January 12, 2017

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Chief Medical Officer, UC San Diego Health
7972

Subject: ***Medical Staff Administration***
Report 2017-17

The final report for *Medical Staff Administration,* Report 2017-17 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.

David Meier
Director
Audit & Management Advisory Services

Attachment

cc: Meg Bassett-Brne
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UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

Medical Staff Administration
Report No. 2017-17
January 2017

FINAL REPORT

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I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of Medical Staff Administration (MSA) — Physician Credentialing & Proctoring, as part of the approved audit plan for Fiscal Year (FY) 2016-17. The objective of our review was to determine whether business processes and internal controls provide reasonable assurance that physician credentialing and proctoring processes are effective and in compliance with applicable policies and regulations.

Based on our review, we concluded that MSA processes and internal controls provided reasonable assurance that physician credentialing and proctoring processes were effective and in compliance with applicable policies and regulations. Credentialing processes for new appointments were found to be effective and timely. The administration proctoring follow-up was adequate to ensure that the proctoring program at UCSDH meets local, state and federal requirements. Proctoring which was not completed timely was appropriately elevated to the Credentialing Committee. We also noted that MSA has comprehensive internal policies which support compliance with specific credentialing and proctoring policy requirements. Our evaluation of MSA processes against TJC standards indicated that MSA adheres to the applicable TJC standards for credentialing and proctoring.

We noted some opportunities to improve controls in the area of cash and recharge processing. Management Action Plans to address these findings are summarized below.

A. Processing of MSA Dues

1. Management will ensure that all staff handling cash complete the cash handling training.
2. Management has implemented steps to ensure that checks are restrictively endorsed immediately upon receipt and logged in a cash collection report.
3. Management will implement a system to document the transfer of custody of funds.
4. Management will ensure that deposits are prepared under dual custody.
5. Management will ensure that ledgers and cash receipts and recharge logs are reviewed periodically. Analysis to detect duplicate payments when they occur should be performed no less than semi-annually. The review of ledgers will include following up on error corrections.

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 Medical Staff Administration (MSA) — Physician Credentialing & Proctoring, as part of the approved audit plan for Fiscal Year (FY) 2016-17. This report summarizes the results of our review.

The UC San Diego Health (UCSDH) MSA Office is primarily accountable for the credentialing of UCSDH practitioners and advance practice professionals[1]. As of October 2016, UCSDH employed 1,469 physicians, and 230 allied health worker and advanced practice practitioners. The Joint Commission (TJC) defines credentialing as "the process of obtaining, verifying, and assessing the qualifications of a health care practitioner who seeks to provide patient care services in or for a hospital. As part of this process, hospitals must establish and document whether an individual's identity, licensure, certification, training, experience, and competence conform to specific requirements." Specific criteria for credentialing and proctoring is primarily regulated by TJC Standards for Credentialing and Proctoring. Medical Staff Bylaws, Medical Center Policy, and MSA internal polices further define the credentialing and proctoring processes at UCSDH.

The process for credentialing an applicant at UCSDH is a combined evaluation of online and paper documents initiated by a department intending to hire an applicant. The hiring department authorizes MSA to send an electronic medical staff application to the applicant. MSOnet, a web-based portal, allows medical staff practitioners to complete initial appointment and reappointment applications online. Access to online applications is restricted via a unique password assigned by MSA. In addition to submitting the online application, a signed copy of the completed application with supporting documents, privilege form(s) and medical staff fee must be sent to MSA. Alerts from the MSONet and paper checklists mirroring the online checklist assists the credentialing staff in processing applications timely and systematically.

This checklist also assists MSA in confirming that all elements required by TJC are complete for each application. Specific items that are required to be validated in the credentialing process include the completed application, delineation of privileges, board certifications, sanctions and criminal background checks, education and training, hospital affiliations, professional references, malpractice insurance history, and licensure. Additionally, any gaps in curriculum vitae of more than six months must be noted and explained.

When these steps in the credentialing process are complete, the Credentialing Coordinator prepares a hard-copy credentialing file, which is then sent to the cognizant Department Chair (or Division Chief) for review. The Chair recommends or denies the privileges for the practitioner, and these recommendations are sent back to the MSA. MSA forwards the credentialing file and Chair recommendations to the Credentialing Committee, which evaluates the file and discusses any potential red flags, such as open claims or clinical privilege or licensing issues.

Once approved by the Credentialing Committee, the credentialing file is forwarded to the Medical Staff Executive Committee (MSEC) and then to the Health System Executive Governing Body (EGB), which issues a letter of approval or denial. After all approvals are completed, the MSA analyst emails the

[1] Physician assistants, nurse practitioners, marriage & family therapists, midwives, etc.

physician and the Department Chair with a copy of the EGB letter. The paper file is scanned as one document and filed online in the MSONet, and the paper file is then destroyed. Since the credentialing database is not linked to other UCSD systems, the MSA coordinators enter demographics data in to a separate provider database that interfaces with UCSDH's electronic medical records system, Epic. Epic updates occur daily for new providers and every two hours for existing providers. The Physician Identification number (PID) drives the functionality of the database.

Departments are responsible for notifying Clinical Practice Organization Provider Enrollment so that steps can be initiated to establish the provider for billing. These processes occur separate from the MSA credentialing process.

Proctoring is an objective evaluation of a physician's clinical competence which takes place at the time privileges are initially granted upon initial appointment, for temporary clinical privileges, or for any new privileges between appointments. Most UCSDH departments require a physician to complete a minimum of ten proctoring cases. A report of each case, approved by the proctor, must be submitted to MSA. Medical Center Bylaws allow physicians 180 days to complete proctoring; however, physicians may be granted an additional 90 days upon request. MSA sends periodic reminders of proctoring reports' due dates to physicians and their respective business officers and escalation reports for past due proctoring to the Department Chairs, Division Chiefs, and Business Officers. The Credentialing Committee reviews past due cases and may recommend to the MSEC that physician privileges be retracted. In some case, physicians may voluntarily relinquish their requested privileges for those cases where proctoring was not completed.

For initial appointments, a fee of $475 is payable when the application is submitted. Fees may be paid via a check attached to the application or via a recharge to the provider's department. In addition, re-appointment fees of $400 are due every two years, and are typically processed via recharge to a fund source identified by the Department. For FY 2015-16, the income from checks and recharge income recorded were $177,638.57 and $178,500.00, respectively, for total fees of $356,138.57.

As of October 2016, the MSA Office was staffed by a director, a manager, six credentialing staff and an administrative assistant.

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objective of our review was to determine whether business processes and internal controls provide reasonable assurance that physician credentialing and proctoring processes are effective and in compliance with applicable policies and regulations. In order to achieve our objective, we performed the following:

- Reviewed relevant regulations and policy, including:
  - TJC Standards for Credentialing and Proctoring;
  - Medical Center Policies (MCPs);
  - Medical Staff Bylaws; and
  - Medical Staff Policies (MSPs);

- Interviewed the following:
  - MSA management and staff;
  - Decision Support analyst;
  - Risk Management analyst;
  - Assistant Director of Regulatory Affairs;
  - Access Control administrator; and
  - Provider Enrollment manager;
- Conducted a detailed walk through of the credentialing process;
- Shadowed one MSA credentialing analyst as she processed a credentialing file;
- Reviewed a sample of 20 credentialing files to evaluate whether files were complete to support a physician's appointment, in compliance with applicable policy and regulations, and processed timely;
- For cases where proctoring was not completed timely, reviewed interim MSA and department action taken to evaluate compliance with relevant policies and standards;
- Reviewed MSA processes against TJC standards to evaluate whether TJC Standards were met;
- Reviewed MSA's role in on-boarding and out-boarding;
- Reviewed financial data for MSA dues and expenses for FY 2015-16;
- Tested all recharges for FY 2015-16 to evaluate for duplicate charges; and
- Evaluated MSA cash-handling processes for compliance with University policy *Business and Finance Bulletin BUS 49 - Policy for Cash and Cash Equivalents Received (BUS 49)*.

IV. CONCLUSION

Based on our review, we concluded that MSA processes and internal controls provided reasonable assurance that physician credentialing and proctoring processes were effective and in compliance with applicable policies and regulations. Credentialing processes for new appointments were found to be effective and timely. The administration proctoring follow-up was adequate to ensure that the proctoring program at UCSDH meets local, state and federal requirements. Proctoring which was not completed timely was appropriately elevated to the Credentialing Committee. We also noted that MSA has comprehensive internal policies which support compliance with specific credentialing and proctoring policy requirements. Our evaluation of MSA processes against TJC standards indicated that MSA adheres to the applicable TJC standards for credentialing and proctoring.

We noted some opportunities to improve controls in the area of cash and recharge processing. These observations are addressed in the remainder of this report.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	Processing of MSA Dues
Select MSA processes for handling dues were not in compliance with policy, and did not detect duplicate payments.	
Risk Statement/Effect	
Weaknesses in these processes could increase the risk of misappropriation of cash receipts, or incorrect collection of fees. Errors in recharge processing could impact budgets and expenses for MSA as well as for other departments.	
Management Action Plans	
A.1	Management will ensure that all staff handling cash complete the cash handling training.
A.2	Management has implemented steps to ensure that checks are restrictively endorsed immediately upon receipt and logged in a cash collection report.
A.3	Management will implement a system to document the transfer of custody of funds.
A.4	Management will ensure that deposits are prepared under dual custody.
A.5	Management will ensure that ledgers and cash receipts and recharge logs are reviewed periodically. Analysis to detect duplicate payments when they occur should be performed no less than semi-annually. The review of ledgers will include following up on error corrections.

A. Processing of MSA Dues – Detailed Discussion

MSA collects fees for the initial processing of an application (typically paid via check) and renewal of appointment for current medical staff (typically via department recharge). We noted opportunities for improvement in both these areas.

Cash Receipts

University policy (BUS 49) establishes procedures for handling and processing cash and cash equivalents and defines University staff roles and responsibilities related to receipt, safeguarding, reporting, and recordkeeping for cash transactions. The policy covers four basic internal control principles that apply to collecting and accounting for cash: accountability, separation of duties, physical security and data transmission security, and reconciliation of accounts. When fully implemented, the required procedures provide the internal controls needed to establish individual accountability and security for cash.

During our review, we observed the following areas where MSA processes were not in strict compliance with policy:

- ***Cash Handling Training*** – Staff had not completed Cash Handling training. Policy requires that all employees who handle cash receive training at least annually. An online training through the UC Learning Management System (approximately 30 minutes in length) will satisfy this requirement.
- ***Endorsement of Checks*** – Checks were not endorsed upon receipt. Policy requires that "Immediately upon receipt, checks must be restrictively endorsed 'for deposit only'." During testing, we reviewed the checks on hand and noted that they were not endorsed.
- ***Documentation of Collection and Transfer of Cash*** – The MSA Office did not use logs to record collection or transfer of custody of funds. Policy requires that an official University cash receipt shall be recorded for each collection, and that all cash transfers must be documented [2] During the review, we noted that the administrative assistant did not prepare a statement of cash collections when checks are first received. However, we noted that the checks must be copied and credited to the clients' fee account prior to being transferred back to the administrative assistant to prepare the deposit. The use of cash collection reports and transfer of custody logs could enhance controls and accountability for cash receipts. Additionally, we could not test whether cash received was reconciled to cash deposited and recorded because the unit did not keep a log of checks received.
- ***Separation of Duties*** – The person who opened the mail was also the person who prepared the deposits and submitted it to the Cashier. Policy requires that departments are responsible for implementing procedures that ensure that no single employee is responsible for collection, handling, depositing and accounting for cash received by the department. Appropriate separation of duties prevents employees from concealing errors or irregularities.
- ***Preparation of Deposits*** – The administrative assistant prepared the deposit alone. The deposit was subsequently approved by the supervisor. Policy requires that deposits must be validated and prepared under dual custody at all times in a safe and secure area. One of the mitigating factors is that the office does not receive cash as all receipts are by check or via recharge.

Recharges

We identified duplicate recharges entries for two practitioners, indicating they were double-charged for their renewal fees. MSA indicated that sometimes an invalid recharge fund number was given to pay for medical staff fees and that when it was corrected, this could result in duplicate charges. MSA was under the impression that the charges had been subsequently reversed, however, we could not confirm this in the financial ledgers. Follow-up indicated that an individual in the providers' department had agreed to process the correction, but did not initiate the transaction.

[2] A cash collection report could satisfy this requirement. Additional columns in the report could be used to document transfer of custody.