

October 25, 2019

RUTH WATERMAN
Interim Chair, Anesthesiology
0801

Subject: *Anesthesiology*
Report 2018-17

The final report for Anesthesiology, Report 2018-17, is attached. We would like to thank all members of the department 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.

Christa Perkins
Interim Director
Audit & Management Advisory Services

Attachment

cc: David Brenner
 Judy Bruner
 Alex Bustamante
 Maegan Carey
 Lori Donaldson
 Steven Garfin
 Laura Handy-Dineen
 Gene Hasegawa
 Patty Maysent
 Pierre Ouillet
 Cheryl Ross
 Cheryl Wagonhurst

UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

Anesthesiology
Report No. 2018-17
October 2019

FINAL REPORT

Performed By:

Jennifer Hornyak, Senior Auditor

Approved By:

Christa Perkins, Interim Director

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY 1

II. BACKGROUND..... 3

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES 4

IV. CONCLUSION..... 5

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION 5

 A. Discretionary Fund Monitoring..... 5

 B. Travel Documentation 7

I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of Anesthesiology as part of the approved audit plan for Fiscal Year 2017-18. The objective of our review was to determine whether internal controls provided reasonable assurance that financial results were accurately reported, operations were effective and efficient, and activities were compliant with relevant policies & procedures.

Based on our limited review, we concluded that internal controls for the areas we reviewed provided reasonable assurance that financial results were accurately reported, operations were effective and efficient, and activities were compliant with relevant policies & procedures. During our review, changes in leadership occurred at the Department Chair and Administrative Vice Chair positions which resulted in temporary hiatus in this review. During this time period, additional work was coordinated by UCSDH Compliance and other offices in areas related to revenue cycle and other topics which were initially considered in the scope of this review. AMAS subsequently excluded these topics from our scope. As a result, fieldwork conducted was limited.

As of May 6, 2019, Anesthesiology had current deficits of \$22,817,154. As of October 14, 2019, the deficits have decreased to \$16,276,092. The Controller is aware of the Anesthesiology deficit and factors contributing to the deficit, and has agreed to defer a deficit reduction plan at this time as some of the contributing factors are currently being evaluated for resolution. Following the leadership transition, the Anesthesiology Interim Chair and new Administrative Vice Chair have been re-establishing processes and documentation for controls and financial oversight going forward.

Our review of topics related to physician compensation indicated that the Anesthesiology CARE payment rates utilized in the April 2019 payments were in agreement with the 2019 Anesthesiology established rates, with the exception of the intraoperative rate. We also determined a sample of physician incentive payments matched the supporting documentation.

Opportunities for improvement with respect to controls related to Anesthesiology Business Office processes for monitoring discretionary funds and University travel required improvement. These findings are summarized below:

A. Discretionary Fund Monitoring

1. Anesthesiology management will ensure proper controls have been implemented to follow the receipt, distribution, and reimbursement of Operating Room jackets, should this practice continue.
2. Anesthesiology reviewers will identify portable equipment purchases and obtain signed usage agreements.
3. Anesthesiology transaction reviewers will evaluate all business meeting and entertainment documentation to ensure the documentation fully supports the number of participants and the business expense

B. Travel Documentation

1. Anesthesiology management will remind travel reviewers to evaluate travel documentation and ensure that the documentation is adequate to explain the business need for all costs and time of travel
2. Anesthesiology management has transferred the overpayment made on Trip #1318574 to a discretionary fund source

Management agreed to all corrective actions recommended to address risks identified in these areas. Observations and related management action plans are described in greater detail in section V. of this report.

II. BACKGROUND

Audit & Management Advisory Services (AMAS) has completed a review of Anesthesiology as part of the approved audit plan for Fiscal Year 2017-18. This report summarizes the results of our review.

The Department of Anesthesiology (Anesthesiology) is comprised of approximately 85 clinical faculty with nationally recognized clinical, research and educational programs in Neuroanesthesiology, Pain Management, Regional Anesthesia, Cardiovascular Anesthesia, Critical Care Medicine, and Pediatric Anesthesia. The practice is conducted in a collaborative Anesthesia Care Team model, including Faculty, Certified Registered Nurse Anesthetist (CRNAs), and Residents. Sites include the UC San Diego Medical Center Hillcrest, the Veterans Affairs (VA) San Diego Hospital, Thornton Hospital, Sulpizio Cardiovascular Center, Jacobs Medical Center, and Komen Outpatient Pavilion.

Department administrative officials within Anesthesiology must ensure that departmental activities conform to a number of policies at both the University of California (UC) system-wide, and local campus level, and are generally responsible for the oversight of department financial and human resources. The Department utilizes services provided by Health Sciences shared services centers, including those managed by the Research Service Core (pre- and post-award activity), Health Human Resources (payroll and timekeeping) and Health Sciences Information Technology (IT systems, security, and maintenance).

Department administrators also must ensure that compensation for faculty is provided in accordance with applicable policies and departmental compensation plans. UC San Diego Health (UCSDH) provides compensation for clinical services by faculty via the Clinical and Reimbursable Event (CARE) Payment Model¹. Under this model, physicians are paid a CARE Payment for professional services provided to UCSDH patients. The CARE payment is derived by multiplying the Relative Value Units (RVU) and/or American Society of Anesthesiologists (ASA) units earned from billed professional services by the CARE Payment rate established for each specialty bill area. The CARE Payment Rate is based on the dollar per work RVU (wRVU) or ASA three-years rolling average at the MGMA² 50th percentile ranking by specialty. CARE Payment funds are transferred from the UC San Diego Health Physician Group (HPG) to participating Health Sciences (HS) departments, which use these funds for clinical compensation and to support departmental activities.

Health Sciences Compensation Plan faculty members may receive incentive/bonus compensation. Departmental Implementing Procedures describe the manner in which faculty members within a department, division, or Academic Program Unit (APU) may earn incentive compensation beyond base and negotiated compensation, upon approval by the Dean. Department administrators are responsible for timely payment of incentives in accordance with established procedures.

¹ Not all clinical specialties and bill areas currently participate in the CARE payment model.

² Medical Group Management Association (MGMA) is a professional association of medical group practices that provides benchmarking data gathered from participating members survey responses.

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objective of our review was to determine whether internal controls provided reasonable assurance that financial results were accurately reported, operations were effective and efficient, and activities were compliant with relevant policies & procedures.

During our review, changes in leadership occurred at the Department Chair and Administrative Vice Chair positions which resulted in temporary hiatus in this review. During this time period, additional work was coordinated by UCSDH Compliance and other offices in areas related to revenue cycle and other topics which were initially considered in the scope of this review. AMAS subsequently excluded these topics from our scope. As a result, fieldwork conducted was limited.

We performed the following procedures in this limited review:

- Reviewed:
 - January 2018 Deficit Balance Report;
 - FinMan Profit & Loss Variance Mission Report for Fiscal Year Ended June 30, 2017 and for the Period Ended January 30, 2018;
 - Department Clinical Compensation Plan; and
 - Business Unit Management Tool Roles;
- Interviewed key members in the following offices:
 - UCSDH Office of Compliance and Privacy;
 - Department of Anesthesiology; and
 - Revenue Cycle;
- Evaluated various reports related to business office activities and department administration:
 - Service Agreement Category, Travel Expenditures, and Discretionary Fund from the FinMan Fiscal Year to Date 2/28/2018 report;
 - Anesthesiology financial condition as of 2/28/2018;
 - Equipment Inventory Report as of October 19, 2017;
 - Accounts Receivable balances as of June 25, 2018; and
 - Deficit reduction plans as of May 21, 2019;
- Evaluated the following information concerning the implementation of internal controls:
 - Timing of select workqueue files;
 - Express Card cardholders,
 - Effort reporting as of April 6, 2018; and
 - Control Tracker Activities as of April 6, 2018;
- Tested the financial oversight of discretionary fund and travel transactions; and
- Reviewed the following charge capture related activities:
 - Anesthesiology CARE payments rates paid in April 2019;
 - Physician Incentive Payments paid from September 1, 2018 to April 1, 2019; and
 - Timeliness of Anesthesiology Critical Care processing from 2018 to 2019.

IV. CONCLUSION

Based on our limited review, we concluded that internal controls for the areas we reviewed provided reasonable assurance that financial results were accurately reported, operations were effective and efficient, and activities were compliant with relevant policies & procedures.

As of May 6, 2019, Anesthesiology had current deficits of \$22,817,154. As of October 14, 2019, the deficits have decreased to \$16,276,092. University policy requires deficit reduction plans based on specified criteria, depending on the fund source and the amount of the deficit. The Controller is responsible for ensuring that prompt and final resolution is effectively achieved. The Controller is aware of the Anesthesiology deficit and factors contributing to the deficit, and has agreed to defer a deficit reduction plan at this time as some of the contributing factors are currently being evaluated for resolution. Following the leadership transition, the Anesthesiology Interim Chair and new Administrative Vice Chair have been re-establishing processes and documentation for controls and financial oversight going forward. However at the time of our review, controls related to Anesthesiology Business Office processes for monitoring discretionary funds and University travel required improvement.

Our review of topics related to physician compensation indicated that the Anesthesiology CARE payment rates utilized in the April 2019 payments were in agreement with the 2019 Anesthesiology established rates, with the exception of the intraoperative rate. A leadership team is working to evaluate the intraoperative rate error and prepare a resolution plan.

We also determined a sample of physician incentive payments matched the supporting documentation. Changes were implemented within Compliance and Revenue Cycle in the flow of Anesthesiology Critical Care charges between May 2017 and 2019. These changes have significantly improved the timeline to process these charges.

Opportunities for improvement are described in the balance of this report.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	Discretionary Fund Monitoring
Controls required improvement for various discretionary fund purchases to protect University assets and ensure compliance with University policies and Internal Revenue Service (IRS) regulations.	
Risk Statement/Effect	
Inconsistent monitoring of University funds can increase the risk of inappropriate use of funds and/or lack of supporting documentation for expenditures. Adequate oversight and monitoring of transactions is necessary to ensure that transaction errors are quickly identified and resolved.	
Management Action Plans	

A.1	Anesthesiology management will ensure proper controls have been implemented to follow the receipt, distribution, and reimbursement of Operating Room jackets, should this practice continue.
A.2	Anesthesiology reviewers will identify portable equipment purchases and obtain signed usage agreements.
A.3	Anesthesiology transaction reviewers will evaluate all business meeting and entertainment documentation to ensure the documentation fully supports the number of participants and the business expense.

A. Discretionary Fund Monitoring – Detailed Discussion

As part of their University responsibilities, administrative officials are accountable for ensuring that the appropriate key controls are implemented, documented, and working as intended. Department administrators may further delegate responsibilities within their department. Financial transactions should be segregated between preparers and approvers, so that no single individual can prepare and approve the use of University funds.

Many UCSD departments provide faculty members with discretionary funds to purchase items for University business purposes. In addition, other funds, such as funds remaining from privately sponsored clinical trials, may also be used at the faculty's discretion to purchase items for University business purposes. While use of these funds is generally unrestricted, purchases must comply with policy, and be for University business use. In Anesthesiology primary responsibility for monitoring discretionary funds resided with a fund manager, who reported to the Administrative Vice Chair.

We evaluated a sample of 26 out of 660 (4%) transactions representing \$70,192 out of \$232,830 (30%) in discretionary fund purchases. We identified several instances where purchases with discretionary funds were not conducted in accordance with University policy or fully documented.

- Operating Room (OR) Jackets** – The Department used discretionary funds to purchase 92 jackets for the OR. For convenience, these jackets were purchased with discretionary funds and then individuals for whom the jackets were purchased reimbursed the University. When the jackets were received from the supplier, they were placed in a room and Anesthesiology administrators were responsible for distributing the jackets and receiving payments. Of the 92 jackets purchased, 22 (24%) were unaccounted for at the time of our review and seven (8%) had not been distributed ten months after the purchase. These 29 jackets represented \$3,862 in costs. We determined that the records and controls associated with the receipt, distribution, and reimbursement for these jackets were insufficient. Anesthesiology will need to evaluate if the current fund is the appropriate fund to absorb the costs for the displaced and/or unclaimed OR jackets. In addition, Anesthesiology should ensure proper controls associated with the receipt, distribution, and reimbursement of jackets should this practice continue.

- Portable Electronic Devices** – Eleven (42%) transactions out of those tested contained purchases of portable electronic devices. UC policy (*BFB-G-46, Guidelines for the Purchase and Use of Cellular Phones and Other Portable Electronic Resources*) and Blink guidance allows for the purchase and use of University-owned equipment under certain circumstances. However, before using University-owned equipment, an agreement should be signed stating that the equipment use will be limited to university business and only incidental personal use. Anesthesiology did not realize the purchase of these portable electronic devices required signed agreements. Without signed agreements, it is likely that the location of the University owned resources would not be identified and may not meet the documentation standards for Internal Revenue Service (IRS) regulations governing employer-provided cellular devices, computers, peripheral equipment and related services for use by employees.
- Meals & Entertainment** – Seven (27%) of the transactions tested related to meal and entertainment expenses. Two (29%) of the seven transaction receipts did not support the number of participants listed. We determined that in these transactions, a reduced number of participants would have modified the per person expenditure to the level of special entertainment requiring additional approval procedures per UC policy (*BUS-79, Expenditures for Business Meetings, Entertainment, and Other Occasions*). The Department indicated the number of participants were accurate, but the documentation did not explain variances for all transactions. Transaction reviewers should evaluate all of the documentation received associated with a transaction and obtain additional documentation to explain any appearance of discrepancies in the number of participants and the supporting documentation.

B.	Travel Documentation
Additional information was needed to justify the business need in four of nine (44%) travel transactions we tested.	
Risk Statement/Effect	
Inadequately documented travel may increase the risk of inappropriate reimbursements, and does not ensure compliance with University policy and documentation standards to meet IRS regulations.	
Management Action Plans	
B.1	Anesthesiology management will remind travel reviewers to evaluate travel documentation and ensure that the documentation is adequate to explain the business need for all costs and time of travel.
B.2	Anesthesiology management has transferred the overpayment made on Trip #1318574 to a discretionary fund source.

B. Travel Documentation – Detailed Discussion

University Policy (*Business and Financial Bulletin G-28 Travel Regulations*) describes requirements for prior approval and reimbursement of University business travel. In general, University policy governing

travel requires all official UCSD travel to be preauthorized, submitted timely (within 21 days of travel), and to be properly supported.

Anesthesiology had \$211,014 in travel expense for July 2018 through April 2019. We evaluated nine travel transactions representing \$47,574 (23%) of travel transactions. We determined that for four of the transactions, Anesthesiology reviewers should have identified that the transactions needed additional information documented to justify the business need for the expenditures as described in the table below.

Trip #	Additional Documentation Notes
1291269	Portions of this travel were paid by a continuing education service provider, and the traveler adjusted the reimbursement request to equate to actual expenditures. However, due to IRS regulations for special allocation of foreign travel expenses for nonbusiness travel expenses, it was necessary to evaluate the travel from beginning to end and identify the costs and business purpose associated with the travel. The time period reflecting costs paid for by the continuing education service provider had not been adequately documented to explain the time and costs associated with this travel.
1353289	Lodging expenses were reimbursed for three additional days than required for the conference attendance. We were advised that the reason for the additional days was provided to the person who processed the travel at the time, however, this person is no longer with Anesthesiology and the reason was not documented. The additional hotel days were \$793.
1327821	Some expenditures did not appear to be the most economical for the travel situation as required by University policy, and/or the business need had not been documented. These expenditures included luxury level rideshare, long-term parking in terminal parking, rideshare costs exceeding rental costs, rideshare to other locations without a documented business need, and/or need for internet access.
1318574	

Also, Trip #1318574 included a small room charge that was included in the lodging costs and meal costs in error. Since this was a Federal fund source, the \$22 should be transferred to a discretionary fund source or reimbursement should be requested from the traveler.