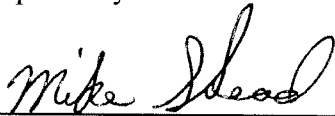


UNIVERSITY OF CALIFORNIA, IRVINE
ADMINISTRATIVE AND BUSINESS SERVICES
INTERNAL AUDIT SERVICES

CASH COLLECTION PROCESSES
GYNECOLOGIC ONCOLOGY OUTPATIENT CLINIC
Report No. 2011-202B

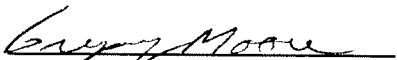
March 10, 2011

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March 10, 2011

**MANUEL PORTO, M.D.
DEPARTMENT CHAIRMAN
DEPARTMENT OF OBSTETRICS AND GYNECOLOGY**

**RE: Cash Collection Processes in the Gynecologic Oncology Outpatient Clinic
Report No. 2011-202B**

Internal Audit Services has completed the review of cash collection processes in the Gynecologic Oncology Outpatient Clinic and the final report is attached.

Please let us know if we can provide additional support or assistance.



Bent Nielsen
Director
UC Irvine Internal Audit Services

Attachment

C: Terry Belmont, Chief Executive Officer, UC Irvine Medical Center
Ralph Clayman, M.D., Dean, School of Medicine
Therese Duggan, Assistant Director Cancer Center Operations
Katherine Hansen De Asis, Chief Administrative Officer
Alice Issai, Chief Operating Officer, UC Irvine Medical Center
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I. MANAGEMENT SUMMARY

In accordance with the fiscal year 2010-2011 audit plan, Internal Audit Services (IAS) reviewed cash collection processes in the Gynecologic Oncology Outpatient (Surg/Gyn-Onc) clinic. Based on the audit work performed key internal controls surrounding cash collection systems and processes could be strengthened to ensure compliance with University policies and procedures and best business practices. Specifically, we noted the following:

- **Cash Collection Processes** – Processes could be improved to reduce the number of occasions in which funds are either over or under collected from patients. The details related to these issues are provided in Observation 1;
- **Cash Handling Activities** – Cash handling processes need to be strengthened to provide an adequate level of internal control over cash collection, reconciliation and depositing procedures. The details related to these issues are provided in Observations 2 and 3;
- **Quest Financial System** – Enhancements to the Quest system, and/or additional manual processes are needed to provide an adequate level of internal control over cash collections. The details related to these issues are provided in Observation 4.

II. BACKGROUND

The audit of cash collection processes at the Surg/Gyn-Onc clinic involved a review of the Quest system which is being implemented in phases at the University of California, Irvine Medical Center. The Quest phase I implementation, which was completed in 2009, included a new, automated system by which Medical Center receipts for patient payments could be prepared electronically in real time and printed for the patient.

Gynecologic Oncology physicians share clinical space with physicians involved in other surgical specialties in a multi-specialty clinic located on the second floor of the Chao Family Comprehensive Cancer Center at the Medical Center. The Surg/Gyn-Onc clinic is staffed by Cancer Center employees who assist patients and collect, record and deposit patient payments on behalf of the Gynecologic Oncology physicians. In total, there are five Gynecologic Oncology physicians who practice in the Cancer Center, specializing in the diagnosis and treatment of gynecologic cancers.

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III. SCOPE AND OBJECTIVES

The scope of the audit included a review of the cash collection and cash handling processes in the Surg/Gyn-Onc clinic and the Quest system controls focusing on the recording of patient payments and creation of payment receipts.

The primary objectives of our review were as follows:

1. Determine whether internal controls are in place to ensure that proper amounts are collected from patients on the date of service;
2. Determine whether collected funds are deposited to the Medical Center Cashier's Office (MCO) in a timely manner;
3. Determine whether internal controls over cash handling processes are sufficient to ensure compliance with University policies and procedures and good business practices;
4. Determine whether internal controls within the Quest system that pertain to cash collections are adequate to ensure accountability over the patient payment process.

IV. CONCLUSION

Business risks and control concerns were identified in the areas of patient payment collections, cash handling activities, daily deposits, and Quest system transactions.

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. Collection of Patient Payments on Date of Service

Background

Quest system patient rosters from the Surg/Gyn-Onc clinic were obtained for sample dates in June and July 2010. From the rosters, a sample of patient visits was selected for audit test work. Several audit procedures pertaining to cash collection processes were performed, using the sample of patient visits.

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Observation

Collection of co-payments and other patient financial obligations by the Surg/Gyn-Onc clinic front office need to be improved. Out of 19 sampled patient visits from June and July 2010, four patient financial obligations were either collected in error, or not collected at the time of the patient's visit. The following transaction details are provided.

- a. One co-payment for a patient with a point-of-service insurance plan was not collected by the front office on a June 9, 2010 date of service. The patient's visit involved a pre-surgery consultation. The patient should have paid a co-payment for this visit. As of the audit date, the Gynecologic Oncology billing office had billed the patient for the amount of the outstanding co-payment, and a debit is reflected in the patient's account within the Medical Center billing system.
- b. One co-payment for a patient with Health Maintenance Organization (HMO) insurance was collected on a July 26, 2010 date of service, in error. The patient's visit involved a post-surgery follow-up which was in a 90-day global period in which co-payments should not be collected. As of the audit date, a credit is reflected in the patient's account, in the amount of the collected co-payment within the Medical Center billing system.
- c. One co-payment for a patient with HMO insurance was collected on a June 14, 2010 date of service, in error. Similarly, on a May 10, 2010 appointment, a co-payment had been collected from the same patient, also in error. Both appointments were post-surgery follow-ups to an April 30, 2010 surgery, and were within a 90-day global period in which co-payments should not be collected. As of the audit date, a credit balance equal to the amount of the two collected co-payments is reflected in the patient's account within the Medical Center billing system.
- d. One co-payment for a patient with HMO insurance was collected on a June 14, 2010 date of service, in error. The visit occurred during a 90-day global period in which co-payments should not be collected. As of the audit date, a credit equal to the amount of the co-payment is reflected in the patient's account within the Medical Center billing system.

Failure to collect the proper amount of co-payments and other patient financial obligations on the date of service increases the cost of collecting or refunding the obligation.

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Management Action Plan

Additional education and training will be provided to the call center, schedulers, and front office personnel regarding the importance of verifying and documenting the purpose of the visit and patient payment obligation, if any. The estimated completion date is July 2011.

2. Accountability, Independent Review, and Separation of Duties in Cash Handling Activities

Control procedures that ensure adequate accountability, independent review, and separation of duties over cash handling activities in the Surg/Gyn-Onc clinic front office need improvement. Discussions with management and staff members responsible for the front office area disclosed the following concerns:

- a. Accountability over University funds and cash collections from patients is not always adequately maintained. Observations of front office cash handling operations disclosed that at least two staff members can accept payments from patients. During business hours, when payments are received from patients, the staff members will place the funds in a lockable desk drawer in the front office. However, the front office staff members also share the desk drawer key;
- b. The deposit is prepared by a front office staff member who also verifies the patient's payment requirement, receives payments from patients and records payments in the Quest system. These incompatible duties do not provide an independent reconciliation of patient payments to actual payments received and recorded;
- c. The daily deposit is not reviewed and approved by a management-level employee prior to the time that the deposit is delivered by the front office deposit preparer to the MCO. An independent review and approval of the daily deposit is a key internal control in the deposit preparation process.

Failure to maintain adequate internal controls over cash handling processes may result in a diversion of University funds and/or a cash loss.

Management Action Plan

Because other front office staff members are required to receive payments from patients during business hours, they will also need to access the change fund during business hours. As a compensating control and to improve accountability over University cash and cash collections, the change fund will be counted in the presence of two employees at the beginning and end of each

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business day. A log will be retained to document the daily cash verifications. In addition, the supervisor will perform and document periodic cash counts during business hours and verify the count to the Quest receipt and patient roster. Our anticipated implementation date is July 2011.

The daily deposit preparation responsibilities will continue to be performed on a rotating basis by a front office employee who also handles cash during the business day. However, as a mitigating internal control, the deposit will be prepared in dual custody by the front office personnel. In addition, the supervisor will, on a monthly basis, audit the daily deposit and verify the processes by which the daily deposit is prepared. These mitigating controls will help to ensure that the daily deposit is complete, accurate, and submitted to the MCO in a timely manner. We will retain documentation of our daily deposit audits as they are completed. The anticipated implementation date is July 2011.

3. Transport of University Funds

Observation

The transport of funds for deposit by Surg/Gyn-Onc clinic front personnel is not performed in the manner prescribed by UC policy, and may put University employees and assets at risk.

Surg/Gyn-Onc clinic front office personnel transport collected funds to the designated drop off location. Usually, only one clinic staff member performs this function. A failure to transport University funds in accordance with UC policy may result in injury to University employees and/or a loss of University funds.

Management Action Plan

We have implemented a new policy whereby, on a daily basis, two employees will escort the daily deposit to the drop-off location. On business days in which the total deposit exceeds the UC policy threshold, we will contact Hospital Security to provide us with an escort.

4. The Quest System – Recording Patient Payments

Observation

As patients make their cash payments to the Surg/Gyn-Onc clinic, a staff member accepts the payment and records it in the Quest system. A copy of each Quest payment receipt is retained by the clinic and deposited at the end of

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the business day with the patient's payment to the MCO. Control measures should be in place to assure that all cash received and recorded in the clinic is deposited daily to the MCO. However, there are three issues that make it difficult for the clinic personnel to ensure that all cash transactions recorded in the Surg/Gyn-Onc clinic are accounted for.

- a. The deposit preparer cannot view or print out from Quest a batch total for payments recorded in Quest. As a result, neither the deposit preparer nor an independent deposit reviewer/approver can confirm from Quest the total number and amount of payments recorded throughout the business day.
- b. The Quest system does not assign sequential numbers at the clinic-level to recorded transactions. Instead, Quest assigns sequential numbers to financial transactions in the order that they are recorded, irrespective of which department/clinic has recorded the transaction. As a result, neither the clinic personnel nor the MCO can use the sequential numbers printed on the Quest receipts to track their cash collections.
- c. The Quest-prepared patient receipts do not identify the clinic staff member who received the payment from the patient and/or recorded the payment in Quest. Patients cannot readily determine, from their receipts, the clinic staff member who assisted them.

The inability of department/clinic staff members to document their cash collections on receipts that are sequentially-numbered for their specific department/clinic may prevent a timely and accurate accounting of patient payments and/or result in a financial loss.

With the implementation of the Quest system phase I an initial concern was identified regarding the ability for a department to sequentially track all transactions posted in the Quest system. As a result, possible solutions were discussed with Health Affairs Information Services (HAIS) personnel to modify the Quest application. However, it was determined the application software could not be modified.

To address this concern, it is our understanding that a Quest process was developed as a pilot, for subsequent evaluation. Based upon the evaluation, the MCO will propose a new procedure by which they will issue controlled, five-part, pre-numbered receipts to each cash collection site. These receipts can then be printed at the collection site and may be used by the collection site to help ensure a timely and accurate accounting of patient payments. The MCO will initiate a draft procedure that will assist clinic staff members in the verification of the daily transactions.

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Management Action Plan

It is recommended that the action plan set forth is adopted across all 200 Medical Center cash collection sites. The MCO, along with department personnel will determine and perform the following:

- Identify hardware requirements;
- Identify Quest system software and enhancement requirements for pre-numbered receipt processing including information services resource allocation needs;
- Prepare cost analysis to include hardware requirements, printing costs, and identify the new and annual cost to each collection site to purchase pre-printed and numbered receipt forms;
- Prepare policy and procedure;
- Prepare final cost analysis/report and obtain approval from Finance Administration and the School of Medicine to implement the recommended plan;
- Train all collection site personnel (up to 600 staff members).

Estimated completion date of the analysis, management approval and implementation is August 2011.