

**UNIVERSITY OF CALIFORNIA, IRVINE
ADMINISTRATIVE AND BUSINESS SERVICES
INTERNAL AUDIT SERVICES**

**FQHC SANTA ANA CLINIC
Report No. 2012-203**

May 4, 2012

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May 4, 2012

**KURT STAUDER
EXECUTIVE DIRECTOR, AMBULATORY SERVICES
ADMINISTRATION**

**RE: FQHC Santa Ana Clinic Audit
Audit No. 2012-203**

Internal Audit Services has completed the review of the FQHC Santa Ana Clinic and the final report is attached.

We extend our gratitude and appreciation to all personnel with whom we had contact while conducting our review. If you have any questions or require additional assistance, please do not hesitate to contact me.



Bent Nielsen
Director
UC Irvine Internal Audit Services

Attachment

C: Audit Committee
Terry Belmont, Chief Executive Officer, UC Irvine Medical Center
Ralph Clayman, Professor and Dean of the School of Medicine
Alice Issai, Chief Operating Officer, UC Irvine Medical Center
Peter Woon, Senior Director, Controller

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I. MANAGEMENT SUMMARY

In accordance with the fiscal year 2011-12 audit plan, Internal Audit Services (IAS) reviewed certain business operations and financial activities of the University of California, Irvine (UCI) Family Health Center - Santa Ana (Santa Ana Clinic). Based on the audit work performed, certain internal controls could be strengthened to ensure compliance with University policies and procedures and/or best business practices. Specifically, we noted the following:

- **Collections and Follow-up Procedures for Self-Pay Patients** – Collections and follow-up procedures for self-pay patients could be improved to follow-up and collect outstanding financial obligations from patients who have failed to pay amounts owing from one or more previous appointments, and continue to receive health services at the Santa Ana Clinic. The details related to this issue are provided in Observation 1;
- **Charge Capture Processes** – Charge capture processes could be improved to increase operational efficiency and reduce charge document turnaround time. The details related to these issues are provided in Observation 2;
- **Cash Handling, Payment Collection and Depositing Activities** – Santa Ana Clinic administrators only occasionally review their approved Deposit Advice Forms (DAF) on Sharepoint. As a result, the administrators cannot always be assured that the Santa Ana Clinic’s cash deposits have been received by the Cashiers Office and deposited. The details related to this issue are provided in Observation 3;
- **Biomedical Engineering Processes** – Preventative maintenance recordkeeping and inspections of Santa Ana Clinic equipment need improvement. Several equipment items were observed to be incorrectly tagged, and/or incorrectly identified in the Biomedical Engineering inventory records. The details related to these issues are provided in Observation 4.

II. BACKGROUND

The mission of the Santa Ana Clinic is to provide quality health care to the medically under-served, and to serve as a training facility for School of Medicine (SOM) Department of Family Medicine residents. The Santa Ana Clinic is designated as a Federally Qualified Health Center (FQHC), which enables it to receive federal funding to provide health services to members of the surrounding community. For self-pay patients that are uninsured, fees are charged on a sliding scale, based on a patient’s self-reported family size and income.

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All clinical care is provided at the Santa Ana Clinic, a 54,000 sq. ft. facility that began operations in 1996. Health services are offered in the clinical departments of Family Medicine, Pediatrics, OB/GYN, and Dental Services. In addition, a mobile clinic provides outreach to the surrounding community. Laboratory services, radiology services, and an on-site pharmacy are also available.

The clinic is governed by the UCI - Family Health Center Governing Board. A Clinic Administrator and Medical Director have oversight of administrative and clinical operations. They are supported by 50 full-time, salaried employees.

III. SCOPE AND OBJECTIVES

The scope of the review focused on certain Santa Ana Clinic business operations and financial activities from July 2010 to current. The primary focus was to processes involved in the capture of fees and charges for approximately 45,000 patient visits each year. Additional attention was given to processes by which payments are collected from patients at the Santa Ana Clinic. Business operations involving equipment management and clinical engineering processes were also reviewed.

The specific objectives of our review were as follows:

1. Verify that fee and charge capture processes under the responsibility of the Santa Ana Clinic and UCI Medical Center - Patient Financial Services (PFS) are efficient and effective;
2. Verify that internal control measures are evident and adequate in cash-handling practices;
3. Verify that internal controls are in place to ensure that proper amounts are collected from patients on the date of service, and/or billed to patients afterwards;
4. Verify that equipment is managed in accordance with University policy, and that clinical engineering services are performed in accordance with University policy and/or contractual agreement.

IV. CONCLUSION

Collection and follow-up procedures for self-pay patients could be improved to follow-up and collect outstanding financial obligations from patients who have failed to pay amounts owing from one or more previous appointments, and continue to receive health services at the Clinic. In addition, charge capture processes could be

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improved to increase operational efficiency and reduce charge document turnaround time.

Most cash handling processes appear to be operating satisfactorily, and/or are in conformance with UC policy. However, processes by which Cashiers Office electronic deposit receipts are verified by the Santa Ana Clinic need improvement.

Finally, equipment management practices are generally in conformance with UC policy. However, clinical engineering processes surrounding Santa Ana Clinic equipment need improvement.

Observation details were discussed with management, who formulated action plans to address the issues. These details are presented below.

V. OBSERVATIONS AND MANAGEMENT ACTION PLANS

1. Collections and Follow-up Procedures for Self-Pay Patients

Background

Many uninsured, self-pay patients receive health services at the Santa Ana Clinic. Self-pay patients are charged fees for services provided based on a sliding scale that is determined by the patient's self-reported family size and annual income. There are five credit ratings in the sliding scale (i.e., A, B, C, D, and E). A credit rating "E" requires the patient to pay 100 percent of the charges. Conversely, a credit rating "A" requires only a \$40.00 payment from patients for all health services received (however, a patient will not be prevented from receiving health services at the Clinic if he/she is unable to pay the \$40.00 minimum at the time of his/her appointment). For most of their appointments, self-pay patients with credit ratings "B" to "E" pay a \$40.00 fee at the time of their appointment and are subsequently billed for the remaining charges (i.e., after the total charges for the appointment are known).

Observation

A review of collections and follow-up activities for certain Santa Ana Clinic self-pay patients disclosed the following internal control concerns.

1. Self-pay patients who do not pay outstanding account balances resulting from their previous visit(s) are not sent to collection. Current policy followed by PFS is to send three bills to the patient. If the outstanding account balance is not paid after the third bill, it is written off by PFS to create a zero account balance for the patient.

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2. Write-offs for Santa Ana Clinic self-pay patients are not actively monitored by the Clinic management, PFS, or the UCI Medical Center Finance Administration.
3. Santa Ana Clinic registrars are unable to view a patient's payment history when a patient checks in for an appointment. As a result, the registrars are unable to follow-up with patients who have failed to pay their previous financial obligations when the patients arrive for their current appointment at the Clinic.

PFS stated that for fiscal year 2010-11 write-offs for Santa Ana Clinic self-pay patients were approximately \$38,000.

Failure to monitor and collect outstanding financial obligations from self-pay patients as they continue to receive health services at the Santa Ana Clinic may result in financial losses.

Management Action Plan

Assigned patients to FQHC with defined credit ratings per the "Sliding Fee Scale" are to make a minimum payment of \$40 at the time of visit. According to "Sliding Fee Scale" policies, patients with credit ratings B, C, D or E are to be billed three times followed by two "dunning" letters. The FQHC regulations outline a process based on what the patient communicates to the clinic as to his/her annual income and does not allow the requirement of "proof." Changes to current collections and follow-up procedures for self-pay patients will require approval of the FQHC Board of Governance.

Based on the PFS-provided dollar amount at risk, it may not make sense to pursue collections with self-pay patients, as it would potentially cost more than the collections due to the indigent population served by this clinic. We will follow the approved FQHC Board policy to bill self-pay patients with delinquent balances three times, followed by two "dunning" letters. Subsequently, if the patient has not paid, we will write-off the outstanding amount.

2. Charge Capture Processes

Background

Charge capture responsibilities are shared by the Santa Ana Clinic and PFS – Revenue Audit. Santa Ana Clinic departments prepare charge documents for each patient visit and forward them to Revenue Audit. Revenue Audit staff members review the documentation for completeness and accuracy and then enter charge

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information into the charge entry system. Occasionally, charge documentation is incomplete or missing. Revenue Audit must notify the departments about the missing/incomplete documentation, and the departments are responsible for correcting and/or resubmitting the documentation to Revenue Audit. The time required to “turnaround” a department’s charge documentation is important to ensure third party reimbursement.

A “lag day” is one measure by which the time required to turnaround charge documentation is determined. Lag days measure the time (in days) between a patient’s date of service (DOS) and the date that the patient’s charge documentation is delivered to Revenue Audit by a clinical department. Revenue Audit and the Santa Ana Clinic have a general agreement that, for each patient visit, charge documentation turnaround should take a maximum of two business days.

Observation

IAS performed lag day test work in the three clinical departments with the highest number of patient visits: Family Medicine, OB/GYN and Pediatrics.

Test work was performed to:

- a. Verify that a charge document was prepared for every patient visit, and at least one charge from each sampled charge document was entered into the charge entry system;
- b. Calculate lag days for the sampled date(s) of service;
- c. Determine for a point in time, for each clinical department, the cumulative number of past patient visits for which there were no associated charges.

Test work results disclosed that, to achieve the two-day charge document turnaround goal, processes by which clinical departments prepare and submit their charge documents need to be strengthened. The following results were obtained:

Department	October 2011 Date(s) Reviewed	Scheduled Visits Reviewed	Average Lag Days	Range of Lag Days
Pediatrics	3, 4, and 5	149	7.50*	4 to 9
Family Med	3	103	4.07	1 to 7
OB/GYN	3 and 4	155	2.33	0 to 7

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*Specific charge document delivery dates for Pediatrics could not be determined due to missing PFS-Revenue Audit date stamps on the charge documents. Consequently, for Pediatrics only, lag days were calculated as the difference between the DOS and the date that Revenue Audit actually entered the charge information into the charge entry system.

Test work results also disclosed that several patient visits may occur for which there are no associated charges in the charge entry system, and which require follow-up by Revenue Audit. The following results were obtained by reviewing cumulative Daily Appointment Audit (DAA) reports prepared by Revenue Audit in late October 2011:

Department	Range of Dates Included in DAA Report*	Number of Pt. Visits w/o Charges	Range of Dates for Pt. Visits w/o Charges
Pediatrics	6/1/11 to 10/29/11	101	7/11/11 to 10/28/11
Family Med	6/1/11 to 10/29/11	73	7/12/11 to 10/28/11
OB/GYN	4/1/11 to 10/22/11	17	9/22/11 to 10/21/11

*Data source: cumulative DAA Report – the range of dates included in each cumulative DAA Report was selected by Revenue Audit to ensure that all outstanding patient visits without associated charges in the charge entry system were captured for reporting purposes.

Management Action Plan

The daily census at Santa Ana Clinic averages approximately 200 patient visits per day. Currently, Revenue Audit provides the Santa Ana Clinic with one on-site FTE who enters charges for OB/GYN, Dental and Senior Mobile Van. However, all Family Medicine encounter forms are routed daily to the Manchester 200 building, which causes delays in charge entry. In addition, Pediatrics charges are being entered by a Revenue Audit shared staff member who is only at the Santa Ana Clinic on Thursdays and Fridays. The high number of lag days for Pediatrics is likely due to the fact of not having a full time Revenue Audit staff member on-site at the Clinic to enter all charges.

Santa Ana Clinic management believes there is a need for more than one on-site Revenue Audit FTE dedicated to charge entry. This concern has been previously discussed with Revenue Audit management and will be addressed again to ensure that all charges are captured in a timely manner.

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Going forward, management at the Santa Ana Clinic and Revenue Audit will work more closely together to correct concerns, as they are identified, in current charge capture processes so that patient visits without associated charges (as reflected in the DAA report) are resolved in a timely manner.

3. Santa Ana Clinic Review of Cashiers Office Deposit Receipts

Background

The UCI Medical Center Cashiers Office is responsible for collecting funds for deposit from sub-cashiering stations and depositing the collected funds into a University bank account. On a daily basis, the Cashiers Office stamp-approves and scans a copy of each sub-cashiering station's DAF and posts it on the Health Affairs' Sharepoint server. As an important control measure, each sub-cashiering station reviews their approved DAF on Sharepoint in a timely manner and compares it to their original DAF sent to the Cashiers Office with their funds for deposit.

Observation

A review of payment collections at the Santa Ana Clinic disclosed that the approved DAFs posted by the Cashiers Office for the Clinic's cash deposits are only occasionally reviewed by Santa Ana Clinic administrators. If Santa Ana Clinic administrators do not review their electronic deposit receipts, they cannot be assured that the cash deposits have been received and deposited by the Cashiers Office.

Management Action Plan

To ensure that all cash collected is received by the Cashiers Office and deposited in a timely manner into a University bank account, the Santa Ana Clinic will immediately start to review electronic deposit receipts on a regular basis.

4. Preventative Maintenance Inspections/Recordkeeping of Equipment

Background

Certain University equipment items used in clinical and research settings are electro-mechanical devices that come in contact with patients. For patient safety and regulatory requirements, many of these equipment items require periodic preventative maintenance (PM) inspections. These examinations (and records of examinations performed) are the responsibility of the Biomedical Engineering (BE) department.

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Observation

Preventative maintenance recordkeeping and inspections of Santa Ana Clinic equipment need improvement. Observations of sampled equipment items in use at the Santa Ana Clinic disclosed the following concerns.

1. Four observed equipment items (BE property tag #s 325447, 1023677, 327946, and 327950) located in the Santa Ana Clinic were inappropriately “blue-tagged,” (i.e., PM inspections not required) and were also incorrectly identified in the BE inventory records as not requiring PM inspections.
2. One observed equipment item (BE property tag # 326237) located in the Santa Ana Clinic mobile clinic van was not recorded in the BE inventory records that were provided to IAS in August 2011. Discussions with BE personnel disclosed that on September 25, 2011, the equipment item had been found and “reactivated” in the BE inventory records.
3. The BE inventory record for one observed equipment item (BE property tag # 1023672) located in the Santa Ana Clinic had some inaccuracies (wrong manufacturer and model number).

Management Action Plan

Santa Ana Clinic management contacted BE for all of the above observations and was informed by BE management that these issues have all been corrected.