

August 5, 2015

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Director, Health System International Patient Services
8222

Subject:*UC San Diego Health System International Patient Services
Audit & Management Advisory Services Project 2015-24*

The final audit report for *UC San Diego Health System International Patient Services* (Audit Report 2015-24), is attached. We would like to thank all members of the department for their cooperation and assistance during the audit.

Because we were able to reach agreement regarding corrective actions to be taken 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. While management corrective actions have been included in the audit report, we may determine that additional audit procedures to validate the actions agreed to or implemented are warranted. We will contact you to schedule a review of the corrective actions, and will advise you when the findings are closed.

UC wide policy requires that all draft audit reports, both printed and electronic, be destroyed after the final report is issued. Because draft reports can contain sensitive information, please either return these documents to AMAS personnel or destroy them at the conclusion of the audit. We also request that draft reports not be photocopied or otherwise redistributed.

David Meier
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Attachment

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UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

UC San Diego Health System
International Patient Services
August 2015

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Project Number: 2015-24

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Attachment A – Summary of Express Card Issues

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I. Background

Audit & Management Advisory Services (AMAS) completed a review of the UC San Diego Health System (UCSDHS) International Patient Services program as part of the approved audit plan for Fiscal Year (FY) 2014-15. This report summarizes the results of our review.

The International Patient Services (IPS) program is a unique self-supporting program established in 2012 with core funding from UCSDHS and a stipend from the Rady Children's Hospital of San Diego (RCHSD). The program was initiated through the office of the Vice Chancellor for Health Sciences (VCHS) and recently transitioned to UCSDHS. IPS brings patients from around the world for specialized medical care offered by the UCSDHS physicians and surgeons. IPS also assists patients and their family members throughout every step of planning and visit to UCSDHS, including scheduling appointments and procedures, accommodations during their stay in the United States, translation, transportation and facilitating communication with primary healthcare providers in their home country.

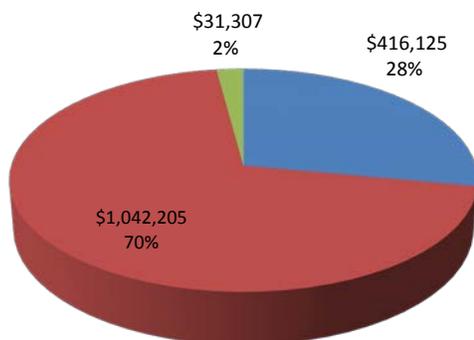
IPS hires ambassadors and ambulance services from various countries to help promote UCSDHS healthcare services. These services are primarily contracted through Purchase Orders and Professional Service Agreements for marketing services, with an approved Statement of Work for each contract. In some cases, competitive bidding is required. This contracting activity is in process of being transitioned from VCHS to UCSDHS. Currently, IPS has Ambassadors in the Middle East, Mexico, Central America, Colombia, Argentina, Peru, and the Caribbean. IPS also holds and attends various international healthcare conferences and other events locally and abroad to promote UCSDHS healthcare services.

IPS is comprised of a small staff including an executive assistant and three managers (Hospitality, Medical and Marketing) who report to the managing Director. Two interpreters reporting to the Hospitality and Medical Manager were also recently hired. IPS spends over \$2 million in total administrative costs. RCHSD support reduces this cost by about 5% each year. During FY 2013-14, IPS incurred approximately \$2.8 million in expenditures, comprised of \$633 thousand in salaries and benefits, \$1.715 million in ambassador and marketing expenses, and \$485 thousand in other expenditures¹. Administrative costs were up from FY 2012-13 expenditures of \$1.4 million, as depicted in the following charts. IPS increased its presence abroad and hired air ambulance service companies in FY 2014 to help promote UCSDHS healthcare system and IPS program, which partially accounts for the increase in non-labor expenses. FY 2015 total administrative costs is budgeted at \$2.2M.

¹ Includes Director and other Administrative Travels and Conferences

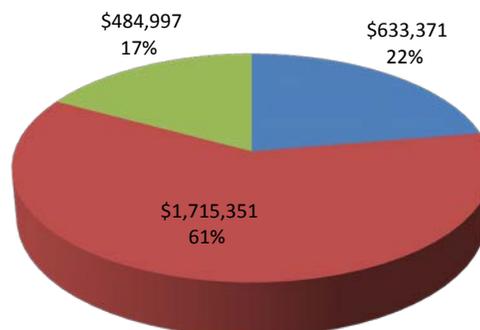
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IPS FY13 Expenditures



- Salary and Benefits
- Ambassador/Non-Labor Expenses
- Other Expenses

IPS FY14 Expenditures



- Salary and Benefits
- Ambassador/Non-Labor Expenses
- Other Expenses

Based on information obtained from UCSDHS Decision Support, the IPS program brings between \$3 million to \$4 million in hospital and medical group income, as shown in table below (in thousands). A decline in revenues could be attributable to decrease in inpatient cases or a particular service line, such as organ transplant, cancer, cardiovascular and neurosurgery.

	FY 2013 Actual ²	FY2014 Actual ³	FY 2015 Projected ⁴
Net Contribution Margin*	\$4,077	\$3,363	\$3,150
RCHSD Support ⁵	\$70	\$117	\$100
Total	\$4,147	\$3,480	\$3,250

*Medical Center and Medical Group combined

The amount that IPS is allotted to support administrative costs is not entirely dependent on the amount of patient revenues generated, however, the success of the program and its mission to continue to bring more patients and promote UCSDHS healthcare abroad is reflected in these figures.

² FY2013 Revenues included several high dollar-value procedures which had a significant positive impact on the contribution margin for that year.

³ FY2014 Revenues included two lung transplants totaling \$1.2 million.

⁴ Projections were based on the YTD April 2015 Financial Report received on July 28, 2015. A decrease in FY15 Net Contribution Margin is reflective of a decrease in Case mix index and inpatient cases from the prior year, while outpatient visits increased.

⁵ The RCHSD support is a fixed amount based on an annual agreement with UCSDHS, regardless of the number of patients or patient visits that came in through the IPS program. The amount of support is negotiated annually.

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II. Audit Objective, Scope, and Procedures

The objective of our review was to evaluate whether International Patient Services business process controls were adequate to provide reasonable assurance that operations were effective, in compliance with University policies and procedures, and resulted in accurate financial reporting. The scope of our review was limited to activities and business practices for the FY ended 2014, and for the period July 01, 2014 through May 31, 2015.

In order to achieve our objectives we completed the following:

- Reviewed IPS business documentation and information including the website, organizational charts and available financial information;
- Interviewed IPS management and key personnel to discuss business practices;
- Evaluated business process controls, approval hierarchies, delegations and signature authorizations;
- Reviewed selected applicable federal requirements, Medical Center Policies (MCPs) and other University policies including:
 - UC San Diego Accounting Manual
 - UC Business and Finance Bulletin G-28: Policy and Regulation Governing Travel
 - UC Business and Finance Bulletin 43: Material Management
 - UC Business and Finance Bulletin 77: Independent Contractor Guidelines
 - UCSDHS MCP 703.1 Centralized Purchasing
 - UCSDHS MCP 425.1 – Use of Procurement Card
 - UC San Diego BLINK guidance and links to policies including but not limited to Express Card practices, Travel, Purchasing, Independent Contractor/Consultant
- Verified the financial status of program funds for the FY ended June 30, 2014 and for the period July 01, 2014 through May 31, 2015; and
- Analyzed procedures and performed limited transaction testing in the following areas to verify that internal controls were adequate and functioning in compliance with University policy:
 - Express Card purchases
 - Travel expenditures
 - Patient revenues
 - Independent contractor services
 - Ledger and Financial Reports Review.

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III. Conclusion

Based on our review procedures, we concluded that IPS internal controls were generally adequate and provided reasonable assurance that operations were effective, performed in compliance with University policies and procedures, and resulted in accurate financial reporting. IPS purchased services contracts in general, appear to be in accordance with applicable MCP and UCSDHS Supply Chain Management policies and procedures. IPS continues to work with Decision Support in identifying the appropriate tools to implement in Epic and strategizing on how to effectively capture revenues attributable to IPS business activity to accurately measure the success of the program. IPS management works diligently with the Financial Analyst and the Director at the UCSDHS Decision Support group in managing financial reports and information in a timely fashion. The Director meets with the Decision Support Group and Executive Leadership monthly, quarterly and annually.

Because IPS was initiated through the VCHS, some of its business practices were not yet aligned with UCSDHS cost center procedures, and financial accounts had not been completely transitioned. We also identified opportunities for improvement in processing Express Card purchases, travel expenses and reimbursements, and managing purchased services contracts with independent contractors. These issues are discussed in more detail below.

IV. Observations and Management Corrective Actions

A. Express Card Use and Administration

IPS utilized a Campus Express Card, which is not allowed on a hospital cost center index. We noted several issues related to Express Card oversight and compliance.

UCSD's Express Card (EC) is a procurement option in the form of a Visa credit card for faculty and staff who have buying responsibilities. The EC program simplifies buying and paying for most routine, low-cost goods and services. Certain types of purchases are restricted. However, UCSDHS has a separate Procurement Card option that is similar to the campus Express Card program for UCSDHS users. Policy MCP 425.1 and the associated Cardholder Guide provide procedures, guidelines and restrictions for the use of the UCSDHS Procurement Card. UCSDHS Purchasing does not allow the use of Express Cards on a hospital cost center index.

We noted that when financial accounts for IPS were transitioned from VCHS to UCSDHS, the campus Express Cards were not cancelled or replaced. Instead, the default index for accounting was changed from a VCHS index to a hospital cost center index. Campus Disbursements and Procurement Offices were not aware of the UCSDHS restriction for use of Express Cards by hospital cost centers. IPS

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management continued the use of the Express Cards for some of their purchasing needs during this time.

We noted certain purchases on the IPS Campus Express Card that would normally be covered under the UCSDHS purchasing policy, such as a laptop for one of the Managers when working off site. The laptop is not considered a restricted purchase on a campus Express Card, however, computer purchases on a hospital cost center index are covered in a more restricted policy as indicated in the Procurement Card Restrictions section of the Cardholder User’s Guide (MCP 425.1 *Use of Procurement Card*). UCSDHS Purchasing Guidelines also require that all purchases of computer and peripherals be reviewed and approved by UCSDHS Information Services.

We also noted other instances of non-compliance with Campus Express Card policies. During our review, a total of 43 transactions were judgmentally selected for review. We selected the transactions for each index as follows:

- 14 transactions from the old VCHS index accounts for the latest two fiscal year period in which the index number was used (FY2013 and FY 2014);
- 14 from the last VCHS index account for FY 2014 and between July 01, 2014 and May 3, 2015 period in which the index was used; and
- 15 transactions from the hospital cost center index for FY 2014 and for July 01, 2014 through May 31, 2015.

Each transaction was traced to the supporting documents and reviewed to determine whether it was reasonable, appropriately approved, adequately supported, and in compliance with Express Card guidelines. We noted that none of the Express Card purchases were changed from the default index and the account code (638018) to accurately reflect the type of purchase that was made. We identified the following additional issues with the use of Express Card:

Scope	FY 2014 & July 2014– May 2015	FY 2014 & July 2014 – May 2015	FY 2013- FY 2014	Total	Percent
Index	MCL8385	VHSIPPO	VHSHSIB		
Total Sample	15	14	14	43	
Restricted Purchases	9	7	9	25	58%
Erroneous Use Tax	1	0	5	6	14%
Inadequate Approval	6	7	5	18	42%
Erroneous Charge	0	0	1	1	2%
Insufficient Documentation	5	6	4	15	35%

Additional details on the findings above are also included in ***Attachment A – Summary of Express Card Issues.***

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Both the IPS cardholders and reviewers indicated that when they receive the EC email notification, they ensured that the purchase was valid and authorized, and that the receipts on hand are filed or uploaded in the ECManager system. Although the cardholders completed required training regarding the EC uses and restrictions, and responsibilities for reconciliation, review and recordkeeping, they were not aware of additional review responsibilities.

Management Corrective Actions:

IPS has discontinued the use of campus Express Card, and the two existing Express Cards will be cancelled as of July 28, 2015. IPS has applied for a Procurement Card through UCSDHS Material Management, and is discussing with Materials Management how to best accommodate the Department's unique purchasing needs.

IPS Management will ensure compliance with MCP 425.1 and other applicable UCSDHS Procurement policies and procedures, and associated Cardholder guidelines

B. Travel Expenditures Approval and Documentation

Controls in place did not ensure that IPS had sufficient budgetary oversight of travel funds committed, or sufficient post-trip review of expenses. Some instances of noncompliance with Travel policy were noted.

IPS spends approximately \$175,000 per year on travel for conferences and other international events for its leadership and ambassadors to promote IPS for UCSDHS. The travel events are frequent and could occur up to about 24 times a year for the Director and up to ten per year for Managers and ambassadors. Faculty physicians from other specialties are sometimes invited for speaking engagements at IPS hosted events.

We selected 13 travel events from July 1, 2014 through May 31, 2015 and reviewed for compliance with University travel policy. Based on our review, we noted the following issues:

- Seven of the 13 travel expenditures selected for testing did not include sufficient documentation on file for the business purpose of the trip;
- For two events trip pre-authorization was completed after the travel, and four reimbursement claims were also not completed within 21 days after the event as required;
- An appropriate account code was not selected in recording the expense for 5 of the 13 samples reviewed; and

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- Two of the 13 travel expenditures were prepared and approved outside of the IPS delegation of authority or were not routed to IPS for trip authorization or expense approval.

In general, controls in place did not ensure that IPS had sufficient budgetary oversight of travel funds committed, or sufficient post-trip review of expenses. In some cases, such as when a faculty physician is invited for a speaking engagement, the home department processes the travel. However, this process bypassed IPS approval of trip prior authorizations and expense reconciliations, and prevented accurate financial budgeting and oversight of travel budget resources.

The Department Security Administrator confirmed that in some cases employees who approved the transactions did not have signature authority for the IPS hospital cost center index. While non-UCSDHS employees are not allowed to approve expenses on a hospital cost center index, there were no controls to prevent a non-authorized approver from adding any index in their approval hierarchy to process travel transactions on the IPS index. In addition, because of the volume and urgency of the transactions notifications to IPS staff sometimes were received after the travel event occurred.

Management Corrective Actions:

IPS management, in coordination with UCSDHS Finance, created a new approval hierarchy template (MEDDSS1) which will be used for travel expenditures for faculty who represent IPS abroad for conferences, symposiums, and other events. The new template will allow IPS to monitor travel expenditures and ensure that trip prior authorizations and reconciliations are routed to IPS for approval, and that the IPS index is not used by other departments without proper authorization and approval of transactions and other expenditures.

IPS has instituted a formalized documentation and reporting mechanism that requires the nature, purpose, and scope of all travel requests, which will be included in each travel file. IPS will also ensure that travel events are processed and reported timely, using the appropriate account code, in compliance with University travel policy.

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C. Purchased Services Contracts

Invoices were paid via wire transfer without a current and updated Purchase Order in place for one of the ambassadors.

IPS contracts with ambassadors and air ambulance services to help promote UCSDHS healthcare in other countries. This may include marketing events, hosting conferences, and promotional campaigns. IPS currently has contracts with six ambassadors and two air ambulance companies. The ambassadors are typically paid a fixed amount and bonus based on a performance metrics, which are determined after all the patient services are paid for. Air ambulance contracts are typically a fixed price for an agreed upon scope of services.

Invoice payments are processed by Material Management upon IPS Director approval, and tracked electronically through Aperek⁶. Most payments to ambassadors and ambulance companies are processed through electronic fund transfers (EFT) due to difficulties with sending check payments abroad. EFT's can be tracked in Aperek and invoices are reviewed, approved⁷ and matched to the PO prior to payment. One ambassador is currently paid through wire transfer which is not tracked in Aperek.

We selected 4 contracts for detailed review: one air ambulance company and three ambassadors. Based on our review, we noted that one ambassador Purchase Order had expired, and an extension or revised PO for the period May 01, 2014 through April 30, 2015 was incomplete and was still process. However, invoices from May 2014 through April 2015 totaling \$32,100 were paid without a completed PO in place. In addition, another invoice for May 2015 was also approved for June payment processing without a new or revised PO extending beyond April 30, 2015. Payments for those invoices were made via wire transfer, which normally do not require referencing a PO number. The Buyer coordinates with Finance in identifying wire transfers that pertain to the ambassador services to ensure invoices received were paid. This payment process contributed to the incomplete and expired PO going unnoticed during this time.

During our review, the Material Management Buyer (Buyer) completed the revised PO for May 01, 2014 through April 30, 2015. The revision was originally processed as a correction PO to change the index from VCHS to the new IPS hospital cost center index, and the PO terms were extended through April 30, 2015 with the prior Scope of Work. The Buyer is in discussion with the IPS Director with regards to either issuing a new PO or extending the expired PO, however, a payment hold for the May 2015 invoice has not been issued.

⁶ Aperek is the UCSDHS Accounts Payable System that tracks all PO's, invoices and payment activities. Vendor information and other credentials are also entered in Aperek.

⁷ Department approval is required for payments over \$5,000.

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Management Corrective Actions

The Buyer will work with IPS to reissue a PO to cover the May 2015 invoice for which a wire transfer payment is currently in process.

Material Management is working on the AP system enhancement to flag expired POs. The new functionality will be available in July.

IPS Management will coordinate with UCSDHS Material Management and Finance in ensuring invoices are matched with an existing and active POs prior to payment processing. IPS Management is exploring transitioning payments of ambassador invoices to an Electronic Fund Transfer (EFT) process which will allow for better tracking of payments.

D. Financial Reporting and Oversight

1. Close out of one VCHS index has not been completed.

Prior to this fiscal year, the IPS had separate financial accounts in both VCHS and UCSDHS, which made it challenging for management to monitor program operating results and review financial reports. A hospital cost center was assigned to IPS as of the beginning of FY 2014 and all costs from the VCHS source were gradually being transferred to the hospital cost center. Financial operations are now merged and reported from one source and are monitored through the UCSDHS Decision Support. During our review, we noted that the cost transfers for one index (VHSIPP0) have not been completed and the index has remained active. IPS and Decision Support indicated they intended to close out the accounts no longer needed at the VCHS and have full financial oversight at the UCSDHS at the end of FY 2015.

Management Corrective Action:

IPS will coordinate with the Controller and Decision Support to inactivate existing VCHS indexes to ensure that no other IPS expenditures will be charged against old VCHS accounts.

2. Reports on patient revenue were not reconciled with IPS patient list, as a result, not all patient revenues attributable to IPS were accurately captured.

The complexity of the patient care billing process presents challenges in identifying and capturing revenues that can specifically be attributed to IPS program patients. Tracking international patients and patient care activities in the system is a tedious process because patient visits and hospital stays are reported

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through various medical specialties and services. Patient accounts are created in Epic per outpatient or hospital visit and some accounts could stay open for a month or longer.

IPS patient revenues are tracked conservatively by IPS staff using patient list reports from ambassadors and insurance companies. The patients on the list are verified in Epic for Medical Record Number (MRN) manually, and this search could yield several and, at times, duplicative account numbers. A list of these MRNs is provided to Decision Support monthly to compile hospital and professional billing data. The number of cases could still be underreported because laboratory and other services may not be captured.

We reviewed the patient accounts listed on the Inpatient and Outpatient Encounter Level Detail Report for July through December 2014 from Decision Support and identified a number of duplicate entries. Decision Support indicated that because data is collected manually, duplication of data is possible as some accounts may remain open for a month or longer, or that patient accounts are kept open for 72 hours when patients are under observation. Decision Support also added that if not monitored daily, the number of cases could be understated.

We also reviewed 18 international patient accounts selected from the Inpatient and Outpatient Encounter Level Detail report, traced patient MRN's from the IPS patient list, verified admission and discharge dates, as well as billing charges. All billing activities for the selected accounts reviewed were verified. However, we noted that the Patient Encounter Detail Report included patients not listed on the IPS patient list for a particular period based on the admission and discharge dates. It appeared that IPS list may not be capturing all patients seen during each month's reporting period.

IPS indicated that although a reconciliation of the Encounter Detail report is not performed against the IPS patient list, IPS thoroughly reviews the ambassador reports to verify patient information in Epic prior to providing the list to Decision Support for capturing billing data to identify patient revenues related to IPS activity. However, it appears that additional IPS review and reconciliation of patient revenue reports would ensure a more complete financial reporting of the IPS success in recruiting international patients.

IPS recently implemented a flag in Epic to identify patients referred through IPS. Patients would be flagged in Epic during registration process as international patient, and therefore all patient care and other services, as well as associated billing, could be captured by reports generated by Decision Support. IPS has been reviewing its patient lists to ensure all are flagged in Epic, and one manager has been granted edit rights to update any patient that had not been flagged. A report tool has also recently been designed for IPS to verify all patients flagged are accurately identified. IPS managers have been working diligently in

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reconciling the Epic report data with IPS patient list report. While this requires a considerable amount of time to review each patient data to confirm the flag was appropriate and effective, the reporting tool should eventually provide more accurate data and require less time in verifying information. IPS management is also exploring assignment of a payer code to better identify their patients and more accurately capture revenue information.

Management Corrective Actions:

IPS Management will coordinate with Decision Support on a quarterly review and reconciliation of patient revenue reports to ensure all international patient visits and charges are accurately identified for each reporting period.

IPS Management has also initiated quarterly meetings with clinic managers on utilization of the Epic flag to further improve this reporting functionality.

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Attachment A – Summary of Express Card Issues

Non-Compliance	Number of Cases Identified	Specific Non-Compliant Items
Restricted Purchases	25 of the 43 samples reviewed were identified as restricted EC purchases.	<ul style="list-style-type: none"> • 1 shipping costs/postage for international shipment of documents; • 1 legal professional services; • 23 conference registrations that included other travel expenses processed through MyTravel
Use Tax Adjustment	Sales and use tax for 6 of the 43 samples reviewed were not properly recorded or adjusted.	<ul style="list-style-type: none"> • 1 out-of-State purchase no sales tax, use tax was adjusted to zero; • 5 included sales tax on receipt but not recorded and/or use tax was not adjusted to zero
Approval Requirement	18 of the 43 samples reviewed were identified as purchases that required approval at higher level.	18 transactions were for purchases and payments for the EC approver's immediate supervisor
Ledger Review (Erroneous Charge)	1 of the 43 samples reviewed was identified as an erroneous EC charge from another department that was not reviewed and/or corrected.	An old EC charge from another department that was erroneously posted to IPS default index was not reviewed and addressed.
Supporting Documents	15 of the 43 samples reviewed did not have sufficient documentation to support the transaction.	Additional documentation to support business purpose of the payment or purchase was not included in ECManager nor found in the department file.