

November 2, 2023

ALEXANDER NORBASH, MD
Chair
Department of Radiology
8224

Subject:*Department of Radiology
Report 2023-17*

The final report for Department of Radiology Report 2023-17, is attached. We would like to thank all members of the department for their cooperation and assistance during the review.

Because we were able to reach agreement regarding management action plans in response to the audit recommendations, a formal response to the report is not requested. The findings included in this report will be added to our follow-up system. We will contact you at the appropriate time to evaluate the status of the management action plans.

UC wide policy requires that all draft reports be destroyed after the final report is issued. We also request that draft reports not be photocopied or otherwise redistributed.

Christa Perkins
Director
Audit & Management Advisory Services

Attachment

cc: Sonia Anaya
 Judy Bruner
 Alex Bustamante
 John Carethers
 Maegan Carey
 Rina Davison
 Agnes Flanagan
 Steven Garfin
 Robert Nelson
 Pierre Ouillet
 Ron Skillens
 Charles Wei

UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

Department of Radiology
Report No. 2023-17
November 2023

FINAL REPORT

Performed By:

Gábor Herman, Senior Auditor
John Teevan, Manager

Approved By:

Christa Perkins, Director

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I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of the Department of Radiology (Radiology) as part of the approved audit plan for Fiscal Year 2022-23. The objective of our review was to perform an overall assessment of Radiology business operations to determine whether internal controls provide reasonable assurance that financial results are accurately reported, operations are effective and efficient, and activities are compliant with relevant policies and procedures.

Based on our review, we concluded that internal controls in Radiology were adequate to provide reasonable assurance that operations were effective, performed in compliance with University policy, and resulted in accurate financial reporting. Radiology has an experienced and knowledgeable team that is dedicated to effective management operations. The Administrative Vice Chair position was in transition during our review, and during this time the Associate Business Officer had assumed significant additional responsibility to ensure business office functions were operating effectively.

Our business process review, as summarized in **Attachment A**, illustrates effective operations in multiple areas including service agreements, default account monitoring, purchasing & procurement Card, travel, and others.

However, we did identify opportunities for improvement in areas related to Financial Management and Asset Management. Management Action Plans to address our findings are noted below:

A. Financial Management

1. Radiology will continue to work with the Vice Chancellor for Health Sciences (VCHS) Controller and Campus Budget Office (CBO) on required deficit reduction plans, and confirm that the deficit resolution plans are ultimately approved.
2. Radiology will implement guidelines for the standard clinical compensation process, the clinical compensation calculation model, and reconciliation processes between central calculations and those performed by Radiology. These processes will be cross-trained to other department personnel.

B. Asset Management

1. Radiology will update the inventory process to include that equipment identification records are complete, that the tracking and verification of current equipment is performed, and Campus Asset Management System (CAMS) is regularly reviewed and updated in compliance with policy and Statement of Auditing Standards (SAS) 115.
2. Radiology will review the equipment inventory to ensure that department assets properly reflect the accurate serial number and other policy-required elements for each in CAMS, as appropriate.

Observations and related management action plans are described in greater detail in section V. of this report.

II. BACKGROUND

Audit & Management Advisory Services (AMAS) has completed a review of the Department of Radiology (Radiology) as part of the approved audit plan for Fiscal Year 2022-23. This report summarizes the results of our review.

The Department of Radiology (Radiology) is a department within the UC San Diego (UCSD) School of Medicine (SOM), with approximately 422 employees, approximately 120 salaried faculty and 81 contracted physicians reporting to the Chair, who was appointed in September 2015. Its mission is to “provide patient-first imaging-based care, train tomorrow's radiology leaders, and discover and establish novel solutions at the intersection of health care, science, and technology.” Radiology provides oversight for a number of comprehensive academic, research and clinical programs, and is currently providing training to 76 medical residents and 11 post-doctoral fellows.

Radiology provides both clinic-based and hospital-based services. Clinical programs include advanced diagnostic and interventional imaging services to more accurately diagnose and effectively treat patient conditions. Advanced imaging services include bone density testing, brain imaging, breast imaging, computed tomography (CT), interventional radiology, magnetic resonance imaging (MRI) nuclear medicine and ultrasounds. Program faculty members include radiologists and interventional radiologists appointed in Radiology and other departments such as Neurosurgery and Neurointerventional Surgery.

Radiology’s central business functions include academic personnel and staff human resources (HR), budget and finance, clinical finance, and operations. The Vice Chair for Administration reports to the Chair and has oversight of the central business functions. Oversight of faculty compensation was a shared responsibility among members of the business office centralized functions. Radiology benefits from VCHS Services Core support, including the Academic Resource Center (ARC), Health Human Resources, Health Sciences Research Service Core (RSC) and Health Sciences Information Technology (IT). The last AMAS departmental review was completed in August 2012.

According to the UCSD Financial Reports¹ through May for Fiscal Year (FY) 2022-2023, Radiology had approximately \$54.0 million in total revenue including contracts and grants of \$12.5 million (23%) and a net loss of \$4.6 million. Radiology has an ending net position of \$2.8 million before deducting capital assets. Payroll and compensation were approximately 88% of total expenses. Total revenues, expenses and transfers from all sources are summarized in the following table.

Fiscal Year 2023 through May	Clinical Operations	Contracts & Grants	Other	Total
Total Resources	\$34,846,802	\$12,495,945	\$6,662,876	\$54,005,623
Total Expenses & Transfers	\$40,834,152	\$12,726,670	\$5,016,137	\$58,576,959
Change in Net Position	(\$5,987,350)	(\$230,725)	\$1,646,739	(\$4,571,336)
Beginning Net Position	(\$4,998,114)	\$9,361	\$12,363,972	\$7,375,219
Ending Net Position	(\$10,985,464)	(\$221,364)	\$14,010,711	\$2,803,883
Less: Capital Assets	\$712,571	\$1,075,827	\$2,293,121	\$4,081,519
Resources Available	(\$11,698,035)	(\$1,297,191)	\$11,717,590	(\$1,277,636)

¹ OFC FIS Net Operating Results and Fund Balance Report

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objective of our review was to perform an overall assessment of Radiology business operations to determine whether internal controls provide reasonable assurance that financial results are accurately reported, operations are effective and efficient, and activities are compliant with relevant policies and procedures.

To achieve our objective, we performed the following:

- Reviewed department business documentation and information including the Radiology website, organizational structure, and financial reports;
- Reviewed applicable federal regulations, and requirements, and UC policies relating to core business operations, including the Academic Personnel Manual (APM), selected Business & Financial Bulletins and others;
- Interviewed the following:
 - Associate Business Officer and Finance Director;
 - General Accountant; and
 - Financial Specialist.
- Reviewed the following:
 - Department laboratory service agreements;
 - Department consulting agreements;
 - Deficit management policy regarding operational funds;
 - Outside Activity Tracking System (OATS) annual reporting and related requirements;
 - Faculty compensation plan and Management & Senior Professional (MSP) physician payment process;
 - Direct retroactive payroll adjustments at UC Path;
 - Department Campus Asset Management System (CAMS) reporting; and
 - UCSD Foundation and UC Regents gift funds balances and their use.
- Evaluated department internal controls for key business processes, analyzed procedures, and for selected processes, and traced transactions to supporting documentation;
- Evaluated:
 - Financial system user roles and Procurement Card (P-Card) Administrators;
 - OFC FIS reports for the FY ended June 30, 2022, and the current FY 2023, including Net Operating Results, Distribution of Payroll Expenses, Financial Deficit, Project Balances, and Default Projects reports;
 - Available department financial reports including June 2022 Profit & Loss (P & L) Financial Summary for Academic and Clinical Operations and selected programs, FY2023 Budget, Health System Funding, Check Deposits and Accounts Receivables Aging; and
 - Department Clinical Compensation Plan applicable to FY2023, Equipment Inventory, Procurement and Travel Cards List, and Conflict of Commitment Certifications;
- Analyzed a sample of the following for policy compliance and/or contract terms & conditions:
 - Laboratory service agreement invoices traced through accounts receivable processing;
 - Department consulting agreements for payment terms and invoice payments;
 - Purchase and travel card transactions;

- Travel and expense reimbursements;
- Business event payments and authorizations;
- Gift funds expenditures with respect to donor intended purposes;
- Compensation payments for faculty and MSP physicians; and
- Inventoriable equipment purchases and corresponding records in CAMS.

IV. CONCLUSION

Based on our review, we concluded that internal controls in Radiology were adequate to provide reasonable assurance that operations were effective, performed in compliance with University policy, and resulted in accurate financial reporting. Radiology has an experienced and knowledgeable team that is dedicated to effective management operations. The Administrative Vice Chair position was in transition during our review, and during this time the Associate Business Officer had assumed significant additional responsibility to ensure business office functions were operating effectively.

Our business process review, as summarized in **Attachment A**, illustrates effective operations in multiple areas including service agreements, default account monitoring, purchasing & procurement card, travel, and others.

However, we did identify opportunities for improvement in areas related to Financial Management and Asset Management. These items are discussed in the balance of this report.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	Financial Management
Financial management could be improved with the documentation of the performance of financial monitoring and the approval of deficit resolution plans. Also, the Radiology Clinical Compensation Plan processes are not documented and are performed primarily by a single department individual.	
Risk Statement/Effect	
Undocumented transaction review of financial information increases the risk of overspending, as well as errors/irregularities that could remain undetected for extended periods of time. Also, current incentive payment practices that are not documented and/or in strict compliance with Division Clinical Compensation Plans may result in variances in incentives payments which could be challenged by clinical Health Sciences Compensation Plan (HSCP) members.	
Management Action Plans	
A.1	Radiology will continue to work with the VCHS Controller and CBO on required deficit reduction plans, and confirm that the deficit resolution plans are ultimately approved.
A.2	Radiology will implement guidelines for the standard clinical compensation process, the clinical compensation calculation model, and reconciliation processes between central calculations and

those performed by Radiology. These processes will be cross-trained to other department personnel.

A. Financial Management – Detailed Discussion

Deficit Monitoring and Resolution

University Policy (PPM 300-2, Financial Deficit Policy), states that departments will not be permitted to carry over Financial Deficits exceeding \$25,000 without a deficit resolution plan that is approved by the Department Chair/Designee and Dean/Vice Chancellor. It specifies financial standards, criteria, and qualifications for individuals and units. Financial Deficits that cannot be resolved by fiscal year-end are rare. In such rare cases, departments forward written and well justified requests to roll over deficit to the next fiscal year to the VC-CFO via the CBO.

Department administrators should monitor and resolve deficits in accordance with the financial deficit policy, including obtaining and documenting approval of deficit resolution plans. Radiology has indicated that the Department regularly monitors deficits and reports deficit resolution plans to the VCHS Controller. The VCHS Controller's Office has indicated that Radiology has timely submitted the requested deficit fund balance management information and are consistent with expected internal control practices.

Deficit conditions in Radiology are being monitored as part of the CBO quarterly risk registry report. As of FY23 Q3, CBO reporting indicated an Operating Funds Deficits (All Funding Sources including Core, Unrestricted and Gift Funds; excluding Sponsored Research) of \$6,056,785. Strategies to address the deficit in certain areas are under consideration, some of which may include an internal loan, and additional deficit reduction plans.

Faculty Compensation

The HSCP governs compensation for all Health Sciences faculty who have an appointment of 51% or greater and are in good standing. Under this plan, salary is based on rank and step (X), Academic Programmatic Unit (APU) or affiliation (X'), and a negotiated Y component, where applicable. Combined, these three components comprise the annual salary. HSCP faculty members may also receive incentives, referred to as Z Payments. Division Clinical Compensation Plans describe the manner in which faculty members may earn incentive compensation beyond base and negotiated compensation. Only the earned income portion of salary (X and X') are the secured portion on income. Negotiated Y and Z payments are not guaranteed income.

Our detailed testing of sampled compensation payments for faculty and MSP physicians did not indicate any errors or inaccuracies, and payments were consistent with the department compensation plan. However, these compensation processes were not documented consistent with policy and SAS 115. In addition, these duties are currently the responsibility of a single member of department management. If staff are not properly cross-trained in all forms of faculty compensation, there is a risk of variances or delays in incentives payments impacting the department's business continuity.

B.	Asset Management
Equipment inventory verification was not performed in compliance with policy, as inventory records were incomplete. Capitalized equipment records in CAMS did not include serial numbers, which is required by policy.	
Risk Statement/Effect	
If assets are not properly recorded into CAMS, there is a risk that assets may be unaccounted for. Inconsistent inventory processes could lead to errors resulting in issues tracking or maintaining assets, including those purchased on federal awards.	
Management Action Plans	
B.1	Radiology will update the inventory process to include that equipment identification records are complete, that the tracking and verification of current equipment is performed, and CAMS is regularly reviewed and updated in compliance with policy and SAS 115.
B.2	Radiology will review the equipment inventory to ensure that department assets properly reflect the accurate serial number and other policy-required elements for each in CAMS, as appropriate.

B. Asset Management – Detailed Discussion

University policy (*BUS-29: Management and Control of University Equipment (BUS-29)*) states that the head of the custodial department and the Principal Investigator have primary responsibility for the care, maintenance, control and disposition of physical inventorial equipment. Compliance with these responsibilities is most effective if the manufacturer, model number and serial numbers (where present) are recorded in the equipment record as required by BUS-29. CAMS is the official system of record for property, including inventorial equipment, at the University.

Our review noted that the equipment inventory records in CAMS were not fully completed for 23 identical equipment items purchased by Radiology that did not include unique serial numbers. We also noted that Radiology does not have the comprehensive equipment inventory process documented, including properly recording complete identification information for equipment acquisitions.

Attachment A – Audit Results by Business Office Process

Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion ¹	Comments
	Analytical Review of Financial Data	ICQ / SOD Matrix / Interviews	Process Walk-through	Transaction Testing (Sample Basis)			
Compensation Plan – Faculty	√	√	√	Reviewed a representative faculty from each of the five Academic Programmatic Units (APUs), each in a separate month. Traced faculty letters to budgeting calculations and Payroll Records.	No	Improvement Needed	Radiology Clinical Compensation Plan processes are not documented and are performed primarily by a single department individual. Report Finding A
Ledger Transaction Verification		√	√	Radiology aims to complete a comprehensive review of all transactions monthly.	No	Improvement Needed	The standard to which financial transactions are reviewed is not documented and neither are the monthly review results documented or signed off. Report Finding A
Equipment Management	√	√		Reviewed eight purchases and traced four to Capitalized Asset Manage System (CAMS) records. Reviewed CAMS records and equipment inventory process for completeness.	No	Improvement Needed	Sampled equipment purchases were recorded in CAMS. Records for equipment reviewed, and similar assets were missing a serial number, a UC BUS-29 requirement. Report Finding B
Deficit Management	√	√	√	Reviewed Deficit Balance Reports for FY 2022 and as of 12/31/22 for operating funds and projects. Traced material deficit funds to plans as filed with Vice Chancellor – Health Sciences (VCHS), Controller’s Office.	Yes	Improvement Suggested	Radiology has been communicating quarterly with VCHS Controller’s Office on resolution plans for funds in deficit. We noted that deficits had been identified, and deficit reduction plans are in process with the VCHS Controller’s Office and CBO. Approval should be documented by Radiology. Report Finding A

¹ Scale: Satisfactory - Improvement Suggested - Improvement Needed - Unsatisfactory

Attachment A – Audit Results by Business Office Process

Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion ¹	Comments
	Analytical Review of Financial Data	ICQ / SOD Matrix / Interviews	Process Walk-through	Transaction Testing (Sample Basis)			
Invoicing – Service Agreements	√	√	√	Reviewed payment received on six invoices from four separate service providers.	Yes	Satisfactory	Invoices are tracked in a separate process the supports service agreement receivables. Payments are prompt.
Invoicing & Payment Terms – Consulting agreements	√	√	√	Reviewed six consulting agreements for payment terms. For the five active agreements, reviewed invoices and payments.	Yes	Satisfactory	The establishment of a billing process within systems to support a new contract is documented. Staff are cross trained on billing procedures.
Cash/Cash Equivalent Controls		√	√	Reviewed receipts processing that supports credential verification activities.	Yes	Satisfactory	This is an incidental revenue cycle to process payments to offset credential verification costs for department alumni.
Conflict of Commitment Certification	√	√		Reviewed faculty compliance with conflict of commitment filing as per APM 671 for FY2022.	Yes	Satisfactory	All applicable faculty members have submitted their certifications.
Equity, Diversity & Inclusion	√	√		Contacted the Radiology Director of Equity, Diversity and Inclusion (EDI). Reviewed the EDI website and EDI committee member list.	Yes	Satisfactory	The department has an extensive EDI effort that is well documented and engages with the community through multiple channels.
Default Account Monitoring	√	√	√	Reviewed department’s default accounts activity on UC-Path. Reviewed monitoring and adjustment activity.	Yes	Satisfactory	VCHS completes the adjustments that the department proposes. Radiology retains full documentation. Associate Business Officer and Financial Director approves VCHS adjustments.
Financial Management and Oversight	√	√		Reviewed financial oversight process, available OFC financial reports and departmental P/L statement for clinical and academic operations.	Yes	Satisfactory	Business officer has weekly leadership meeting with the Chair to review financial results and budgetary decisions.

Attachment A – Audit Results by Business Office Process

AMAS Audit Review Procedure							
Business Office Process	Analytical Review of Financial Data	ICQ / SOD Matrix / Interviews	Process Walk-through	Transaction Testing (Sample Basis)	Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion ¹	Comments
Gift Funds Management	√	√		Reviewed department’s gift funds for activity and expenditure compliance per donors’ designations.	Yes	Satisfactory	There are opportunities to use several gift funds that support departmental operations.
Purchasing & Procurement Card	√	√		Reviewed oversight for Procurement and Travel Cards. Reviewed a sample of ten expenditure card transactions for compliance with P-Card guidelines and policy.	Yes	Satisfactory	Transactions were substantiated with supporting documents and approved. One expenditure by the former Administrative VC was approved by a subordinate. Department should ensure appropriate approver for the future Administrative VC.
Travel & Business Events	√	√		Travel and entertainment transactions were evaluated in separate samples. A total of 13 travel expenditures were reviewed, three of which were reimbursements. A sample of eight business events were evaluated for compliance with policy and authorization.	Yes	Satisfactory	Travel and business events were paid from departmental funds as opposed to sponsored projects. Expenditures by the Chair were reviewed by the Dean’s office. One expenditure by the Associate Business Officer was reviewed by a subordinate. Department should ensure appropriate approver for future transactions.
IT & Information Systems			√	Detailed testing not deemed necessary based on the overall risk assessment. Reviewed Information Systems with the Associate Business Officer and Financial Director.	Yes	Satisfactory	The IS environment oversight resides with UCSDH IS. Department currently has no unique business system needs.