

May 11, 2016

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**Subject:           Center for Occupational and Environmental Medicine  
                          Report 2016-35**

The final report for Center for Occupational and Environment Medicine, Report 2016-35, is attached. We would like to thank all members involved 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.

David Meier  
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Attachment

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# UC San Diego

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## AUDIT & MANAGEMENT ADVISORY SERVICES

Center for Occupational and Environmental Medicine  
Report No. 2016-35  
May 2016

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## I. EXECUTIVE SUMMARY

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Audit & Management Advisory Services (AMAS) has completed a management-requested review of the UC San Diego Health (UCSDH) Center for Occupational and Environmental Medicine (COEM) as a supplemental audit to the Fiscal Year 2015-16 audit plan. The objective of our review was to evaluate COEM business operations to determine whether internal controls were adequate to provide reasonable assurance that operations were effective, in compliance with University policy and applicable regulations, and resulted in accurate financial reporting.

We concluded that COEM business processes needed improvement to ensure accuracy and completeness of billing of scheduled appointments, adequate oversight of payment collections, and appropriate monitoring of accounts receivable. We found that oversight for fee charges and commercial contracts and agreements did not ensure that COEM contract prices were current and appropriately recovered costs associated with services provided. We also found that COEM cash collection processes were not in compliance with University policy (BUS 49), and that quarterly reports required per the MOU with the Office of Risk Services were not provided for FY2014/15. Management Action Plans to address these findings are summarized below:

### A. Billing Processes

COEM will fully implement the various procedures identified by the department during the review to improve oversight for processes related to reconciling patient appointments to Systoc data entries, billing, collections, and accounts receivable monitoring.

### B. Fee Charges Maintenance

COEM will develop a process to regularly review and update Fee Charges with current UCSDH CDM research rates and current market prices.

### C. Contract and Records Management

COEM will implement a process for periodic review and update of Company Profile information and related contracts and agreements.

### D. Cash Handling Processes

COEM will develop procedures to ensure that mailed remittances are verified deposits prepared by two employees in order to ensure separation of duties and accountability for handling payments. COEM will ensure deposits are completed on a timely basis when collections exceed \$500, and will require staff who handle cash/checks to complete cash handling training. COEM has acquired a safe to store cash and checks in process.

### E. Office of Risk Services MOU

COEM will submit quarterly/annual reports to Office of Risk Services as required by the MOU. Existing data sources, such as the Analysis of Appointment Report and Bulk Account Statements, could be utilized to meet this requirement.

During our review, COEM drafted action plans to address several areas of weakness we observed. Implementation of these plans would address many of the control weaknesses noted in our review. Observations and Management Action Plans are described in greater detail in section V. of this report.

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## II. BACKGROUND

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Audit & Management Advisory Services (AMAS) has completed a management-requested review of the UC San Diego Health (UCSDH) Center for Occupational and Environmental Medicine (COEM) as a supplemental audit to the Fiscal Year 2015-16 audit plan. This report summarizes the results of our review.

COEM provides work injury treatment and management, employment evaluations, and medical compliance and consultations to UCSD employees (Health Sciences and Campus) and external customers. For external customers, COEM partners with employers, insurers, and third party administrators for occupational services and worker's compensation case management and coordination.

COEM has two clinics, located in Hillcrest and La Jolla. Patient care staff are cross-trained and rotate between two locations. Clinical services are managed by a Medical Director and nurse supervisors at each location. The Administrative Director oversees business operations and assists in clinic administrative operations. The department experienced management changes and significant staff turnover in calendar years 2014 and 2015, and ultimately new management was established in December 2015 during our review.

COEM uses the Systoc information system for maintaining detailed patient schedules, medical notes, external company contracts, billing processes, and reporting functionalities. Systoc is not linked to the UCSDH Epic system, however COEM staff have the capability of accessing Epic records for workers' compensation billing and reporting purposes.

Systoc has a Fee Charges table that includes occupational services provided by COEM and some other services provided by UCSDH departments and labs. Service charges in this table from other UCSDH departments or labs are based on the research rates established in the UCSDH Charge Description Master (CDM). For services provided to the UCSDH and campus employees, all non-workers compensation services fees are charged to internal bulk accounts. For external contracts, Systoc maintains all contract information and pricing in the Company Profile, as a billing source. Workers compensation cases are billed to the workers' compensation company.

Prior to FY 2014/15, all service fees related to Campus employees were recharged to the employee's department. In FY2014/15, the University of California Office of the President (UCOP) Office of Risk Services and COEM established a new funding model for UCSD Occupational Health Program for campus employees. The scope of the Occupational Health Program is to provide preventive and regulatory medical services to UCSD Campus employees for approximately \$1.2 million per year. A Memorandum of Understanding (MOU) was formalized which provided detail regarding proposed clinic staffing, expense management, scope of medical services covered under the agreement, and services excluded from base funding. Future funding amounts are subject to approval of UCOP Risk Services. This MOU is automatically renewed if no action is taken by either sponsoring party.

The following table listed a summary of total appointments for internal and external customers for FY2014/15. A total revenue of \$800K was generated from external customers in FY2014/15.

<b>FY2014/15</b>	<b>Number of Appointments</b>	<b>%</b>
UCSD Campus employees	3,076	16%
UCSDH employees	12,062	61%
Commercial Customers	4,527	23%
<b>Total Number of Appointments</b>	<b>19,665</b>	<b>100%</b>

Source: Systoc Analysis of Appointments Report

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### III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

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The objective of our review was to evaluate COEM business operations to determine whether internal controls were adequate to provide reasonable assurance that operations were effective, in compliance with University policy and applicable regulations, and resulted in accurate financial reporting. We focused on administrative processes related to billing, contract management, fee schedule maintenance, and financial management.

We completed the following audit procedures to achieve our objective:

- Reviewed COEM services and business operations;
- Met with the COEM Medical Director, Administrative Director, Quality Manager and staff;
- Examined the MOU with UCOP Risk Services and evaluated compliance with the terms of the agreement;
- Flowcharted processes for general clinic operations, billing, and financial reporting (**Attachment A**);
- Reviewed commercial contract management processes and fee rates in Systoc;
- Evaluated the consistency of procedure fees among different commercial contracts;
- Compared COEM Fee Charges with the UCSDH CDM;
- Performed detail testing for one week in February 2016 to trace billing processes from patient appointments to invoice reports, tracking reports, and company contracts (Company Profile);
- Reviewed payment handling processes for compliance with University Policy (*BUS 49 – Policy for Cash and Cash Equivalents Received*);
- Reconciled COEM financial reports from the Systoc system to the Medical Center financial statement (ABL 110) and the Campus Integrated Financial Information System (IFIS) reports;
- Reviewed Aged Accounts Receivable reports; and
- Reviewed recharges for the bulk accounts and recharges to other departments.

## IV. CONCLUSION

Based on our review, we concluded that COEM business processes needed improvement to ensure accuracy and completeness of billing of scheduled appointments, adequate oversight of payment collections, and appropriate monitoring of accounts receivable. Inadequate and inefficient billing processes could lead to revenue loss and increased department operational deficits. We found that oversight for fee charges and commercial contracts and agreements did not ensure that COEM contract prices were current and appropriately recovered costs associated with services provided.

We also found that COEM cash collection processes were not in compliance with University policy (BUS 49) specifically with respect to separation of duties, timeliness of deposits, physical security for cash receipts, and required staff training. In addition, we noted that quarterly reports required per the MOU with the Office of Risk Services were not provided for FY2014/15.

During our review, COEM drafted action plans to address several areas of weakness we observed. Implementation of these plans would address many of the control weaknesses noted in our review. Additional discussion and audit observations are provided in the remainder of this report.

## V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

<b>A.</b>	<b>Billing Processes</b>
COEM had not fully developed processes for oversight of billing functions to ensure completeness of billing, oversight of collections, and monitoring of accounts receivable.	
<b>Risk Statement/Effect</b>	
Inadequate and inefficient billing processes could lead to lost revenues and department operational deficits.	
<b>Management Action Plan</b>	
A.1	COEM will fully implement the various procedures identified by the department during the review (listed on page 8) to improve oversight for processes related to reconciling patient appointments to Systoc data entries, billing, collections, and accounts receivable monitoring.

### A. Billing Processes – Detailed Discussion

COEM prepared invoices for external commercial clients for workers' compensation (WC) and other contracted medical services. For UCSD employees (Health Sciences and Campus), COEM prepared billing for workers' compensation cases. Costs for all other services provided to UCSD employees were tracked in internal Bulk Accounts. We noted that COEM did not have established processes to ensure completeness of billing (that all appointments are appropriately invoiced), for following up on incomplete appointments in the system, and monitoring outstanding accounts receivable.

**Completeness of Billing (Schedule to Invoice)** – For billable transactions, we traced scheduled appointments (from the Systoc Analysis of Appointment Report) for a one-week period (February 8 – 12, 2016) to determine whether the services had been invoiced to external clients and/or worker’s compensation carrier (as seen on the Analysis of Invoices Report) or was an incomplete billing transaction (as seen on the Patient Order Tracking Report). From this detail testing we noted that a total of 258 appointments were scheduled among commercial customers and UCSD employees (Health Sciences and Campus). Overall, 30% of all appointments from this one-week period were invoiced as of March 1, 2016, and another 33% were “incomplete,” meaning that the scheduled event in Systoc did not have all required documentation or information completed from the COEM clinic provider or business office in order to bill for the services.

Number of Appointments / Type of Customer	Commercial Customers	UCSD Campus WC	UCSDH WC	Total Appointments	%
Appointments Invoiced	54	1	23	78	30%
Incomplete Appointment	57	24	4	85	33%
Non WC Appointments		36	50	86	34%
Appointments Not Found	7	1	1	9	3%
<b>Total</b>	<b>118</b>	<b>62</b>	<b>78</b>	<b>258</b>	<b>100%</b>

Source: Report date: March 1, 2016

In addition, for the 118 commercial customer appointments, only 46% (54 invoices) were billed as of March 1, 2016. An additional 57 procedures were in the Patient Orders Tracking Report with an average of 20 days old. We were unable to locate seven appointments (3%) in either invoices or the Patient Orders Tracking Report. These appointments could be the result of cancelled appointments, incorrect data entries, or other not-billable reasons. The lack of a reconciliation process from patient appointments to final invoices may result in loss of revenues, and could contribute to department operational deficits.

**Follow Up on Incomplete Appointments** - It appeared from our review that COEM did not have a process for routinely following up on incomplete appointments to ensure the necessary information was obtained to proceed with billing. A review of incomplete events on the Patient Orders Tracking Report noted that majority of the outstanding items were due to incomplete required documentation, missing fee codes, or missing sign-off in the Systoc system by the provider or clinic staff. A further review of the Patient Orders Tracking Report over a six-month period (July 1, 2015 – December 31, 2015) indicated that a total of 247 procedures were outstanding (incomplete) as of March 28, 2016. Most of outstanding procedures were due to lack of required charts, forms, or fee code, or the business office staff had not reviewed and confirmed the documentation.

Period: July 1, 2015 – December 31, 2015 (1)	Hillcrest	La Jolla	Total
Workers Compensation Appointments	79	47	126
Non- Workers Compensation Appointments	80	41	121
<b>Total</b>	<b>159</b>	<b>88</b>	<b>247</b>

(1) Source: Systoc Patient Orders Tracking Report (excluding UCSD employees) (March 28, 2016)



**Accounts Receivable** – We also noted that COEM did not actively monitor accounts receivable for commercial accounts. COEM had a total outstanding accounts receivable for the commercial accounts of \$159,582 as of February 11, 2016. A total of \$43,682 (27%) of accounts receivable was aged more than 90 days. COEM did not have a formal plan to follow up on these aged outstanding accounts receivables.

During our review, COEM identified the following procedures to improve business operations and billing and collections processes:

- Develop procedures and protocol for reconciling scheduled patients from appointments to invoices, service costs, and received payments;
- Follow up error notes in the Patient Orders Tracking Report and to revise work flow in the billing process;
- Prepare action plan for collecting accounts receivable aged more than 60 days;
- Provide bulk account information and instruction to the Front Desk staff for proper data entry;
- Reconcile received payments to invoices;
- Prepare and review monthly service, revenue, and cost reports for all customers (commercial, UCSDH, and campus);

Implementation of the above steps and supervisory review should address the control weaknesses in billing and collection processes identified during our review.

<b>B.</b>	<b>Fee Charges Maintenance</b>
COEM did not have processes for routine review and update of Fee Charges in order to provide current costs for the commercial contracts.	
<b>Risk Statement/Effect</b>	
Outdated fee schedules may impact cost recovery for services provided, and result in lost revenue.	
<b>Management Action Plan</b>	
B.1	COEM will develop a process to regularly review and update Fee Charges with current UCSDH CDM research rates and current market prices.

### **B. Fee Charges Maintenance – Detailed Discussion**

The COEM Fee Charges table lists service prices for billing and consideration for commercial contracts. In general, COEM adopted research rates from the UCSDH CDM for the same service provided, by CPT code. The UCSDH CDM is reviewed and updated annually.

We compared the COEM Fee Charges with 2016 UCSDH CDM rates and noted that 46% of COEM Fee Charges had the same CPT codes as those in the UCSDH CDM. For the unlisted CPT codes, a total of 202 CPT codes were for COEM occupational services, and an additional 46 CPT codes appeared to be for services outside COEM that may have been retired, or otherwise incomplete or incorrect. A

summary of the COEM Fee Charges, indicating areas which matched to the UCSDH CDM is provided below.

Cost Center	Cost Center Name	Number of CPT Codes		
		In Systoc	In UCSDH CDM	Not in UCSDH CDM
180	TH CLINICAL LAB	1	1	
201	Not Found in UCSDH CDM	44	34	10
721	HC CLINICAL LAB	72	53	19
722	HC MICROBIOLOGY LAB	41	28	13
730	HC BLOOD LAB	4	3	1
750	HC NON-INVASIVE CARDIOVASCULAR SERVICES	4	2	2
761	HC CT	1	1	
791	HC PHLEBOTOMY/LAB	13	12	1
799	COEM	355	153	202
<b>Total CPT Count</b>		<b>535</b>	<b>287</b>	<b>248</b>
<b>% of Total CPT Count</b>		<b>100%</b>	46%	54%

For those CPT codes in the COEM Fee Charges table which were also listed in UCSDH CDM (287 codes), we noted that 228 (79%) showed 2013 or later as current effective year, which indicated that majority of CPT codes in the Fee Charges were reviewed and updated in 2013. However, a further review of the prices between the Fee Charges and UCSDH CDM (research rates) disclosed the following variances:

COEM Fee Charges Std Amount - UCSD CDM Research Rate	Number of CPT Codes	Possible Impact
Variances > \$1,000	1	COEM Fee Charges were greater than UCSDH CDM (research rate). Since the research rate is a significant discount rate, this rate could be still below market. Limited impact since costs are negotiated via contract.
Variances < \$1,000 and > \$100	9	
Vacancies < \$100 and > \$50	12	
Vacancies < \$50 and > \$1	120	
Variances <= 1 and >= \$-1	20	COEM Fee Charges were reasonably agreed with UCSDH CDM (research rates).
Variances < \$-1 and > \$-50	69	COEM Fee Charges were less than UCSDH CDM (research rate). COEM appeared to be undercharging for these services based on the latest CDM rate, which could impact cost recovery and result in lost revenue.
Variances < \$-50 and > \$-100	30	
Variances < \$-100 and > \$-300	24	
Variances < \$-300 and > \$-1,800	2	
<b>Total Number of CPT Codes</b>	<b>287</b>	

For the CEOM occupational services not listed in the UCSDH CDM (202 CPT codes), 71% (144 CPT codes) showed 2013 as current effective year.

Similar to UCSDH CDM annual review, a periodical Fee Charges review for COEM services will assist in providing current cost information for services provided. Because nearly half (46%, or 287 CPT Codes) of Fee Charges can be updated from the UCSDH CDM, COEM would only need to actively manage the remaining 202 CPT codes in occupational services to review and update with current market costs.

Outdated Fee Charges and the lack of a routine process to update Fee Charges with the current UCSDH CDM research rates or market prices could result in under-recovery of COEM costs. As a result, when contract pricing is evaluated for external customers and those services are provided, costs may not be fully recovered.

During our review, COEM drafted a plan to review Fee Charges and charge structure for commercial customers. Some key actions included updating Fee Charges with UCSDH CDM annually and developing a charge structure and principle policy based on the overall contract services provided. For COEM specialty services, the department is working with consultant for a service charge review to include benchmarking with other institutions.

<b>C.</b>	<b>Contracts and Records Management</b>
Commercial contracts and agreements were not reviewed and updated periodically.	
<b>Risk Statement/Effect</b>	
Outdated contracts may not include current cost pricing. As a result, the cost of services may not be recovered and revenue could be lost.	
<b>Management Action Plan</b>	
C.1	COEM will implement a process for periodic review and update of Company Profile information and related contracts and agreements.

### C. Contract and Records Management – Detailed Discussion

COEM enters external customer service contracts in Systoc as a Company Profile. As of December 2015, Systoc showed a total of 203 active external companies. Our preliminary review of these Company Profiles noted that some contracts were not updated, and some active companies may not have utilized COEM services recently. Some original contracts could not be located.

A further review of the FY2014/15 Systoc Top One Hundred Company Revenue Generated Report indicated that 82% (\$662,579) of revenue came from 16 companies. The table below summarizes the total count of external companies by the revenue range and total revenue amount for FY2014/15.

FY2014/15 Revenue Range	Total Amount	% of Total Amount	Number of Company <sup>(1)</sup>
>\$200,000	\$ 236,710	29%	1
>\$100,000 and <\$200,000	\$ 101,537	13%	1
>\$10,000 and <\$100,000	\$ 324,332	40%	14
<\$10,000	\$ 146,840	18%	82
Total	\$ 809,419	100%	98

(1) UCSD Medical Center and campus accounts were excluded.

From the Company Profile Fee Schedule analysis, we noted that the top four revenue-generating contracts were updated in 2014 or 2015. However, other contracts did not appear to be timely reviewed and updated. As a good business practice, all contracts should be review periodically and updated in the system accordingly. Additionally, a contract pricing structure was not in place to guide pricing and discount decisions when negotiating contract prices.

To address this issue, COEM planned to review and update the Top 10 revenue generated Company Profiles. COEM also considering review of all other Company Profiles strategically. During our review, COEM also drafted plan to develop a charge structure and principle policy based on the overall contract and services provided.

<b>D. Cash Handling Processes</b>	
COEM cash handling procedures were not compliance with University policy (BUS 49) in the following areas: <ul style="list-style-type: none"> <li>• Checks were not deposited timely.</li> <li>• Deposit processes were not constantly and timely reviewed by a second person.</li> <li>• A safe was not in place to store checks on hand.</li> <li>• Cash handling training was not completed by all employees who handle cash/checks.</li> </ul>	
<b>Risk Statement/Effect</b>	
Lack of separation of duties for cash or cash equivalents collection, handling, deposit, and accounting reduces internal control and could increase risk of misappropriation or misapplication of payments. The lack of a safe to ensure physical security and timely deposits to reduce cash on hand increased the risk of loss.	
<b>Management Action Plans</b>	
D.1	COEM will develop procedures to ensure that mailed remittances are verified deposits prepared by two employees in order to ensure separation of duties and accountability for handling payments.
D.2	COEM will ensure deposits are completed on a timely basis when collections exceed \$500.
D.3	COEM has acquired a safe to store cash and checks in processes.
D.4	COEM will require staff who handle cash/checks to complete cash handling training.

#### **D. Cash Handling Processes – Detailed Discussion**

University policy (BUS 49) establishes procedures for handling and processing cash and cash equivalents, and defines University staff roles and responsibilities related to receipt, safeguarding, reporting and recordkeeping for payment transactions. As required by policy, all payments (cash or checks) should be deposited to the bank if collections exceed \$500. Further, policy requires that no single person should have complete control over cash/checks handling, recording, and deposit. All cash/checks should be placed in a safe prior to deposit. A safe is required when more than \$1,000

cash/cash equivalents on hand. Staff who handle cash should have a background check and cash handling training.

In 2015, COEM deposited a total of \$838,485, of which 70% (\$585,159) represented external customers payments and 24% (\$203,514) from workers compensation companies. For these two type of payments (94%, \$788,673), the average deposit amount was \$7,370 which was generally made semi-monthly. The semi-monthly deposit of sums significantly exceeding \$500 represented instances when the unit did not comply with policy to make deposits when collection reach \$500. Further, checks were placed in a locked drawer, which did not meet security requirements for the amount of cash equivalents on hand.

We also noted that the Deposit Journal indicating checks received and deposited was not always signed off timely by the reviewer to ensure accuracy and accountability. It appeared that deposits were prepared by one individual and deposited, and review of the Deposit Journal was done after-the-fact. To ensure the accountability of the payment receipt and deposit processes, dual custody for validation and deposit preparation is required.

Finally, we noted that not all COEM staff with cash-handling responsibilities had completed required training, which provides updated information on current policies, procedures, and techniques to staff who perform deposit processes.

<b>E.</b>	<b>Office of Risk Services MOU</b>
Reports required per the MOU were not submitted to the Office of Risk Services.	
<b>Risk Statement/Effect</b>	
COEM was not in full compliance with MOU agreement.	
<b>Management Action Plan</b>	
E.1	COEM will submit quarterly/annual reports to Office of Risk Services as required by the MOU. Existing data sources, such as the Analysis of Appointment Report and Bulk Account Statements, could be utilized to meet this requirement.

#### **E. Office of Risk Services MOU – Detailed Discussion**

The MOU with the UCOP Office of Risk Services required reports of occupational health services activities to the Office of Risk Services on a quarterly basis, and a fiscal year end summarization. The MOU also specified that this tracking should include service provided, department performed for, employee administered to, date performed, and cost equivalent if COEM had charged for the activity.

COEM did not provide reports to the Office of Risk Services for FY2014/15. Our review noted that COEM Systoc Analysis of Appointments report could be extracted to provide the count of appointment by visit type for UCSDH or campus employees. Below is a high-level summary for workers compensation and non-workers compensation appointments for FY2014/15.

<b>FY2014/15 - Service Type / To <sup>(1)</sup></b>	<b>Campus</b>	<b>UCSDH</b>	<b>Total Number of Appointments</b>
Workers Compensation Appointments	1,209	1,005	2,214
Non Workers Compensation Case Appointments	1,867	11,057	12,924
<b>Total Number of Appointments</b>	<b>3,076</b>	<b>12,062</b>	<b>15,138</b>

(2) Source: Analysis of Appointment Reports

For the associated visit cost, the Medical Group generates monthly bulk account statements which include service date, patient name, service department, procedures, and service charges. Combining information from these two reports should provide the information needed to fulfill MOU reporting requirements.

**Audit & Management Advisory Services**  
**Center of Occupational Environmental Medicine (COEM), Project 2016-35**  
**General Business Process Flow**  
**Attachment A**

