

The logo for UCIrvine, featuring the letters 'UCI' in a large, bold, serif font, followed by 'RVINE' in a smaller, all-caps, serif font. A vertical line separates the 'UCI' and 'RVINE' parts.

UCIRVINE

The logo for Internal Audit Services, featuring the words 'INTERNAL' and 'AUDIT SERVICES' stacked vertically in an all-caps, serif font.

INTERNAL  
AUDIT SERVICES

## Department of Pediatrics

*Internal Audit Report No. I2019-201*

April 16, 2019

***Prepared By***

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INTERNAL AUDIT SERVICES  
IRVINE, CALIFORNIA 92697-3625

April 16, 2019

**KHANH-VAN T. LE-BUCKLIN, MD**  
**INTERIM CHAIR**  
**DEPARTMENT OF PEDIATRICS**

**RE: Department of Pediatrics Audit**  
**Report No. I2019-201**

Internal Audit Services has completed the review of the Department of Pediatrics 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  
Maryann Pack – Chief Administrative Officer, Pediatrics

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## I. MANAGEMENT SUMMARY

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In accordance with the fiscal year (FY) 2018-2019 audit plan, Internal Audit Services (IAS) conducted a review of the School of Medicine's (SOM) Department of Pediatrics (Pediatrics). In general, department controls and processes appear to be functioning as intended. Based on the audit work performed, some internal controls need improvement and should be strengthened to minimize risks, ensure compliance with University policies and procedures, and/or support best business practices. Specifically, the following concerns were noted.

**Service Agreements** - A service agreement was not signed by the University and a fully executed agreement could not be located. Additionally, facilities were not always billed timely in accordance to the agreement. Further details related to these issues are provided in section V.1

**Billing System** – Pediatrics is using a third party vendor for billing purposes when University policy requires use of the Campus University Billing System. Furthermore, two employees share one log-on and password to access the system. This is discussed in Section V.2.

**Equipment Inventory** – The equipment database was not updated with correct room numbers and serial numbers, and as a result, makes it difficult to perform an adequate physical inventory and to properly manage equipment inventory. This is discussed in Section V.3.

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## II. BACKGROUND

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Pediatrics is committed to providing high-quality pediatric clinical care, education, and research. Pediatric faculty has received national and international recognition for pediatric research, and continues to receive a high level of federally-funded research grants.

In 2009, SOM and the Children's Hospital of Orange County (CHOC) formed a collaborative clinical affiliation to provide high-quality pediatric services to the children of Orange County. At CHOC, University of California, Irvine (UCI) faculty members provide comprehensive inpatient and outpatient pediatric primary care and subspecialty services. At UCI Medical Center, faculty members

provide pediatric emergency, burn, trauma, neonatal intensive care, newborn nursery, psychiatry, and primary care services. Pediatrics also has a major affiliation with Miller Children's Hospital in Long Beach.

Pediatrics consists of approximately 60 full time faculty and 250 staff that includes administration, research, and students. There are 16 divisions under the Department and the Chair, who serves as the academic leader and administrative head, reports directly to SOM. The Chief Administrative Officer (CAO), who reports to the Chair, directs the administrative operations.

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### **III. PURPOSE, SCOPE AND OBJECTIVES**

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The primary purpose of the audit was to perform a general review of Pediatrics 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 2018-2019.

The audit included the following objectives:

1. Verify that the review of financial budgets were performed on a regular basis and that variances were explained and documented;
2. Review the methods to monitor service agreements and verify they were properly executed and that outside facilities were billed accurately and timely in accordance to the terms;
3. Verify that cash collections were properly handled and accurately deposited;
4. Evaluate contract and grants administration and verify that projects were monitored and expenditures were appropriate according to award terms and conditions and properly requested;
5. Verify that travel and entertainment reimbursements were properly reported and approved in accordance to University policy;

6. Assess personnel practices related to faculty leave and verify proper approval was obtained, adequately supported, and monitored;
7. Determine whether system controls are limited to authorized individuals and;
8. Assess whether equipment inventory was properly tagged and accurately reflected in the equipment inventory database.

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#### **IV. CONCLUSION**

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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, the billing system, and equipment inventory management.

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

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#### **V. OBSERVATIONS AND MANAGEMENT ACTION PLANS**

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##### **1. Service Agreements**

###### **Background**

Various service agreements are currently in place and are a source of income for Pediatrics. Based on the terms of the service agreement, Pediatric physicians provide clinical and/or administrative services, such as call coverage, medical directorship, and moonlighting services at outside facilities, and are compensated.

###### **Observation**

IAS reviewed a sample of service agreements and noted the following areas of improvement.

- a. One contract did not have a signature from the University and a fully executed agreement could not be located. Although the current amendment was properly executed, the original agreement was missing the University signature. Without evidence of a fully executed agreement, contracts may be nonbinding.
- b. Outside facilities were accurately billed according to the terms of the agreement, however, Pediatrics did not always bill timely. Two were billed late: one was billed six days after the due date and the other, although no due date was stated on the agreement, was billed about a month after the service month. Untimely submission of invoices/timesheets further delay receipt of payment.
- c. Pediatrics maintains an internal spreadsheet listing all service agreements within the department and is used as a monitoring tool. Four of the agreements reviewed did not have the correct start or end date reflected on the spreadsheet. As such, agreements may lapse.

### **Management Action Plan**

The Contracting Department recently added iContracts to upload contracts into a database, which is shared with the Pediatrics department and the Strategic Development Committee. This will ensure all executed agreements can be obtained by the department. Moving forward, management will ensure a fully executed agreement is maintained for all service agreements in iContracts. The service agreement spreadsheet will be revised to now include billing terms to ensure facilities are billed according to the agreement. Additionally, staff will be reminded to submit necessary paperwork such as timesheets promptly to avoid billing the facilities late. As of November 5, 2018 the agreement's spreadsheet was reviewed and updated to ensure data such as start and end dates were accurately reflected.

## **2. Billing System**

### **Background**

Since 2014, Pediatrics has been using an outside billing system called Zoho. This online system is used to create invoices to send to outside facilities. The

data stored in Zoho includes facility name, address, and contact information. The date and payment amount received are also reflected in the system. No patient information or sensitive data is stored in the system.

### **Observation**

According to UCI Administrative Policies and Procedures Sec. 701-16: Departmental Billing-Procedure, the University Invoice must be used by the University departments to bill for goods and services, fines, claims for reimbursement, and other miscellaneous obligations due to the University for amounts over \$20. Pediatrics is not in compliance with University Policy by utilizing Zoho instead of the University Invoice.

In addition, two employees share one log-on and password to access Zoho. This circumvents good information security practices. By sharing an account, responsibility cannot be assigned should the account be misused or compromised.

### **Management Action Plan**

All SOM departments, including Pediatrics, were instructed by the Dean's Office to not utilize the Campus Billing On-line System (CBSO) or University Invoice due to issues in the past of applying checks to the incorrect invoice number.

As of January 2019, a new account has been created in Zoho. All staff will no longer share log-ons and passwords to access any systems.

## **3. Equipment Inventory**

### **Background**

Pediatrics maintains various equipment inventory such as freezers, robotic workstations, pulmonary testing systems, incubators, and microscopes. These equipment are usually located in the labs and are used mainly for research purposes. According to University Policy BUS-29: Management and Control of University Equipment (BUS-29), campus departments are required to maintain up-to-date departmental records that reconcile to the official records

maintained by the Equipment Management Office. Inventory records were reviewed to ensure that equipment inventory is properly managed.

### **Observation**

IAS reviewed 15 assets and found the following areas of improvement.

- a. During the course of the equipment inventory review, it was determined that an asset (freezer) was salvaged in February 2017 and the UCI property tag was inappropriately affixed to another asset. Consequently, the salvaged asset was not reported to Equipment Management and not deleted from the current equipment inventory list.
- b. Two assets did not have the proper UCI property tags affixed, although the assets were physically located according to the description and manufacturer.
- c. Eight assets had incorrect and/or missing location, room number, and/or serial numbers. BUS-29 requires that the current building number and room number of each item of inventorial equipment shall be maintained in such a manner that any item can be located for inspection or inventorial purposes within a reasonable time. All manufacturer, model number, and serial number information shall be completed for each equipment record.

Insertion of missing serial numbers is particularly critical in reporting or tracing lost or stolen property.

### **Management Action Plan**

By July 1, 2019, a full physical inventory of all equipment will be performed to ensure the room, location, and/or serial numbers are accurately reflected in the Equipment Inventory Database. Also, all equipment inventory will be properly identified with a UCI Property Tag. Staff will be reminded to follow proper protocol when salvaging/retiring equipment. Furthermore, management will ensure that the database is continuously updated throughout the year as any changes to equipment occur.