

**UNIVERSITY OF CALIFORNIA, DAVIS
AUDIT AND MANAGEMENT ADVISORY SERVICES**

**UC Davis Health
Department of Surgery
Audit & Management Advisory Services Project #21-31**

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**Department of Surgery Review.
AMAS Project #21-31**

MANAGEMENT SUMMARY

Background

As part of the fiscal year (FY) 2021 audit plan, Audit and Management Advisory Services (AMAS) reviewed the UC Davis School of Medicine’s Department of Surgery (Surgery).

Surgery has 11 clinical divisions, employing 78 faculty and 107 interns and residents. The Department graduated 21 chief residents in Spring 2021.

Surgery has many awards and rankings including national ranking by the *US News & World Report* in Cancer Care (40), Cardiology & Heart Surgery (26); Pulmonology and Lung Surgery (30).

Financial Highlights

From FY 2017 to FY 2021, Surgery was able to grow its sources from \$60M to \$79M. Contracts and Grant funds increased 421%, from \$3M to \$15M. Self-Supporting Funds, which include clinical income and recharge, increased 11%, despite the challenges created by the COVID-19 pandemic. The table below shows financial highlights for Surgery. Appendix A provides a five-year detailed analysis of fund sources and uses

Department of Surgery Financial Highlights				
\$ in millions	FY 2017	FY 2021	\$ Change	% Change
Total Funding Sources	59.9	78.6	18.7	31.2%
Total Expenditures	36.3	51	14.7	40.5%
Total Funds Available at Year End	23.6	27.6	4	16.9%
Less Extramural, Agency, and FINA Funds	1.2	9.7	8.5	708.3%
Total Unrestricted Funds Available	22.4	17.9	-4.5	-20.1%
Less Committed and Known Obligations	6.4	6.1	-0.3	-4.7%
Net Funds Available at Year End	16	11.8	-4.2	-26.3%

Purpose and Scope

The purpose of this audit was to review internal controls over business operations and evaluate administrative processes, including a review of financial performance over the past five fiscal years ending June 30, 2021.

To accomplish these objectives, we reviewed trends in key financial data. We conducted interviews on controls and processes within Surgery. We interviewed or otherwise sought input from personnel in UCD Health Academic Personnel, Health Sciences Development & Alumni Relations, Office of Research, Sponsored Programs and Health IT. We reviewed relevant UC and UC Davis policy and procedures; and examined applicable UC Davis general ledger information, personnel data, and internal documentation.

Conclusion

We identified opportunities for improvement in the areas of travel and entertainment expense reimbursements, compliance with University requirements, and reporting of financial obligations. Additionally, Surgery can improve its Information Technology function by documenting internal operating procedures and clarifying roles and responsibilities in alignment with UCD Health IT.

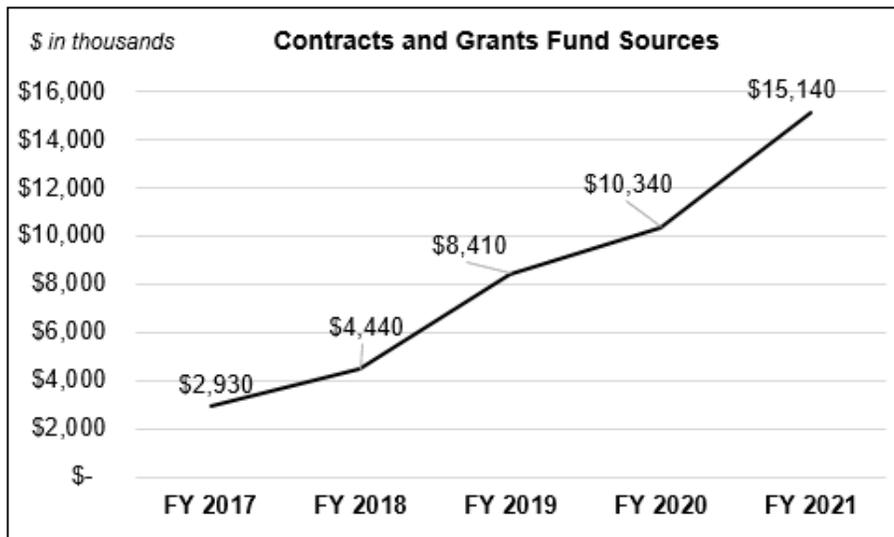
The body of the report includes three sections: Significant Accomplishments; Risks and Challenges, Financial Highlights; and Observations, Recommendations, and Management Corrective Actions. Detailed schedule of five-year financial results can be found in Appendix A.

We thank Surgery for their collaboration and agreeing to take the following actions:

- Document IT Roles and Responsibilities;
- Improve Travel and Entertainment reimbursement review; and
- Enforce staff and faculty compliance with mandatory UCD Health training.

Significant Accomplishments:

Research Funding: The Department of Surgery has grown its research funding significantly, achieving an unprecedented \$33.7M in awards in 2020.¹ Surgery has 50 research staff and is managing 85 active contracts. Expansion in research operations allowed for the creation of three new Vice Chair of Research positions. UCD Department of Surgery was awarded 14th most in NIH research dollars among surgery departments in the nation, and #1 in the UC system, in 2020.²



Patient Safety: The Centers for Medicare and Medicaid Services administers a Hospital Acquired Conditions (HAC) Reduction Program to improve patient safety outcomes by tracking six quality measures, including patient safety indicators (PSI). PSIs measure safety-related adverse events occurring in hospitals following operations, procedures, and childbirth. The worst performing quartile of hospitals is penalized one percent of total reimbursements from CMS, which UC Davis Medical (UCDMC) was subject to in federal fiscal year (FFY) 2019.³

In 2019, the UCDMC Quality & Safety office began performing standardized reviews to identify process improvements to improve patient safety. Surgery collaborated with Quality & Safety to make improvement in several PSIs. In FY 20, UCDMC vastly improved its safety measures, performing well above the 75th percentile benchmark and receiving no penalty.

HAC Reduction Program Performance			
	FFY 19	FFY 20	FFY 21
Hospital HAC Score	0.361	0.2155	0.2889
75th Percentile HAC Score	0.3429	0.3306	0.3383
Payment Penalty Determination	Receives Penalty	No Penalty	No Penalty
Estimated Annual Impact	(\$2,407,500)	\$0	\$0

¹ The “Contracts and Grant Fund Sources” table is a financial accounting measure of inflows during the fiscal year. The total award amount for calendar year 2020 includes the total value of grants awarded to the department.

² As measured by the Blue Ridge Medical Institute www.brimr.org.

³ UC Davis Medical Center, is the medical enterprise of UC Davis Health, offering primary, specialty and inpatient care.

The Quality & Safety division commended the Department of Surgery for its progressive attitude toward quality care and patient safety as well as its open and prompt communication in addressing related matters.

Risks and Challenges:

Revenue Allocation model: Beginning in FY 2022, UC Davis Health is changing the model it uses to allocate revenues and costs to many of its clinics and departments. The goal of this 'Funds Flow' model is to create a more transparent system that rewards productivity.

The Department of Surgery will be subject to this change and thus will be compensated differently. Surgery needs to be vigilant in the requirements of the new model in order to receive correct funding allocation. The Department has expressed its awareness and attention to adapt to these changes.

Observations, Recommendations, and Management Corrective Actions**A. Documentation of IT Roles and Responsibilities.**

IT roles and responsibilities between Surgery IT and UCDH IT are not defined, creating a risk of gaps in, or duplication of, services provided.

Surgery employs two internal IT professionals that provide services to its faculty and staff regarding hardware and software support and configuration. Surgery IT also develops the department's website. When incidents or issues arise, Surgery IT is first to respond and then routes the issue to the appropriate UCD Health IT personnel. There is an opportunity to formalize, through a Memorandum of Understanding (MOU), the defined IT roles and responsibilities between Surgery IT and Health IT. Formal coordination will ensure there are no gaps or unnecessary duplication of services provided.

Recommendation

Surgery should coordinate with Health IT to formalize roles and responsibilities of each in a Memorandum of Understanding.

Management Corrective Action

- 1) By June 30, 2022, Surgery will confer with UCD Health IT to determine roles and responsibilities. The agreed upon roles will be formalized by the departments in a Memorandum of Understanding.

B. Travel and Entertainment (T&E) Expenses

Surgery's review of reimbursement documentation for T&E expenses is performed inconsistently, resulting in a reduced likelihood that management will detect errors or fraud.

Surgery's faculty and staff submit reimbursement requests for travel and entertainment expenses through the UC Davis AggieTravel system. Department delegates review travel claim submissions before a claim is sent to Accounts Payable. Surgery staff should be reviewing attached reports and receipt images. UCD policy states that the department is responsible to ensure appropriate documentation is provided to substantiate expenses and to disapprove reimbursement requests that do not meet policy requirements.⁴

AMAS examined reimbursement approvals for travel and entertainment occurring between March 1, 2019 and February 28, 2021. Reimbursements over \$75 require a receipt to be attached to the report. We noted that management approved 37% of all travel reimbursement claims without viewing receipts attached to the AggieTravel claim. The total dollar value of reports not viewed by the Department of Surgery was \$223,781.

Surgery's faculty and staff had 906 Aggie Travel reports reimbursed from 3/1/2019 to 2/28/2021 for a total amount of \$761,819. We reviewed transactions for compliance with UC

⁴ UCD PPM 300-10: "General Travel Policy" Section III.P

policies relating to timeliness of submissions, use of T&E cards, spending limits, and documentation and approvals. In order to review transactions, we analyzed T&E data contained in the Kuali Financial System, Aggie Travel, and related supporting documentation.

During our review, we noted that 16% of reports were submitted later than the deadline set by UC Policy.⁵ AMAS examined eight out of 20 reimbursements for “Employee Morale Building Activities.” In one instance, meals for the event exceeded per person spending maximums without having requested the necessary exception.⁶ Additionally, two of the eight reimbursements examined did not have the required preapproval by the Travel & Entertainment Committee. UC Policy requires that employee morale building and employee recognition events require additional approval for authorization⁷.

Recommendations

Surgery should communicate T&E policy requirements to all employees.

Surgery should provide instruction to travel delegates on procedure for reviewing and approving reimbursement requests in AggieTravel.

Management Corrective Actions

- 1) By March 18, 2022, Surgery will issue a communication to all employees with information summarizing the requirements of UC Davis’ T&E policy. This summary will include policies relating to:
 - a. Submission timeliness;
 - b. Per person spending requirements; and
 - c. Expenses requiring prior approval.
- 2) By March 18, 2022, Surgery will educate department delegates on requirements for reviewing and approving T&E reimbursement requests.

C. Compliance with mandatory UC Davis Health training requirements.

Surgery lacks a mechanism to enforce compliance with mandatory training.

The Learning and Development department at UC Davis provides mandatory training for all employees based on their role at the University. Training courses expand the knowledge and ability of the employee to build a safe work environment, ensure data are properly used, and comply with external regulations. There are six mandatory trainings for UCD Health employees and faculty listed in the table below. Compliance with course requirements is necessary to be considered in good standing to receive bonus compensation as outlined by Surgery in its faculty compensation plan. Additionally, UC Davis and UC Davis Health staff employees must be current in mandatory training requirements to receive the appraisal

⁵ UC Davis PPM 300-110: “General Travel Policy” Section III.B requires submission of expense reports within 45 days of a trip’s end date.

⁶ University of California – Policy BUS-79: “Expenditures for Business Meetings, Entertainment, and Other Occasions” Section V.A.5

⁷ Policy BUS-79 Section III.A.2.d.

rating of “Fully Achieved Expectations.” This is the minimum rating staff must receive to be eligible for salary increases.

The Training Status report from Staff Development and Professional Services as of July 13, 2021 shows six staff and 21 faculty with a total of 90 mandatory trainings overdue, for an approximate 91% compliance rate.

Training Name	Count of Trainings Overdue
Mandatory Annual Training	14
Privacy and Security Training	15
UC Cyber Security Awareness Fundamentals	17
UC General Compliance Briefing: UC Ethical Values and Conduct	11
UC Sexual Violence and Sexual Harassment Prevention Training	21
Workplace Violence Prevention in Healthcare	12
Total Overdue Trainings	90

Notifications of non-compliance are received by management. Surgery designates a staff member that provides reminders to past due department faculty and staff. The quantity of overdue trainings, and the amount of time some trainings are past due, suggest that this control is inadequate.

Recommendation

We recommend for Surgery to strengthen management’s role in ensuring faculty and staff compliance with University policies and requirements. Additionally, Surgery should consult with Central Human Resources to determine the impact of non-compliance with mandatory training requirements on performance assessments.

Management Corrective Actions

- 1) By March 18, 2022, Surgery will identify all faculty and staff who are non-compliant with mandatory training requirements and direct supervisors to work with those employees to develop a plan for completion of the training.
- 2) By March 18, 2022, Surgery will implement a quarterly, documented process for review of the status of mandatory trainings, reminders to faculty and staff as necessary, and escalation to the Chair if timely action is not taken.
- 3) By June 30, 2022, Surgery will consult with Human Resources to determine any actions that must be taken to address instances where: 1) supervisors erroneously certified that employees had completed mandatory training when preparing performance assessments, and 2) employees who were non-compliant with mandatory training requirements received a rating of “fully achieved expectations” or better with their FY21 performance assessment.

Appendix A

Financial results for Department of Surgery as a whole from FY 2017 to FY 2021:

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
FUND SOURCES					
Self-Supporting Funds ⁸	52,440,521	56,360,703	56,269,305	59,374,277	58,317,861
Contracts & Grants	2,932,232	4,437,489	8,407,536	10,339,935	15,136,960
Gift/Endowments	3,135,310	3,231,349	3,473,250	3,538,175	3,027,353
General Funds	1,004,059	1,030,442	1,246,600	1,228,001	1,432,208
Indirects/Opportunity Funds	275,405	308,797	519,833	373,896	673,409
Student Fees	20,952	20,952	37,150	37,150	44,665
Reserves	90,926	44,901	30,164	28,111	27,712
Total Sources	59,899,404	65,434,634	69,983,837	74,919,546	78,660,169
EXPENDITURES					
Salaries & Benefits	29,824,103	31,829,291	35,492,009	42,152,025	45,586,628
Supplies & Services	5,919,250	8,114,182	8,534,447	7,750,347	4,484,766
Travel & Entertainment	525,299	509,921	466,450	394,352	58,650
Equipment	14,000	43,216	259,371	366,715	827,395
Subcontracts	-	-	36,713	85,751	68,912
Scholarships & Fellowships	3,000	4,157	15,494	36,665	36,200
Special Items	-	-	-	-	-
Total Expenditures	36,285,652	40,500,767	44,804,484	50,785,855	51,062,551
Total Funds Available	23,613,752	24,933,867	25,179,353	24,133,690	27,597,617
Less: C&G and FINA funds	1,228,200	2,439,541	5,326,929	5,650,619	9,764,375
Unrestricted Funds Available at Year End	22,385,553	22,494,326	19,852,424	18,483,071	17,833,243
Less: Committed & Known Obligations	6,415,418	6,393,478	6,085,817	6,085,817	6,085,817
NET FUNDS AVAILABLE	15,970,134	16,100,848	13,766,608	12,397,255	11,747,426

⁸ Self-Supporting Funds include clinical revenue, as well as various funding allocations from UC Davis Health.