

The logo for UC Irvine, featuring the text "UCIRVINE" in a large, black, serif font. The letters "U" and "C" are significantly larger than the other letters, and the "I" is a thin vertical line. The text is set against a light yellow background.

UCIRVINE

The logo for Internal Audit Services, featuring the text "INTERNAL AUDIT SERVICES" in a black, serif font. The text is set against a light yellow background.

INTERNAL
AUDIT SERVICES

Department of Psychiatry &
Human Behavior

Internal Audit Report No. I2017-203

September 4, 2017

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INTERNAL AUDIT SERVICES
IRVINE, CALIFORNIA 92697-3625

September 4, 2017

**RUTH BENCA, MD
PROFESSOR AND CHAIR
DEPARTMENT OF PSYCHIATRY & HUMAN BEHAVIOR**

**RE: Department of Psychiatry & Human Behavior Audit
Report No. I2017-203**

Internal Audit Services has completed the review of the Department of Psychiatry & Human Behavior 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.

Mike Bathke

Mike Bathke
Director
UC Irvine Internal Audit Services

Attachment

C: Audit Committee
Jeffery Charlson, Chief Administrative Officer, Psychiatry & Human Behavior

I. MANAGEMENT SUMMARY

In accordance with fiscal year (FY) 2016-17 audit plan, Internal Audit Services (IAS) conducted a review of the Department of Psychiatry & Human Behavior (PHB) including clinic operations. In general, departmental controls and processes appear to be functioning as intended. The review disclosed internal control/compliance weaknesses that should be improved to minimize risks and ensure compliance with University policies and procedures and/or best business practices. Specifically, the following concerns were noted.

Service Agreements – Agreements are not adequately maintained. An executed agreement could not be located for one facility and PHB is owed about \$48,000 in back payments for services rendered. This observation is discussed in section V.1.

Cash Management – Cash collections were not properly handled in accordance with University policy. Mailed remittances were processed and verified by one individual instead of two individuals. The transfer of checks and deposits were not documented to maintain proper accountability. Deposits were not prepared timely. Lastly, background checks for three employees handling cash could not be located. The details related to these issues are provided in section V.2.

Outpatient Clinic Operations – The layout of the outpatient clinic needs improvement. Patients are checking out and scheduling follow-up appointments in the same room where cash is stored. This observation is discussed in section V.3.

Human Subject Payments – Human subject payments were not always properly handled, tracked and monitored. Further details related to these issues are provide in section V.4.

Medical Equipment – Management of medical equipment used for research purposes need improvement. Equipment was not inspected prior to use and if required, assigned a schedule for preventative maintenance by Biomedical Engineering. The details related to this issue are provided in section V.5.

Ledger Reconciliations – Ledger reconciliations of all accounts including payroll ledgers have not been performed for quite some time to verify that transactions have been accurately recorded. This observation is discussed in section V.6.

Performance Evaluations – Performance appraisals for staff are not completed timely. The last evaluations performed for all employees were for FY 2014-15. Further details are found in section V.7.

II. BACKGROUND

PHB is part of the University of California, Irvine (UCI) School of Medicine (SOM). PHB's mission is to deliver leading-edge research, to provide expert and compassionate clinical care and to educate the next generation of psychiatry professionals.

PHB has a large number of active research programs, including fundamental research efforts and translational programs. Fundamental research that focuses on the neuropsychiatric disease processes in Alzheimer's disease, bipolar disorder, Huntington's disease and schizophrenia. A research priority of the department is building translational programs to translate basic research findings into clinical therapeutics.

Psychiatry services offers a full spectrum of comprehensive mental health services for children and adults, including inpatient hospitalization as well as outpatient and emergency psychiatry.

The residency program aims to provide 360-degree psychiatry specialty training by exposing the residents to the challenges and opportunities of caring for an ethically and culturally diverse population. PHB trains 35 residents in general psychiatry and six advances fellows in child psychiatry. PHB currently has 32 academic faculty, 37 academic researchers and 96 staff. The Chief Administrative Officer, who reports to the Chair, directs the administrative operations in PHB.

III. PURPOSE, SCOPE AND OBJECTIVES

The primary purpose of the audit was to perform a general review of PHB's operations to assess business risk, internal controls and compliance with University policies and procedures. The scope focused on certain operational and financial activities for the current FY 2016-2017.

The audit included the following objectives.

1. Verify that cash collections were appropriately handled, accurately recorded and deposited in compliance with University policy;
2. Determine if patient health information was properly protected and secured;
3. Assess inpatient services and determine compliance with University policy and best business practices;
4. Verify that human subject payments were tracked, monitored and physically secured;
5. Verify that controlled substances were properly stored and tracked and that medical equipment were inspected and tagged by Biomedical Engineering;
6. Evaluate payroll transfers for appropriateness and verify adjustments were properly justified, documented and completed timely; and
7. Verify that access to the application Tonic is limited to authorized individuals and set-up at appropriate levels.

IV. CONCLUSION

In general, departmental controls and processes appear to be functioning as intended. However, business risks and internal controls and processes could be further enhanced in the areas of service agreements, cash handling, outpatient clinic operations, human subject payments, medical equipment, ledger reconciliations, and performance evaluations.

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

V. OBSERVATIONS AND MANAGEMENT ACTION PLANS

1. Service Agreements

Background

For PHB physicians who have contracted with outside entities, the terms to provide various clinical services are outlined in service agreements. Several service agreements are currently in place and are a source of income for PHB. PHB and the Medical Center Contracting Department are jointly responsible for managing these agreements.

Observation

An executed agreement for clinical services provided for a rehabilitation facility could not be located and PHB is still owed \$48,000 in back payments. PHB provided services during the time period of July 2011 to October 2015 totaling \$65,384 in which both parties agreed to settle the debt for \$48,000. The last communication from the rehabilitation facility was September 2016 and as of March 2017 no payments have been received and PHB is attempting to still collect \$48,000.

Signatures from both parties bind the parties to carry out the terms of the agreement. Without a valid agreement, PHB has limited recourse in collecting back payments since terms and conditions may not be enforceable.

Management Action Plan

The Finance Analyst will continue to ensure an executed agreement is maintained for all service agreements. Management have been working with the Dean's office and the Contracting Department to find a resolution for this nonpayment and have not received any instructions. Proper action will be taken once advised by the Contracting Department and legal. IAS to follow-up in October 2017.

2. Cash Management

Background

Business and Finance Bulletin 49, Policy for Cash and Cash Equivalents Received (BUS-49), includes procedures for handling and processing cash and cash equivalents, and defines roles and responsibilities related to receipt, safeguarding, reporting, and depositing. Compliance with these policies and procedures ensures that University cash and cash equivalents are protected, accurately and timely processed and properly reported.

Observation

A sample of deposits collected and prepared by the outpatient clinic, FOCUS Program clinic and the business office were reviewed. Evidence of background checks for cash handling employees were also examined. Testing found that internal controls surrounding cash handling requires improvement. The following concerns were noted.

- a. Evidence of a background check for three employees handling cash could not be located. BUS-49 requires that background checks must be performed prior to employing cashiers, cash handlers and individuals in other critical positions. To support the University's efforts in providing a safe and secure environment, protecting University property and assets and minimize risks a background check is required for critical positions.
- b. Proper accountability over collections were not always maintained.
 - The Practice Manager receives checks through the mail and then are transferred to the Physicians Billing Group (PBG) for processing and the transfer is not documented.
 - Outpatient clinic staff were placing payments upon receipt into the safe and there were four individuals with access to the safe. With numerous individuals with access to the safe, accountability over cash could not be maintained.

- The individuals transporting deposits to the Main Cashier's office could not be determined as it is not always the same person preparing the deposit.

BUS-49 states that individual accountability must be maintained and documented for all cash handling procedures. Without individual accountability cash collections may get lost or stolen.

- c. The business office located at the Medical Center in Orange interoffice mailed deposits to the Campus Cashiering Office in Irvine. Upon audit notification, deposits are now sent to the Medical Center Cashiering Office. Furthermore, the mailed in remittances were verified and processed by one individual, University Policy requires at least two employees.
- d. The FOCUS Program clinic did not deposit timely. One deposit was about two months after receipt and the other eight months after cash was received. University policy requires deposits to be weekly or whenever collections exceeds \$500.

Management Action Plan

Management have established procedures and internal controls that comply with policy BUS-49.

- a. Management will follow-up with Human Resources to ensure background checks are processed and accounted for each employee, especially those handling cash by October 2017. This will be effective immediately for all new hires.
- b. As of April 2017, the Practice Manager records checks received through the mail onto a spreadsheet, scans the checks and supporting documentation and then hand delivers packet to the Medical Center Cashiering drop box. The outpatient clinic is no longer accepting cash and checks as of July 1, 2017. The clinic is also in the process of closing out the change fund and returning it to the Main Cashier's office. In the meantime the change fund is properly secured in the safe.

- c. As of March 2017, all checks received by the Business Office are now processed in KFS and deposited at the Medical Center Cashiering Office. Also, mailed in remittances are now processed and verified by two employees.
- d. Deposits are now deposited weekly or whenever collections exceed \$500. This was effective in April 2017 and discussed with the FOCUS team.

3. Clinic Operations

Background

IAS took a tour of the outpatient clinic and reviewed the layout and operations of the front desk and the check-out area. Patients check-in and co-payments are collected at the front desk window. Follow-up visits are scheduled at the check-out desk and is located behind the front desk in an enclosed room.

Observation

Patients are allowed to enter this room where cash is maintained and employee work stations are located. To promote a safe work environment for employees, patients should no longer be allowed in the area where cash and employees are located. In addition, auditor observed the safe to be open containing the \$200 change fund.

Management Action Plan

Management is in communication with the hospital to find a resolution that will allow for a safe work environment and separate the area where cash is stored from the area where patients check-out. As for the safe, effective immediately the safe is closed and locked at all times. IAS to follow-up in October 2017.

4. Human Subject Payments

Background

Research subjects may be compensated for their time, effort, and expenses related to their participation in approved research projects. University administrative policy/procedure, 701-03 establishes guidelines for requesting, maintaining, documenting, clearing, etc. for funds designated in compensating human subjects.

Observation

IAS reviewed a sample of cash advances for research studies currently open and closed managed by three different principal investigators (PI). Testing found that controls surrounding human subject payments need strengthening. The following was noted.

- a. Study funds were deposited into a PIs personal bank account. As such study funds are commingled with personal funds.
- b. No log or documentation was maintained to monitor the remaining balance in order to perform periodic reconciliations. If a log was maintained it did not reference receipt/voucher numbers to allow for better tracking.
- c. Periodic reconciliations weren't always performed for one study. If a reconciliation was performed it was not witnessed by an individual who is not involved in other study procedures. UCI Administrative Policy 701-03 states that cash used to pay participants must be reconciled periodically by study and an individual who is not involved in other study procedures should witness cash transactions.

Management Action Plan

As of April 2017, study funds are no longer deposited into personal bank accounts but checks are cashed and funds are placed in the safe. Logs will be revised to include receipt/voucher numbers to allow for better tracking. Effective July 2017, reconciliations for each study will be performed periodically and will be documented and witnessed by someone not involved in other study procedures.

5. Medical Equipment

Background

Biomedical Engineering is responsible for performing electrical safety checks and preventative maintenance on medical equipment listed in a database. Department personnel are responsible for managing departmental equipment inspection activities.

Observation

Medical equipment such as maternal-fetal heart rate monitors, blood pressure cuffs, scales/stadiometers, exam table/chairs, etc. used for research purposes were not inspected by Biomedical Engineering prior to use. The equipment was not listed in the Biomedical Engineering database. As such, the equipment has never been inspected for electrical safety and if required, assigned a schedule for preventative maintenance.

Management Action Plan

Management is in communication with the Biomedical Engineering department and all equipment will have appropriate inspection by October 2017.

6. Ledger Reconciliations

Background

UCI Administrative Policies and Procedures Sec 701-08: Procedures for Control of Expenditure and Income Funds specify that each activity manager, who is directly responsible for the financial affairs of that activity, maintains procedures that monitor and verify transactions in order to reconcile balances monthly to the general ledger.

Observation

Interviews with staff disclosed that ledger reconciliations including payroll ledgers have not been reconciled for quite some time. Reconciliations ensure transactions are charged to the proper accounts as required by University

Policy IA101 Internal Control Standards: Departmental Payrolls. Reconciliations are integral to ensure that transactions are complete, accurate, and valid. Failure to perform reconciliations may result in undetected errors.

Management Action Plan

General Ledgers have been reconciled through April 2017 and will be reconciled timely to ensure transactions are accurate and will be documented with a signature and date. Management have also addressed the mandatory reviewer role for all payroll transfers in the payroll personnel system to the CAO.

7. Performance Evaluations

Background

University Policy PPSM-23 requires the performance of each employee be appraised at least annually in writing by the employee's immediate supervisor, or more frequently in accordance with local procedures.

Observation

Performance evaluations are not completed timely. The last documented evaluations completed for all staff was for FY 2014-15. The written performance appraisal provides appropriate documentation to support any recommended merit increases. As of March 2017, the performance evaluations for FY 2015-16 still have not been completed. Furthermore, now that the new merit program has been implemented, supervisors are to use actual performance ratings from July 1, 2016 to March 31, 2017. Without actual performance ratings, employees may not receive merit increases.

Management Action Plan

As of October 2017, performance appraisals for FY 2016-17 will be performed for each employee in accordance with University policy. A copy will be maintained in the employees personnel file.