

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 logo 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 arranged in two lines: "INTERNAL" on the top line and "AUDIT SERVICES" on the bottom line. The logo is set against a light yellow background.

INTERNAL  
AUDIT SERVICES

Department of Emergency  
Medicine

*Internal Audit Report No. I2020-201*  
December 18, 2019

***Prepared By***

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INTERNAL AUDIT SERVICES  
IRVINE, CALIFORNIA 92697-3625

December 18, 2019

**CHRIS FOX, MD  
CHAIR  
DEPARTMENT OF EMERGENCY MEDICINE**

**RE: Department of Emergency Medicine Audit  
Report No. I2020-201**

Internal Audit Services has completed the review of the Department of Emergency Medicine 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  
Internal Audit Services

Attachment

C: Audit Committee  
Amal Khalil, Chief Administrative Officer, Department of Emergency Medicine

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## I. MANAGEMENT SUMMARY

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In accordance with the fiscal year (FY) 2019-2020 audit plan, Internal Audit Services (IAS) conducted a review of the School of Medicine's (SOM) Department of Emergency Medicine (EM). In general, EM controls and processes appear to be functioning as intended. Based on the audit work performed, some internal controls need improvement and EM should strengthen them to minimize risks, ensure compliance with University policies and procedures, and/or support best business practices. Specifically, IAS noted the following concerns.

**Service Agreements** – EM did not properly maintain and manage agreements and related recharges. EM could not provide a fully executed service agreement with the University of California, Irvine Medical Center (UCIMC) and an outside facility. In addition, EM had not billed and recharged UCIMC for services rendered in FY 2018-2019 until one year later. Finally, physicians did not submit timesheets by the 10<sup>th</sup> of the following month as required by the service agreement, which delays receipt of payment. These observations are discussed in section V.1.

**Z Payments** – For a period of four months, EM did not properly calculate Z payments, resulting in an underpayment of about \$1,500 to one faculty/physician and overpayment of \$769 to 14 other faculty/physicians. Additionally, the person processing and approving Z payments was also performing the general ledger reconciliations, creating an inadequate separation of duties. These observations are discussed in section V.2

**Cash Accountability** – EM did not handle cash and cash equivalents in accordance with University policy. Several individuals were responsible for receiving checks; however, they did not record the transfer to the deposit preparer nor was accountability maintained. This is discussed in section V.3.

**Patient Valuables Process** – The process of obtaining and retrieving patient valuables needs improvement. EM does not always maintain accountability and adequate documentation and valuables are at risk of getting lost. This is discussed in section V.4.

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## **II. BACKGROUND**

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EM is committed to providing patient-centered, efficient care; applying leading-edge skills to combat serious illness and injury; training the next generation of emergency medicine experts; and conducting innovative research to prevent injury and disease.

During the course of one year, EM receives over 50,000 patient visits, cares for more than 5,000 trauma victims and more than 300 burn victims. EM also receives patients en route to the UCI Health Comprehensive Stroke & Cerebrovascular Center, as well as to Orange County's designated cardiac receiving center. Clinical practice is primarily conducted at the UCIMC Emergency Department (ED). ED is the only Level 1 adult trauma center in Orange County, is a Level 2 pediatric trauma center, and is home to the Regional Burn Center in Orange County. EM delivers the most comprehensive emergency and specialist care 24 hours a day, seven days a week. In addition, many physicians are also affiliated with the outside facility, Catalina Island Medical Center (CIMC).

EM has 21 full-time faculty, ten staff, and eight fellows. The EM Chair reports to the UCI SOM Dean. A Chief Administrative Officer (CAO), who reports to the chair, manages the administrative processes.

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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 EM to assess business risks, internal controls, and compliance with University policies and procedures. The scope focused primarily on certain operational and financial activities for the current FY 2019-2020.

The audit included the following objectives:

1. Review the methods to monitor service agreements and verify they were properly approved, executed, and that payment terms and conditions were followed;

2. Evaluate cash handling procedures for conformance with University policies and procedures and for assurance that collected funds were properly deposited, recorded, and safeguarded;
3. Determine whether there were adequate controls over general ledger reconciliations to ensure they were performed timely and documented;
4. Verify that research administration practices were adequate and in accordance with University policy;
5. Assess Z payments and verify they were approved and properly calculated;
6. Review faculty leaves to ensure they were monitored and approved; and
7. Determine that adequate controls are in place for ED patient valuables and that they were inventoried, documented, and safeguarded and that accountability was maintained.

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#### IV. CONCLUSION

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In general, departmental controls and processes appear to be functioning as intended. However, EM could further enhance internal controls and processes in the areas of service agreements, Z payments, cash accountability, and patient valuables.

Observation details and recommendations were discussed with management who formulated action plans to address the issues. IAS presents these details below.

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#### V. OBSERVATIONS AND MANAGEMENT ACTION PLANS

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##### 1. Service Agreements

###### **Background**

For EM physicians who have contracted with the UCIMC or an outside facility, service agreements outline the terms to provide various clinical or

administrative services. EM is responsible for managing these agreements. Their responsibilities include contract negotiations and management, billing, collecting the monthly revenues generated from these agreements, and later disbursements to the physician as salary.

### Observation

Interviews with management as well as review of the EM records and current business practices surrounding service agreements disclosed areas of concern and improvement opportunities.

- a. IAS reviewed seven agreements of which two are for clinical and directorship services provided for an outside facility, CIMC. As of October 1, 2019, the most current executed agreement maintained was for September 1, 2018 to August 31, 2019. Although this agreement has lapsed, EM physicians continue to fulfill the terms of the agreement; moreover, EM could not provide a fully executed agreement for the current period of September 1, 2019 to August 31, 2020. Furthermore, CIMC verbally agreed to a five percent overhead charge, however, this is not stated in the contract. While CIMC continues to pay the five percent overhead charge to EM without issue, to avoid any questions in the future, language regarding the overhead charge should be included in the agreement.
- b. Four agreements with UCIMC have also expired as of July 1, 2019 and as of October 1, 2019, EM could not provide fully executed agreements for the current FY 2019-2020.

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

- c. An EM physician is the medical director of UC health operations at the Honda Center. There is an agreement between EM and UCIMC where the EM physician will spend four hours a week providing medical oversight of patient care protocols, interface with agencies, and attend meetings related to the Honda Center. EM is responsible for processing

a quarterly recharge to UCIMC for the total monthly cost of the physician's administration of time.

During the course of the audit, IAS found that EM failed to process the quarterly recharges, totaling \$46,080, for services provided in FY 2018-2019. Upon discovery, EM immediately processed the recharges for FY 2018-2019, about a year after the services were provided.

- d. Service agreements require the submission of physician timesheets by the 10<sup>th</sup> of the following month to the facility in order for EM to receive payment. Review of timesheets found that three were submitted two months after the date of service. As such, receipt of payment is delayed.

### **Management Action Plan**

Management obtained fully executed agreements with CIMC on October 2, 2019. The five percent overhead charge will not be amended into the contract and management will assume the risks if CIMC discontinues to pay the overhead charge. Management also obtained signatures from UCIMC and fully executed agreements were established by October 28, 2019. A listing of service agreements was developed on November 7, 2019, including the beginning and end dates of the contract to ensure they are monitored and do not lapse.

As of September 2019, EM has processed the recharge for \$46,080. With the development of the service agreements listing, it will allow staff to monitor and process the monies to be collected for all service agreements. Furthermore, the general ledger will be reconciled regularly to ensure service agreement payments are received and recorded accurately.

The service agreements listing also includes agreement terms and conditions to ensure they are followed and payments are received timely. Management has also reminded faculty to submit timesheets in accordance with the service agreement and completed this by November 7, 2019.

## 2. Z Payment Calculations

### **Background**

Health Sciences Compensation Plan members may receive incentive or bonus compensation, also known as “Z” payments. Such payments are for various activities such as night shift coverage, additional hours beyond contracted hours, stipends, outside revenue, payments for administrative roles, etc. Z payments are compensation beyond the base and negotiated salary. EM charges a five percent assessment or benefit rate for all Z compensation, before the income is paid back to the faculty member in the form of a Z payment.

### **Observation**

Supplemental Z payment calculations were not always correct and paid accurately. IAS noted the following during sampling.

- EM underpaid one faculty/physician’s Z payment approximately \$1,500 for a period of four months from July to October, due to an oversight.
- EM overpaid 14 other faculty/physicians a total of \$769 for a period of four months. The benefit rate amount applied was about 4.77% when it should have been five percent.

Upon discovery, EM reviewed, corrected, and reflected the correct Z supplemental payments in the November 2019 Z payment. In addition, the person processing and approving Z payments was also performing the ledger reconciliations, which is an inadequate separation of duties.

### **Management Action Plan**

During the first week of November 2019, management submitted the Z payment corrections to Payroll and notified those affected. Management also reviewed Z payment calculations for all faculty for the current FY 2019-20 to ensure accuracy. Effective immediately (November 2019), Z payments will be reconciled by the financial analyst who is someone other than the one processing and approving the Z payments.

### **3. Cash Accountability**

#### **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**

IAS reviewed a sample of recent deposits collected and prepared by the business office. Testing found that several individuals were responsible for receiving checks and then eventually handed to the deposit preparer, however, the transfer was not recorded nor was accountability maintained. BUS 49 states that all cash transfers must be documented and documentation of accountability maintained by category.

#### **Management Action Plan**

Effective August 30, 2019, management limited the number of individuals handling checks to one designated employee and this change was communicated to staff. All checks are now routed to one individual who will prepare the checks for deposit to ensure compliance with University policy.

### **4. Patient Valuables Process**

#### **Background**

Patient personal property are sometimes brought into the ED. If the valuables cannot be given to a patient-designated custodian, the hospital will maintain custody of the property until it is returned to the patient at the time of discharge. Patient property is classified into three categories: belongings, valuables, and medications. Belongings can include, but are not limited to, garments, prosthetic devices, eyeglasses, canes, and wheelchairs. Valuables are generally defined as items with high monetary value and may include

currency, credit cards, and jewelry. Medications are personal medications that belong to the patient.

Current protocols for handling patient personal property usually involve several hospital departments such as ED, Registration, and Cashiering.

### **Observation**

Due to the targeted scope of this audit, review of the ED patient valuables process was limited to ED, Registration, and Cashiering and IAS noted the following issues.

#### ED

- Discussion with the ED Manager found that due to the nature of ED and trauma patients, items are not always placed in the designated patient valuables envelope. Instead, they are sometimes placed in unidentified bags, which could increase the risk of lost valuables.
- There is no safe receptacle in the ED to keep valuables physically secure. ED staff cannot always immediately take valuables to Registration where the locked storage bin is located.
- The person obtaining the valuables from the patient is not always documenting the details of what is collected in Epic. Without this information, there is no clear chain of custody.

#### Registration

- Although Registration maintains a patient valuables log, it is not fully utilized evidencing the transfer of valuables between ED to Registration and then from Registration to Cashiering.
- There are no departmental documented policies and procedures or workflow to ensure consistent processes.

#### Cashiering

- When valuables are retrieved from Cashiering, the person who is collecting the valuables is not required to verify contents in front of Cashiering staff.
- Cashiering maintains a log; however, they do not consistently identify the person picking up the valuables, which would allow for proper tracking.

- Current patient valuables policy does not include the process of delivering valuables bedside and maintaining the Patient Valuables Tracking Log.
- There are numerous individuals and departments involved in the handling of patient valuables including ED (nurses and technicians), ED Registration, and Cashiering, which increases the risk for lost valuables.

Lack of controls and documentation may result in a higher risk of lost valuables and an unfavorable financial responsibility to the patients.

### **Management Action Plan**

The areas of ED, Registration, and Cashiering will continue to improve and enhance the existing patient valuables process as indicated below.

#### ED

Effective immediately, ED will re-educate the ER staff on the Patient Valuable Policy and responsibilities with regard to patient valuables. Staff are not required (per policy) to detail patient valuables in Epic. This would be duplicative to ask them to inventory in two places. As part of our education, we will re-iterate to staff that the valuables must be secured in a designated envelope and the disposition of the valuables must be documented in Epic. ED has an established process for hand off to registration that needs to be followed. The ED Director will work closely with the Registration Assistant Director to solidify that process. ED will not be purchasing a separate safe to store valuables as we would be best served to hold staff accountable to established policy.

#### Registration

Effective immediately, Registration will utilize the patient valuables log by evidencing the transfer of valuables between ED to Registration and then Registration to Cashiering to improve tracking, when possible. By February 1, 2020, departmental policies and procedures surrounding patient valuables will also be established and documented to ensure consistent processes. Management is also looking into purchasing a larger storage bin for the patient valuables to simplify the process.

### Cashiering

Effective December 3, 2019, the person retrieving the patient valuables will be required to verify the contents in front of the Cashiering staff and the name of the person picking up the valuables will be reflected in the log. By February 1, 2020, the Patient Valuables policies and procedures will be revised to include delivering valuables bedside and maintaining the Patient Valuables Log. Management is also looking into replacing the current envelopes used to store patient valuables to tamper safe bags to ensure valuables are secure. A meeting for January 13, 2020, has been established for all departments involved in the Patient Valuables process to create a workflow/process that will eliminate risks and minimize the number of individuals involved.