

UNIVERSITY OF CALIFORNIA, RIVERSIDE

## AUDIT & ADVISORY SERVICES

AUDIT REPORT R2024-06

UC HEALTH AFFILIATIONS PHASE 2

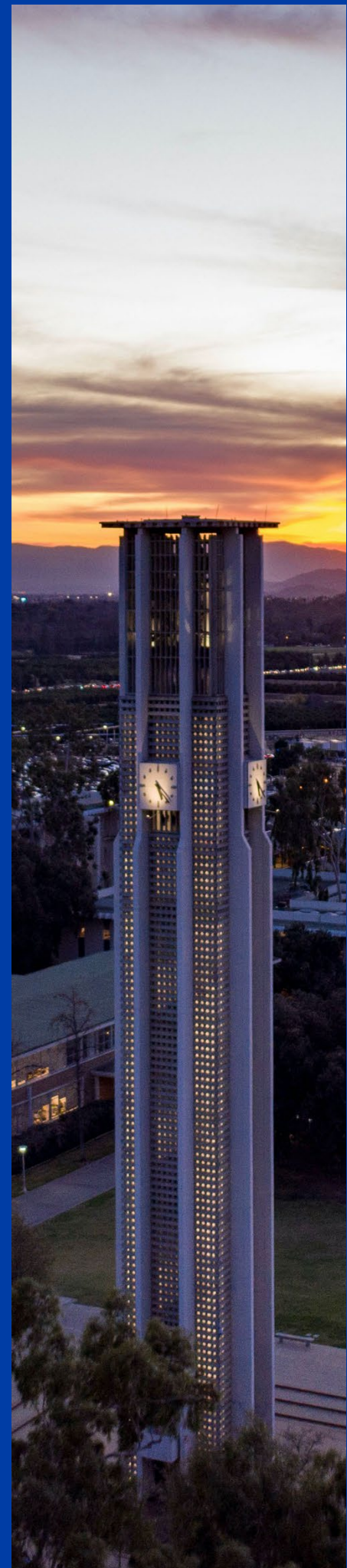
June 18, 2025

**Performed By:**

Ricardo Pardo Jr, Associate Auditor  
Corey Rizuto, Senior Auditor

**Approved By:**

Gregory Moore, Director





June 18, 2025

To: Deborah Deas, Vice Chancellor for Health Sciences & Dean  
School of Medicine

Re: UC Health Affiliations Phase 2 Systemwide Audit  
Audit No. R2024-06

We have completed phase 2 of the systemwide audit of UC Health Affiliations in accordance with the University of California, Riverside Audit Plan. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (in effect during 2024). Our report is attached for your review.

We will perform audit follow-up procedures in the future to review the status of management corrective action plans. This follow-up may take the form of a discussion or perhaps a limited review. Audit R2024-06 will remain open until we have evaluated the actions taken.

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.

We appreciate the cooperation and assistance provided by you and your staff. Should you have any questions concerning the report, please do not hesitate to contact me.

Respectfully,

Gregory Moore  
Director  
Audit & Advisory Services

cc: Chief Executive Officer of UCR Health, Timothy Collins  
Chief Compliance and Privacy Officer, Paul Hackman  
Principal Campus Counsel, Victor Ortiz  
Senior Associate Dean for Graduate Medical Education, Robby Gulati  
Principal Regulatory Contracts Analyst, Eileen Kahaner  
Director of Contracts, Michael Gerakios  
Ethics & Compliance Risk and Audit Controls Committee

## **Executive Summary**

### **Purpose and Scope**

University of California Riverside (UCR) Audit & Advisory Services (A&AS), as part of a systemwide effort, completed an audit of University of California (UC) Health Affiliations to assess compliance with Regents Policy 4405: Policy on Affiliations with Healthcare Organizations that Have Adopted Policy-Based Restrictions on Care (Regents Policy 4405). A&AS performed this audit using a standard systemwide audit program. The purpose of this audit was to evaluate UCR's compliance with the requirements in Regents Policy 4405 and the accompanying systemwide policy on Affiliations with Certain Health Care Organizations (the Systemwide Policy). This audit was requested by Ethics, Compliance, and Audit Services (ECAS) and included in the fiscal year 2023-24 UCR internal audit plan.

The scope of this audit included an evaluation of the design and implementation of the processes and controls that have been established to comply with Regents Policy 4405 and the Systemwide Policy.<sup>1</sup> Audit fieldwork was conducted during the months of April 2024 through June 2024.

The audit focused on the processes, controls, and documentation associated with the following policy requirements:

- Identification of affiliation agreements
- Inclusion of required contract language
- Communication to UC patients, faculty, staff, and trainees
- Processes for receiving, evaluating, and resolving complaints or grievances
- Monitoring quality of care metrics and reporting required information to the Regents
- Composition of the Joint Clinical Advisory Committee and fulfilment of its responsibilities (ECAS performed testing of this requirement at the systemwide level)

Additionally, the audit scope included a follow-up and verification that management has appropriately remediated the internal control deficiencies and opportunities for improvement identified in the first phase of this audit (R2023-05) conducted in accordance with the fiscal year 2022-23 UCR internal audit plan.

### **Results**

Based on the work performed, we identified some areas of improvement needed to strengthen internal controls and/or compliance with UC policies and procedures. These issues are noted below and further discussed in the Observations section.

- Observation #1 – Review and Approval of Affiliation Checklists before Execution of Agreements
- Observation #2 – Patient Communications

Regents Policy 4405 requires each University of California Health (UCH) location to submit an annual report providing quality monitoring data consistent with systemwide quality guidelines.

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<sup>1</sup> The final deadline to amend all agreements subject to Regents Policy 4405 was December 31, 2023.

The UC policy on Affiliations with Certain Health Care Organizations further specifies that each UCH location document the performance on standardized quality indicators of those covered affiliates that are licensed hospitals, and defined four quality indicators to be used in fiscal year 2023.

Although UCR Health collected this data and reported it to UC Health as required, UCR Health does not currently have a process for comparing the data to targets or benchmarks, likely because systemwide quality guidelines for this purpose have not been provided. Further, the quality indicators selected by UCH to fulfill this requirement are aggregate for the entire covered affiliate entity. However, some agreements with covered affiliates are for very specific service lines, or types of services. Therefore, the quality indicators may have a limited relationship to the services being provided pursuant to the agreement with the covered affiliate.

The observations, recommendations, and management corrective actions are discussed in more detail in the report below. A summary of the audit testing is provided in the Appendix.

## **Background**

In July 2021, the Board of Regents approved Regents Policy 4405, which governs affiliations between the University—including UC Health’s academic health centers and health professional schools—and health care organizations that have policy-based restrictions on care.<sup>2</sup> Regents Policy 4405 expands and protects healthcare options for UC providers and patients at covered affiliates; requires that when providing care at affiliates with restrictive policies, UC providers have the ability to offer patients a choice in reproductive and other types of care; and establishes methods for UC providers and patients to address barriers to the provision of the full spectrum of evidence-based care.

The full text of Regents Policy 4405 is as follows:

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*1. Advancing the University's Public Mission. Prior to approving or executing any new or renewed affiliation with a health organization that has adopted policy-based restrictions on care (a "covered organization"), the sponsoring location must: (i) document the rationale for the affiliation, including any anticipated benefits or risks to the University's education, research, and service missions and to the broader patient community; and (ii) verify that access to policy-restricted services such as abortions, contraception, assisted reproductive technologies, gender-affirming care, and end of life care will be maintained or improved as a result of the affiliation. Under no circumstances may such an organization be granted responsibility or authority to operate or manage any University facility or program on behalf of the University.*

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<sup>2</sup> <https://regents.universityofcalifornia.edu/governance/policies/4405.html>

*2. Documenting Adherence to University Policies and Standards in all Affiliation Agreements. Agreements with covered health organizations must recite the University's role as a public entity and commitment to non-discrimination and evidence-based care; and must require all parties to comply with all federal and state anti-discrimination laws, including Cal. Civ. Code § 51 (prohibiting discrimination on the basis of sex [including pregnancy and childbirth as well as gender, gender identity, and gender expression], race, color, religion, ancestry, national origin, disability, medical condition, genetic information, marital status, sexual orientation, citizenship, primary language, or immigration status), and to offer any procedure or service they choose to provide at their respective facilities or through their respective employees on a non-discriminatory basis. The University may not enter agreements with provisions that purport to require the University or its personnel or trainees to enforce or abide by policy-based restrictions on care including, but not limited to, religious directives, or that include any "gag clauses" interfering with their ability to counsel all patients on their treatment options. The University must retain the option to terminate such agreements if the University determines in its sole discretion that continued performance would be incompatible with its policies or values or that the affiliate has breached its promises to not restrict University providers' freedom to advise, refer, prescribe, or provide emergency items and services without restrictions, including any necessary items and services to any patient for whom referral or transfer to another facility would risk material deterioration to the patient's condition.*

*3. Strengthening Patient and Provider Protections. Each University location contracting with healthcare organizations that have adopted policy-based restrictions on care must develop and implement a process to inform UC patients, faculty, staff, and trainees: (i) about such restrictions at sites to which they may be referred or assigned; (ii) that such referrals or assignments are voluntary; and (iii) and that information about alternative sites for care, practice, and training will be provided upon request. Each location must also develop a process to transfer patients who need restricted services to a UC or other location where the services can be provided. Processes for receiving, evaluating, and resolving complaints or grievances must also be developed and implemented.*

*4. Ensuring Reporting and Transparency. Each University location (including the Office of the President with respect to systemwide or multi-campus agreements) must provide an annual report to the Regents Health Services Committee: (i) listing all new or renewed arrangements with covered organizations; (ii) summarizing complaints or grievances received from patients, students, faculty, and staff, as well as their resolution; (iii) providing quality monitoring data consistent with systemwide quality guidelines; and (iv)*

*reporting on any identified noncompliance with the above standards. The first report, due in June 2022, must list all current arrangements with such institutions.<sup>3</sup>*

*5. Implementation and Accountability. The President shall issue a systemwide policy to implement these requirements after consultation with the chancellors and representatives of the Academic Senate and UC Health. One year after implementation of that policy, the Office of Ethics, Compliance, and Audit Services shall conduct an audit of an appropriate sample of then-current contracts with covered affiliates to ensure their compliance with such policy. Thereafter, the frequency and scope of audits shall be determined by ECAS in consultation with the chairs of the Audit & Compliance Committee and the Health Services Committee. The University shall not enter into any new affiliation that fails to meet these requirements after July 1, 2021; any existing affiliation that does not meet these requirements must be amended to comply with this policy or phased out no later than December 31, 2023.*

#### *NO RIGHT OF ACTION*

*This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.*

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On September 22, 2021, the Office of the President issued an interim systemwide policy with more detailed direction on how to implement the requirements of Regents Policy 4405 (Interim Policy: Affiliations with Certain Healthcare Organizations) and on November 30, 2023, the Office of the President issued a final version of this systemwide policy.<sup>4</sup> The purpose of this policy is to establish standards for affiliations with organizations that protect and advance the University's values, and ensure such affiliations do not compromise the University's commitment to evidence-based care for all patients.

### **Observations and Management Corrective Actions**

#### **Observation #1 – Review and Approval of Affiliation Checklists before Execution of Agreements**

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<sup>3</sup> UC Legal has interpreted this requirement to mean current arrangements that have been amended or negotiated to be in compliance with policy.

<sup>4</sup> <https://policy.ucop.edu/doc/5000698/AffiliationHealthcareOrganizations>

**Condition:** During our testing of a sample of local affiliation agreements with policy-based restrictions, we identified two affiliation agreements that were executed before the affiliation checklist and accompanying documentation were reviewed and approved by the Chancellor designee as follows:

- One agreement signed and executed on 06/01/2023 with an affiliation checklist reviewed and approved on 10/09/2023.
- One agreement signed and executed on 07/21/2023 with an affiliation checklist reviewed and approved on 07/25/2023.

**Criteria:** In accordance with the Regents Policy 4405 – Policy on Affiliations with Healthcare Organizations that Have Adopted Policy-Based Restrictions on Care and the UC Systemwide Policy on Affiliations with Certain Health Care Organizations, “any new, renewed, or expanded Covered Affiliation must be submitted with accompanying documentation of the rationale and impact to the Chancellor or designee for review and approval prior to execution.”

**Cause:** UCR Health had not fully implemented the process, at the time these agreements were executed, to review and approve affiliation checklists with accompanying documentation prior to fully executing the affiliation agreements.

**Effect:** Affiliation agreements executed before the Chancellor or designee has reviewed and approved the affiliation checklist can result in noncompliance with key compliance requirements including omission of required clauses and provisions in the agreement.

**Recommendation:** We recommend UCR Health fully implement the process to review and approve affiliation checklists with accompanying documentation prior to executing affiliation agreements.

**Management Action Plan:** We are aware that some checklists may have been signed out of sequence in the past, although the departments prepared all checklists as part of the contract preparation process. Our internal processes were updated in 2024 to ensure affiliation checklists are reviewed and approved prior to executing an affiliation agreement.

**Expected Implementation Date:** UCR Health stated that it implemented this corrective action during the course of the audit. Internal Audit will validate the implementation through its standard corrective action follow-up process.

## **Observation #2 – Patient Communications**

**Condition:** During our audit procedures, we noted that a process has been developed to inform UCR Health patients about covered affiliate facilities with restrictions on care. Additionally, we noted a process exists where patients receiving care at these facilities can share concerns or complaints regarding access to care. However, these processes were not formally documented in the UCR Getting Care at Affiliated Organizations website included in the patient’s discharge instructions.



**Criteria:** In accordance with the Regents Policy 4405 – Policy on Affiliations with Healthcare Organizations that Have Adopted Policy-Based Restrictions on Care and the UC Systemwide Policy on Affiliations with Certain Health Care Organizations:

“Each UCH Clinical Location must develop a mechanism to inform its patients of limitations on Health Care Services provided at a Covered Affiliate’s facility that might otherwise be offered if the patient were at the UCH Clinical Location. At a minimum, such limitations must be published on any UC websites that reference the Affiliation.

In the limited circumstances where UCH refers a patient from a UCH Clinical Location to a Covered Affiliate, the facility, clinic, or clinician must proactively inform the patient about the restrictions and alternative options at UCH Clinical Locations or other facilities (for example, by documenting the information in the patient’s discharge instructions).

Each UCH location must establish a formal process for patients of UCH Personnel receiving care at Covered Affiliate facilities to share concerns or complaints regarding access to Health Care Services or discrimination in the provision of such services.”

**Cause:** A UCR website page was inadvertently not updated to include information about the specific covered affiliate facilities with restrictions on care and how patients can share concerns or complaints regarding access to care.

**Effect:** Patients may not be aware of the covered affiliate facilities with policy-based restrictions on care. Additionally, patients may not be aware of the process to report concerns or complaints regarding access to care.

**Recommendation:** We recommend UCR Health update the UCR website and/or patient discharge instructions to include information about the covered affiliate facilities with restrictions on care and information on how patients can share concerns or complaints regarding access to care.

**Management Action Plan:** UCR Health has updated the UCR website to include information about the covered affiliate facilities with restrictions on care and information on how patients can share concerns or complaints regarding access to care.

**Expected Implementation Date:** UCR Health stated that it implemented this corrective action during the course of the audit. Internal Audit will validate the implementation through its standard corrective action follow-up process.



## **Appendix - Objective, Scope, and Methodology**

### **Audit Objective**

The purpose of this audit was to evaluate UCR's compliance with the requirements in Regents Policy 4405 and the Systemwide Policy. This audit was requested by ECAS and included in the fiscal year 2023-24 UCR internal audit plan.

### **Audit Criteria**

During the audit planning, we identified the following criteria which was significant to the audit:

- Regents Policy 4405: Policy on Affiliations with Healthcare Organizations that Have Adopted Policy-Based Restrictions on Care
- UC Systemwide Policy: Affiliations with Certain Health Care Organizations

### **Audit Testing Completed**

The scope of this audit included an evaluation of the design and implementation of the processes and controls that have been established to comply with Regents Policy 4405 and the Systemwide Policy. Audit fieldwork was conducted during the months of April 2024 through June 2024.

The audit focused on the processes, controls, and documentation associated with the following policy requirements:

- Identification of affiliation agreements
- Inclusion of required contract language
- Communication to UC patients, faculty, staff, and trainees
- Processes for receiving, evaluating, and resolving complaints or grievances
- Monitoring quality of care metrics and reporting required information to the Regents
- Composition of the Joint Clinical Advisory Committee and fulfillment of its responsibilities (ECAS performed testing of this requirement at the systemwide level)

Additionally, the audit scope included a follow-up and verification that management has appropriately remediated the internal control deficiencies and opportunities for improvement identified in the first phase of this audit (R2023-05) conducted in accordance with the fiscal year 2022-23 UCR internal audit plan.

To fulfill the audit objectives, we completed the following testing:

- Discussed processes and internal controls with key personnel from the School of Medicine.
- We performed walkthroughs and reviewed documentation describing the processes and internal controls that support the following requirements in accordance with the Regents Policy and the accompanying systemwide policy:
  - Identification of affiliation agreements
  - Inclusion of required contract language
  - Communication to UC patients, faculty, staff, and trainees
  - Processes for receiving, evaluating, and resolving complaints or grievances

- Monitoring quality of care metrics and reporting required information to the Regents
- We reviewed a sample of contractual agreements with covered affiliates to verify compliance with the Regents Policy and the accompanying systemwide policy including inclusion of the required contract language.
- We reviewed the communication disseminated to faculty, staff, trainees, and patients to verify the language aligned with systemwide policy and the model communication templates approved by UC Health.
- We reviewed documentation to verify whether any complaints or concerns related to policy-based restrictions on care were raised by a patient, trainee, faculty, or staff at a covered affiliate.
- We reviewed documentation and determined how the quality indicators were collected and are monitored as reported in the UC Health report on covered affiliations for fiscal year 2022-23.
- We assessed the remediation of the identified internal control deficiencies from the interim audit of UC Health Affiliations (R2023-05).

### **Evaluation of Internal Controls**

Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. These objectives and related risks can be broadly classified into one or more of the following three categories:

- Operations – Effectiveness and efficiency of operations
- Reporting – Reliability of reporting for internal and external use
- Compliance – Compliance with applicable laws and regulations

We obtained an understanding of internal controls relevant to the audit. Based on our audit testing, with the exception of the areas of improvement discussed in the Observations section, we concluded that internal controls are adequately designed and operating effectively.