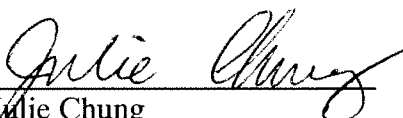


**UNIVERSITY OF CALIFORNIA, IRVINE
ADMINISTRATIVE AND BUSINESS SERVICES
INTERNAL AUDIT SERVICES**

**MEDICAL DIRECTORSHIP AGREEMENTS
Report No. 2011-204**

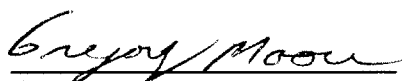
December 22, 2010

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IRVINE: INTERNAL AUDIT SERVICES

December 22, 2010

**ALICE ISSAI
CHIEF OPERATING OFFICER**

**RE: Medical Directorship Agreements
Report No. 2011-204**

Internal Audit Services has completed the review of the Medical Directorship Agreements and the final report is attached.

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



Bent Nielsen
Director
UC Irvine Internal Audit Services

Attachment

C: Terry Belmont
Audit Committee

MEDICAL DIRECTORSHIP AGREEMENTS
Report No. 2011-204

I. BACKGROUND

University of California, Irvine Internal Audit Services (IAS) reviewed the medical directorship processes at the University of California, Irvine Medical Center for fiscal year 2009-2010. The terms and conditions of the Medical Directorship Agreement include, but are not limited to, the following: term of appointment, qualifications, duties and responsibilities, hours of work, and compensation.

The medical directors are contracted to oversee specific hospital services, such as infection control, anesthesiology, emergency medicine, etc. Primarily, medical directors are responsible for the medical and administrative functions of the clinical units at the medical center and also ensuring that the clinical services provided to patients are of the highest quality.

II. PURPOSE, SCOPE AND OBJECTIVES

The purpose of the audit was to determine if the medical directorship program administration personnel provided the necessary oversight and the medical directors were in compliance with the terms and conditions as established in the Medical Directorship Agreement. The scope of our audit focused on the agreements entered into for fiscal year 2009-2010.

IAS established the following audit objectives:

1. Determine if the current compensation rate was calculated according to the fair market value, was documented, and is accurate;
2. Determine if the hours worked in carrying out administrative duties are properly reported and audited, and the medical directors performed administrative duties as required in the agreement, section C;
3. Determine if the medical directors met the qualifications as required in section B of the agreement;
4. Determine if the Medical Directorship Agreements renewed in fiscal year 2009-2010 were completed and submitted in a timely manner.

III. CONCLUSION

In general, the internal controls and processes currently in place pertaining to Medical Directorship Agreements appear to be operating as intended. However, certain

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business processes and compliance control concerns were identified in compensation calculations, time sheets, and medical directors' qualifications and appointments.

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

IV. OBSERVATIONS AND MANAGEMENT ACTION PLANS

1. Time Sheets

Background

Exhibit B of the Medical Directorship Agreement states that the actual hours worked will be recorded on monthly time sheets, signed by the medical directors, and verified periodically through audits of calendars and logs that are required to be maintained by the medical directors for six (6) years.

Observation

IAS interviewed medical directorship program personnel regarding oversight of the Medical Directorship Agreement terms and conditions. Also, the hours reported on the time sheets were compared to calendars and other source documentation to verify their accuracy. The review disclosed the following:

- a. The time sheets submitted by the medical directors have not been verified or audited during the past three years;
- b. Not all hours reported on the monthly time sheets were supported and/or documented for three of five medical directors selected for review;
- c. Not all time sheets were completed and/or submitted monthly and in a timely manner for four of five medical directors reviewed.

Management Action Plan

The Medical Directorship Program management is setting up a process whereby the hours logged by the directors will match-up with their calendars and would be audited randomly and periodically. An audit schedule will also be created. A letter will be sent to all the medical directors, communicating the expectation that time assigned to medical directorship should be reflected on their calendars or other auditable mechanism. Additionally, the time sheets will be signed by the department managers as well, this is a second mechanism to validate their hours.

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Time sheets with minutes of meetings and budget discussions listing the names of the attendees, the date attended, and the time will be reviewed. In addition, we have assigned a person who will ensure timely submission of the directors' time sheets.

2. Medical Director Qualifications

Background

In their appointment as medical directors, physicians must meet several qualifications listed in section B of the Medical Directorship Agreement. One of the qualifications includes maintaining board certification in the specialty for the department they serve as medical director.

Observations

IAS reviewed the American Board of Medical Specialties (ABMS) website to determine if the appointed medical directors were currently board certified in a specific specialty as required in the agreement. The following issues were noted:

- a. According to the ABMS website, three medical directors are not board certified in a specialty;
- b. Four physicians were not board certified in the medical specialty for which they serve as medical directors.

In addition, an administrative review process has not been established to confirm or verify the medical directors' qualifications, such as board certification in a specific specialty.

Management Action Plan

For the current medical directorship year, 2010-2011, the Medical Directorship Program management has assigned the Director of Medical Staff Administration to check on the status of the board certification for faculty. For medical director staff with multiple board certifications, one will be sufficient for a medical directorship appointment.

3. Medical Director Agreements

Background

Medical Directorship Agreements are entered into between The UC Regents, doing business as University of California, Irvine Medical Center, and University of

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California, Irvine School of Medicine clinical professors. In the five medical directorship agreements reviewed, it states "This appointment is to have a maximum term of no more than one year commencing on July 1, 2009 and terminating on June 30, 2010 unless terminated earlier pursuant to Paragraph 1.1 below." It further states, "You and the University may agree to renew your appointment. In order for the renewal to be effective, you and the University must enter into a new Agreement which sets forth the terms of the new Agreement."

Observation

Based on the criteria for the appointment terms, five Medical Directorship Agreements were reviewed. The review disclosed the following:

- a. One of five agreements was signed by all parties a couple months after the start of the fiscal year in August and September 2009;
- b. Two of five agreements were signed by all parties more than six months after the start of the fiscal year, February 2010 for one agreement, and March and April 2010 for the other agreement.

Management Action Plan

The Medical Directorship Agreements for fiscal year 2010-2011 were completed and signed by all parties and on file in the administration office within the first month of the fiscal year.

4. Medical Director Compensation Calculations

Background

Exhibit B of the Medical Directorship Agreement for fiscal year 2009-2010 states, "Fair market value compensation for Medical Directors is derived from Association of American Medical Colleges (AAMC) most recent faculty salary survey information for the western region, median level based on clinical department/specialty and academic level, i.e., professor, associate professor, assistant professor, etc."

Observation

IAS reviewed (1) the medical directorship compensation calculations spreadsheet, (2) the University of California, Irvine Medical Center Summary Data spreadsheet, (3) the AAMC Faculty Salary Survey Reports for the western region, and (4) the University of California, Office of the President (UCOP) payroll records, and the following discrepancies were noted:

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- a. Three of five median salaries selected for review in the medical directorship compensation calculations spreadsheet did not agree with any of the corresponding specialty median salaries on the UC Irvine Medical Center summary data spreadsheet;
- b. The summary data spreadsheet did not include Trauma/Critical Care Surgery subspecialty data required to calculate compensation for two of the five medical directorships, Burn and Trauma units, reviewed;
- c. None of the median salaries reviewed in the compensation calculations spreadsheet agreed with any of the corresponding subspecialty median salaries listed on the fiscal year 2008-2009 AAMC report for public medical schools only, or the AAMC report for private and public medical schools;
- d. Two of five faculty rankings reviewed from the compensation calculations spreadsheet did not agree with UCOP payroll records. In the spreadsheet, both physicians were identified as associate professors. However, according to payroll records, both physicians were promoted to professor on July 1, 2009.

Management Action Plan

The audit period reflects fiscal year 2009-2010 timeframe. The current year medical directorships, 2010-2011, reflect the AAMC median salary levels without any deviation. However, small special adjustments may occur during the year, which will be very minimal and it will still reflect fair market value. In addition, all faculty rankings are in agreement with UCOP payroll records.