
6/30/2011	111,321	2/29/2012	504,890
Quarterly Average	114,615		

Insurance reimbursements started to decline in October 2011. As of 12/31/2011, only 34% of the current year's recorded Accounts Receivable had been collected. Comparatively, for the same period in prior years, about 80% of the recorded A/R had already been collected.

	FY 2012 (12/31)	FY 2011 (12/31)	FY 2010 (12/31)	FY 2009 (12/31)
Charges	968,447	827,919	720,842	632,137
Reimbursements	(326,485)	(688,769)	(573,446)	(506,774)
% Reimbursed	34%	83%	80%	80%

The resumption of billings in January 2012 resulted in the decrease of A/R to \$504,890. However, reimbursements are still behind by as much as \$725,000 to reach the 80% average.

	FY 2012 (2/29)	FY 2011 (6/30)	FY 2010 (6/30)	FY 2009 (6/30)
Charges	1,347,913	1,928,076	1,624,625	1,534,519
Reimbursements	(352,394)	(1,571,926)	(1,311,944)	(1,238,049)
% Reimbursed	26%	82%	81%	81%

### RECOMMENDATIONS

Management should consider providing additional resources to expedite the billings for the period October to December 2011, so that as much as possible, these receivables are collected within this fiscal year.

### MANAGEMENT RESPONSE

Effective September 19, 2012 the Campus Health Center's student health insurance plans changed from local participation to the statewide insurance plan managed by UCOP who is currently contracting with Anthem Insurance and Delta Dental. Prior to this change the Insurance Department had over a ten year relationship with a smaller payment management company, Personal Insurance Administrators. The new insurance plan managed by UCOP along with their third party vendors, Wells Fargo and Anthem Blue Cross, had a different set of requirements for transferring billing files. Unfortunately, there were numerous compatibility issues between CHC and Anthem/Well Fargo systems which took much longer time than expected to resolve due to technical and non-technical reasons. The problems have been resolved and we have been able to bill since January 2012.

The Acting Insurance Coordinator and staff have processed the majority of the claims for the period in question. Once the Accounting Department records the Anthem payments deposited by EFT to Bank of America to date our balance will have dropped to the \$250,000 range as of May 18<sup>th</sup> collections. Anthem, Delta Dental, Wells Fargo, and the third party payment processor are working with us to process remaining aged claims for October through December as the carrier is also anxious to complete their statistics for the insured period. We anticipate that our balances will be back in line on July 1, 2012.

### **3. Information Systems Disaster Recovery Plan**

CHC does not have a disaster recovery plan for its information systems (e.g., Point and Click, ProPharm).

#### COMMENTS

There is no written document that can be referred to for guidance on procedures or actions to be taken in the event of a crisis or emergency affecting CHC computer systems and data files.

Disaster recovery of information technology components supports restoring operations critical to the resumption of business, including regaining access to data, communications, and other processes after a disaster.

#### RECOMMENDATIONS

A disaster recovery plan for its information systems must be developed to increase the probability of successfully recovering vital organization records.

MANAGEMENT RESPONSE (Vice Chancellor Student Affairs – Information Technology)

VCSA-IT understands the recommendation. VCSA-IT plans on developing a recovery plan by September 2013.

### **E. Non-Payroll Expenditures**

Non-payroll expenditures and its percentage to total expenditures for the current and last three fiscal years are presented below:

	2011-2012	2010-2011	2009-2010	2008-2009
Non-Payroll Expenditures (NPE)	941,104	2,251,247	1,712,738	1,718,539
Total Expenditures (TE)	2,891,955	6,062,912	5,037,442	4,893,888
% of NPE to TE	33%	37%	34%	35%

Note: FY 2011-2012 amounts were as of 12/31/2011 and excludes expenditures recorded in Fund 66164.

An average of \$990,000 of the non-payroll expenditures was spent annually on BC41, Supplies and Materials. Medical, dental, pharmacy, and laboratory supplies are recorded in this budget category. Pharmaceutical supplies for resale account for approximately \$800,000 (81%) of the BC41 annual expenditures. This is further discussed in III.G.

We judgmentally selected 10 travel and entertainment expenditures totaling \$8,905 and 14 other non-payroll expenditures totaling \$314,335. Transactions were reviewed for validity, reasonableness, proper approvals, completeness of supporting documentation, and compliance with applicable University policies.

Generally, non-payroll expenditures were properly approved, documented, supported by receipts and/or properly approved purchase orders and invoices, and complied with applicable University policies. Internal controls on processing accounts payable and purchasing transactions appear adequate.

#### **F. Payroll Expenditures**

CHC salaries and benefits account for approximately 65% of total annual expenditures. Total payroll expenditures for the last three fiscal years were \$3.2 million in FY 2008-2009, \$3.3 million in FY 2009-2010, and \$3.8 million in FY 2010-2011. Payroll expenditures for FY 2011-2012 are projected at \$3.9 million.

Generally, internal controls on segregation of duties were adequate. Payroll transactions covering the period January to December 2011 for a judgmentally selected sample of 12 employees were reviewed.

#### **G. Pharmacy Inventory**

CHC Pharmacy uses the Kalos ProPharm System to manage its inventory. ProPharm interfaces with Point and Click (P&C), the electronic medical records system. The majority of its purchases are made through Cardinal Health. Sales are recorded in ProPharm upon the patient's signing of receipt of the prescription and in the patient's P&C record for insurance billing. Internal controls over purchases and sales appear to be adequate.

A year-end physical inventory is conducted by an outside service, Retail Grocery Inventory System (RGIS). Hand count is made on Drug Enforcement Administration (DEA) items and controlled substances. On open prescription bottles, an estimation of the remaining pills is done.

Purchases of pharmaceutical supplies and the value of the fiscal year-end physical inventory for the last three fiscal years were as follows:

	2010-2011	2009-2010	2008-2009
Purchases	880,830	798,720	738,375
Physical Inventory	68,957	55,594	56,371

Physical inventory results are compared to ProPharm-generated inventory reports. In the 6/30/2011 physical inventory, the system records had a balance of \$65,749 which was \$3,208 (5%) less than the physical inventory total of \$68,957.

#### **H. HIPAA Compliance**

The HIPAA Security Rule requires covered entities to maintain reasonable and appropriate administrative, technical, and physical safeguards for protecting electronic protected health information (e-PHI). Specifically, covered entities must:

- Ensure the confidentiality, integrity, and availability of all e-PHI they create, receive, maintain or transmit;
- Identify and protect against reasonably anticipated threats to the security or integrity of the information;
- Protect against reasonably anticipated, impermissible uses or disclosures; and
- Ensure compliance by their workforce.

The Security Rule defines “confidentiality” to mean that e-PHI is not available or disclosed to unauthorized persons. The Security Rule's confidentiality requirements support the Privacy Rule's prohibitions against improper uses and disclosures of PHI.

CHC's HIPAA Compliance procedures consist of posters in the lobby and a kiosk where patients are required to acknowledge being informed of the HIPAA rules. Likewise, CHC's website contains a link to "Patient Rights and Responsibilities" and the "Notice of Privacy Practices". The Notice covers UCR/CHC's commitment to protect medical information including the patient's right to inspect and copy, request restrictions, and procedure on how to file a complaint.

During the AAAHC accreditation process, AAAHC gave CHC an overall compliance rating of "SC" (Substantially Complied) on Clinical Records and Health Information. The survey included a review of a sample of patient files and a comment that the electronic medical record is working extremely well. Likewise, it included compliance with standards on confidentiality, security, and physical safety of records.