

**UNIVERSITY OF CALIFORNIA, SAN FRANCISCO
AUDIT SERVICES**

**Medical Center
Cash Collections – Physician Services Copayments
Project #12-027
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Fieldwork Performed by:

Julia Mathis, Senior Auditor

Reviewed by:

Zuleikha Shakoor, Senior Associate Director

Approved by:

Rick Catalano, Director

Cash Collections – Physician Services Copayments Audit Services Project #12-027

MANAGEMENT SUMMARY

As a planned audit for fiscal year 2012, Audit Services performed a review of physician services copayment collection at the UCSF Medical Center. The objectives of the review were to evaluate the cash management processes to ensure proper collection of copayments; appropriate safeguards and accountability for amounts collected and compliance with campus and university policies.

In fiscal year 2011, copayments collected at the point of service were approximately \$2.9 million; representing 66% of total potential copayments of \$4.42 million (includes billed copayments collected of \$1.16 million and bad debt of \$359,000).¹ The audit focused on selected outpatient clinics that had a significant amount of point of service copayment collections, specifically, the Dermatology and General Internal Medicine Clinics located at Mount Zion. During fiscal year 2011, these clinics collected \$288,000 and \$107,933 respectively, in point of service copayment collections.

Procedures performed as part of the review included assessment of the work flow processes and internal controls for the collection, recording, reconciliation and depositing of co-payments; unannounced cash counts were performed and selected tests were performed to validate the controls and compliance with university policies.

Results of the review indicated that overall the selected clinics had effective controls in place to ensure appropriate accountability for cash collected, as well as proper segregation of duties and sufficient security and storage of cash. The review did identify opportunities to strengthen controls over cash accountability, monitoring and oversight, and compliance with existing University and Ambulatory Services departmental policies, including the completion of monthly cash audits. Management and monitoring of copayment collections could be improved by establishing key performance metrics for the clinics for their co-payment collection and utilizing existing reports to monitor collection rates. Additionally, there are opportunities for Medical Center Accounting to enhance their existing procedures for tracking and monitoring deposit activities to ensure compliance with policy and to identify changes in deposit amounts and frequency at clinics. Furthermore, in order to provide assurance that cash collections will be processed properly and in compliance with existing policies and to avoid misunderstandings of policy requirements, the Medical Center should develop a training program for annual refresher training for cash collectors as well as improving processes for tracking completion of refresher training.

¹ Copay collection data provided by Medical Group Billing Services.

Lastly, Medical Center Accounting should consider the cost effectiveness of expanding the number and locations for deposit drop boxes. In the course of the review, clinic management informed Audit Services that they believe that having drop boxes on site will help to minimize the staff productivity loss due to time spent for depositing as well as reduce safety risk for their depositors, who must currently travel with cash on their person.

More detailed information can be found in the body of this report.

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I. BACKGROUND

As a planned audit for fiscal year 2012, Audit Services performed a review of copayment cash collections at the UCSF Medical Center. In fiscal year 2011, copayments collected at the point of service was approximately \$2.9 million, representing 66% of total potential copayments of \$4.42 million (includes billed copayments collected of \$1.16 million and bad debt of \$359,000).²

The policies governing copayment collections include University Business and Finance Bulletin BUS- 49 (BUS-49), University Accounting Manual, Campus Administrative Policies and various Ambulatory Services Policies specific to the Medical Center's clinics. Additionally, the Ambulatory Services Procedure Manual has specific requirements regarding copayments, including the collection of copayments for each and every eligible patient at the point of service. Copayments that are not collected on the front end are then billed by Medical Group Business Services (MGBS). Front desk cash collectors generally base the copayment amounts due on the information on the patient's insurance card, or the amount retained in the IDX system, which may not always be current or accurate. The new APeX system will provide a feature allowing front desk staff to auto verify insurance upon patient arrival, helping to ensure that an accurate amount is collected at the time of service.

The audit focused on selected outpatient clinics that had a significant amount of point of service copayment collections, specifically, the Dermatology and General Internal Medicine Clinics located at Mount. Zion. During fiscal year 2011, these clinics collected \$288,000 and \$107,933 respectively, in point of service copayment collections.

II. PURPOSE AND SCOPE

The objectives of the review were to evaluate the cash management processes within outpatient clinics to assure that there is:

- Proper collection of copayments;
- Appropriate safeguards and accountability for amounts collected; and
- Compliance with campus and University-wide cashing policies.

In conducting the review, the following procedures were performed for the selected departments:

- University and Ambulatory Services policies and procedures were reviewed to gain an understanding of policy requirements;
- The workflow processes for the collection of copayments, recording, reconciliation and depositing of cash were documented and internal control assessment performed to ensure that adequate controls existed;

² Copay collection data provided by Medical Group Billing Services.

- Selected tests were performed to validate the controls and ensure compliance with university policies in the following areas;
 - Training records were examined to ensure that all cash handlers and depositors had received the required training;
 - Personnel records were reviewed to validate that background checks and finger printing had been performed;
 - Deposit records were examined to ensure deposit frequencies complied with policy threshold limits.
- The roles and responsibilities of clinic administrative staffs were reviewed to ensure that appropriate separation for cash collection, posting, reconciliation of encounters and depositing existed;
- Unannounced cash counts were performed to ensure that there was appropriate accountability and handling of cash;
- An assessment of the cash collection and recording process in the APeX system was performed to identify system attributes, and to ensure that sufficient controls existed.

The scope of this review was limited to the specific procedures described above and related to the activities for selected clinics occurring during the period of July 1, 2010 to January 31, 2012. As such, work completed is not intended, nor can it be relied upon to identify all instances of potential irregularities, errors and control weaknesses within all outpatient clinics. Fieldwork was completed in May 2012.

III. **CONCLUSION**

Based on the work performed, generally there were effective controls in place at the clinics to ensure appropriate accountability for cash collected, as well as proper segregation of duties and sufficient security and storage of cash.

The review did identify some opportunities to strengthen controls over cash accountability, monitoring and oversight, and compliance with existing University policies. The management and monitoring of copayment collections could be improved by establishing co-payment collection targets or goals for clinics, utilizing existing reports for monitoring collection rates, following up to assess reasons why collection rates are falling below established targets and ensuring cash control audits are performed. Also, there are opportunities for Medical Center Accounting to enhance their existing procedures for tracking and monitoring deposit activities to ensure compliance with policy and to identify changes in deposit amounts and frequency at clinics. Additionally, clinics need to take action to ensure periodic cash audits, which are required by Ambulatory Services policy, are completed.

While all cash handlers and depositors had received the required initial training, Medical Center should develop a training program for annual refresher training for cash collectors as well as improving processes for tracking completion of refresher training.

This will provide additional assurance that cash collections will be processed properly and in compliance with existing policies and helps avoid misunderstandings of policy requirements as was the case for General Medicine. The clinic misunderstood the policy requirements, believing that the \$500 threshold applied to individual cashier deposit amounts, not the cumulative total for the department.

Finally, Medical Center Accounting should consider the cost effectiveness of expanding the number and locations for deposit drop boxes. The clinics believe that having drop boxes on site will help to minimize the staff productivity loss due to time spent for depositing as well as reduce safety risk for the depositors who must travel with cash on their person.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS

A. Monitoring and Oversight of Copayments Collection:

1. ***Cash management reports are not being utilized for monitoring copay collection and establishing target collection rates.***

There are multiple cash management reports available in the IDX system for monitoring copayments by identifying the amount of copayment actually collected versus expected collection by cashier, as well as a summary level for the entire clinic.

The selected clinics, Dermatology and General Internal Medicine, were generally not aware of the currently available reports in IDX, or their potential use. Additionally, Ambulatory Services has not established key performance metrics capturing the percentage of copay and deductibles collected against the cash expected to be collected and a program of requiring departments to monitor their collection rates against the metric.

With the overall point of service copay collection rate at approximately 66% of total collectible copay, there is opportunity to increase the collection of copayments when services are provided. Without utilizing the available resources and establishing targets, departments may not know if they are effective and consistent at collecting copayments at the time of service and be able to develop appropriate training and education for staff on more effective strategies for point of service collection.

Clinic Managers did express plans to utilize the reports that will be available in the APeX system, which they feel will be more useful in monitoring the cash intake and co-payment collection activities.

Management Corrective Action

- a) Effective October 1, 2012, Ambulatory Services will use the APeX co-pay reports to establish a baseline for co-pay collections and develop target copayment collection rates for point of services collection.

- b) Effective October 1, 2012, Ambulatory Services will establish a program of monitoring copayment collection rates by clinics and will follow-up when rates are below the established baseline.
- c) Effective October 1, 2012, departments will utilize the new cash management reports in the APeX system to monitor their copayment collection rates.

2. ***Departments are not performing periodic cash control audits as required by Ambulatory Services policy.***

Ambulatory Services Policy requires that monthly audits should be conducted by clinic managers/supervisors for at least one location per each clinic practice. However, for the selected clinics reviewed, the monthly audits had not been performed on a regular basis. Additionally, we found that there was no monitoring by Ambulatory Services Administration to ensure that these audits were being consistently performed.

Departments are aware of this requirement, but have not consistently performed these audits due to resource issues and time constraints.

Non-performance of the cash audits diminishes the effectiveness of the intended monitoring controls and increases the risk that cash collection issues may go undetected.

Management Corrective Action

Effective September 1, 2012, Ambulatory Services Administration will enhance oversight and monitoring procedures to ensure that the required monthly cash control audits are performed by the Clinics, and submitted to Ambulatory Services Administration for review.

B. Training:

Medical Center does not have a program to provide cashiers with required annually refresher training on University cashiering policies and procedures and not all depositors are receiving required annual training.

BUS-49 stipulates that campuses will develop and deliver cash handling training to all employees who handle cash. The policy requires that at least once per year training for all cash handling employees will be provided to refresh knowledge concerning policies, procedures and techniques and to provide updated information on internal and external policies. Additionally, Ambulatory Services Procedure Manual Guidelines state that each depositor annually must attend formal refresher training.

Audit Services found that while all cash collectors and depositors had received their initial training, the Medical Center does not have a program developed for annual refresher training of cash collectors. Additionally, while annual refresher training for depositors does exist, many of the depositors for the clinics reviewed were not completing this required training on a consistent basis.

Providing cashiers with refresher training provides additional assurance that cash collections will be processed properly and in compliance with existing policies.

Management Corrective Action

1. By March 31, 2013, Ambulatory Services Administration will work with Medical Center Finance to develop a program on the Learning Management System (LMS) or other systems for annual training of cash handlers and depositors, including the capability to track when annual refresher training is due.
2. Effective May 1, 2013, Departments will track the refresher training due dates for depositors and cash collectors, as well as dates of completion for the training to ensure compliance with policy.

C. Cash Deposits:

1. ***General Medicine is not completing deposits timely and in accordance with University policy***

UCSF Campus Administrative Policy 300-14, *Cashiering*, requires departments to deposit when the total of cash and/or cash equivalents on hand equals \$500 or more or once a week; whichever occurs first. General Medicine completes their deposits on a weekly basis, irrespective of the deposit amount. The clinic misunderstood the policy requirements, believing that the \$500 threshold applied to individual cashier deposit amounts, not the cumulative total for the department.

Keeping large quantities of money on site for longer than necessary may increase risk of theft or loss.

Management Corrective Action

Effective immediately, General Medicine Clinic will increase the frequency of their deposits to be in compliance with policy requirements.

2. ***Evaluation of additional deposit drop safes has not been performed.***

Currently, there is only one deposit drop safe located within the main Mount Zion Hospital. Practices in the surrounding buildings have two staff members walking the deposits (in some cases daily) over to the deposit drop safe.

Medical Center has not performed an assessment on the cost effectiveness of installing additional deposit drop boxes at individual locations to minimize the loss in productivity through time spent by employees in traveling to the current deposit location in the main hospital, as well as reduce safety concerns for the depositors who must travel with cash on their person.

Management Corrective Action

Ambulatory Services Administration in conjunction with Medical Center Accounting will assess whether the volume of cash deposits warrants additional deposit drop boxes within individual clinic buildings. The assessment will be completed by January 31, 2013.

3. ***Medical Center Accounting monitoring procedures for trending and monitoring deposit activities could be enhanced***

The Cash Management staffs within Medical Center Accounting perform daily reconciliation between the bank deposits and the deposits reported by the clinical departments. While they do track certain criteria, such as delayed or missing deposits, there are not formalized procedures for trending deposit levels to identify significant changes in amount of deposits as well as assuring compliance with policy depositing requirements.

Management Corrective Action

By December 1, 2012, Medical Center Accounting will develop a program to systematically track deposit levels and frequencies, as well as procedures to follow-up with departments on any anomalies identified through their monitoring processes.

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