

October 30, 2015

DR. SANTIAGO HORGAN
Director
Center for the Future of Surgery
8400

Subject: *Center for the Future of Surgery
Project 2015-40*

The final audit report for the Center for the Future of Surgery, Audit Report 2015-40, is attached. We would like to thank all members of the department for their cooperation and assistance during the audit.

Because we were able to reach agreement regarding corrective actions to be taken 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. While management corrective actions have been included in the audit report, we may determine that additional audit procedures to validate the actions agreed to or implemented are warranted. We will contact you to schedule a review of the corrective actions, and will advise you when the findings are closed.

UC wide policy requires that all draft audit reports, both printed and electronic, be destroyed after the final report is issued. Because draft reports can contain sensitive information, please either return these documents to AMAS personnel or destroy them. We also request that draft reports not be redistributed.

David Meier
Director
Audit & Management Advisory Services

Attachment

cc: David Brenner
 Judy Bruner
 Gene Hasegawa
 David Kimber
 Greg Kharabadze
 Pierre Ouillet
 Nancy Roberts
 Sheryl Vacca

UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

Center for the Future of Surgery
October 2015

Performed By:

Aparna Handa, Auditor
Greg Buchanan, Manager

Approved By:

David Meier, Director

Project Number: 2015-40

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ATTACHMENT A - Audit Results by Business Office Functional Process

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I. Background

Audit & Management Advisory Services (AMAS) has completed a review of the Center for the Future of Surgery (CFS) as a supplemental audit for Fiscal Year 2014-15. This report summarizes the results of our review.

CFS is a recharge facility in the Department of Surgery (Surgery), established in November 2008. Prior to this, the facility was run as the Surgical Resources Lab located in Hillcrest. CFS is designed to develop revolutionary surgical techniques, provide advanced surgical training, and enhance patient safety. Areas of training include use of robotics, simulators and laparoscopic surgery. In September 2011, CFS moved into the new Medical Education and Telemedicine (MET) Building. The MET Building is a multipurpose, multitasking facility equipped with research and surgical suites, a simulation center and conference rooms with state of the art technology to host labs, meetings and courses.

CFS is composed of one Director, three UCSD faculty, five lab technicians, and several administrative staff. There is one dedicated administrative assistant to invoice customers and manage payments. The facility received fiscal administrative support from the Surgery Business Office when the CFS Business Manager position was vacant. During our review, responsibilities were being transitioned to an interim CFS Business Manager. Employee timekeeping and human resources transaction activity is managed by Health Sciences Human Resources Shared Services (HSHR Shared Services).

CFS recharge income totaled approximately \$1.9 million for Fiscal Year 2013-14, and \$1.6 million for Fiscal Year 2012-13. Income is received primarily from outside entities, although a small portion of CFS recharge income is collected from internal customers. Service agreements are executed through the Health Sciences (HS) Business Contracting Office for contracts with non-University customers.

CFS plans to expand by building a Microsurgery Suite and Hybrid operating room within the CFS facility. Development support is planned through a seven year \$2.8M loan, equipment donations and philanthropic funding. The expansion of the microsurgery suite and hybrid operating room in CFS will complete a comprehensive state-of-the-art training facility, and CFS will become the only training center to perform advanced imaging on cadaveric specimens and animals, which will aid in the development of revolutionary surgical techniques.

II. Audit Objective, Scope, and Procedures

The objective of our review was to determine whether CFS business process controls provided reasonable assurance that financial results were accurately reported, operations were effectively managed, and activities complied with relevant policies, procedures and regulations. The project scope included a review of business practices in place during

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audit fieldwork, and the analysis of selected business transactions completed in Fiscal Year 2012-13, 2013-14 and 2014-15 (through September 30, 2014).

In order to achieve our objectives we completed the following:

- Reviewed applicable University policies and procedures;
- Evaluated CFS organizational structure;
- Conducted interviews with CFS personnel, including former and current CFS Business Manager, Surgery Finance Manager, selected lab technicians, scheduling and billing support staff;
- Reviewed CFS information systems controls with Department of Surgery IT Analyst;
- Discussed CFS Service Agreement cash deposit process and accounting with HS Controller's Office;
- Discussed CFS specimen billing with the Director, Anatomical Services;
- Reviewed Express Card, Marketplace and IFIS approval hierarchies for CFS;
- Discussed CFS recharge activity with HS Recharge Rate Review Committee representative;
- Contacted Equipment Management with regards to CFS equipment inventory;
- Contacted Campus HR regarding background checks for CFS employees;
- Reviewed APM-025 and Sunshine Act¹ disclosures for CFS faculty;
- Discussed conflict of interest (COI) disclosure requirements and process with Director, COI Office and, Director, HS Business Contracting;
- Analyzed FinLink reports, including CFS balances and transaction sampling;
- Performed detailed testing of a sample of business transactions to verify that transactions were processed in compliance with University policy; and
- Tested the billing process for a sample of labs, and reviewed lab activity for compliance with Service Agreement terms.

III. Conclusion

Based on the audit procedures performed, we concluded that CFS business process controls needed improvement to provide reasonable assurance that financial results were accurately reported, operations were effective, and activities complied with relevant policies, procedures and regulations. We identified weaknesses in controls for selected business processes, including service agreement management, establishment of recharge rates, billing processes and financial administration. A summary of our audit observations by business process is provided in ***Attachment A***.

CFS has gone through multiple Business Managers in the last two fiscal years. The inaugural CFS Manager separated in December 2013 and was not replaced until June

¹ Sunshine Act disclosures for the period August through December 2013 (as available through openpaymentsdata.cms.gov)

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2014. The Surgery Finance Manager served as the interim Business Manager during this vacant period. The subsequent Business Manager separated in November 2014 and was replaced by a limited position in the same month. The turnover in CFS management personnel resulted in periods of poor fiscal oversight.

Opportunities to strengthen controls in selected business processes are discussed in further detail the remainder of the report.

IV. Observations and Management Corrective Actions

A. Conflict of Interest Disclosures

Conflict of interest disclosures were not completed for CFS Service Agreements.

All University employees are expected to separate their University and private interests in accordance with existing University policies and State law. PPM 200-13 states that “The University’s overall policy on conflict of interest is that none of its faculty, staff, managers or officials shall engage in any activities which place them in a conflict of interest between their official activities and any other interest or obligation.”

As it relates to service agreements, a systematic review of financial disclosures from key personnel should be completed to identify any financial interests prior to the acceptance of contracts from governmental and non-governmental sponsors. Both Scripps Institute of Oceanography (SIO) Contracts and Grants and the Office of Contracts and Grants Administration (OCGA) require a financial disclosure via the 700-U form for all Service Agreement requests during their initial requisition process.

Historically, the HS Business Contracting Office has not required that disclosure forms be completed for CFS consulting service agreements². The Director for the HS Business Contracting Office indicated that CFS is set up as a recharge unit within Surgery with many faculty participating in its activities, and CFS service agreements do not specifically name a responsible faculty member. However, the HS Business Contracting Office’s internal database lists the CFS Director of Clinical Operations as being responsible for CFS agreements, as he is the one who is primarily involved at CFS for faculty participation. In prior years, the Surgery Chair was named as the faculty member responsible for CFS service agreements, as CFS is an activity within Surgery.

² AMAS recently conducted a review of HS Service Agreements (#2015-39). As a result of that review, disclosures are now required for some agreements.

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During our review of selected CFS service agreements, we came across two Master Service Agreements with two different entities that specifically referenced the CFS Director as either receiving salary support, or as being a Preceptor under the agreement.

University officials cannot evaluate the potential for conflicts of interest if a disclosure is not requested during the service agreement negotiation process. Although there may not be an actual conflict within the service agreement process, there could still be a perception of a conflict, which should be addressed via disclosure in the interest of transparency.

Management Corrective Action:

The CFS Business Office will work with the HS Business Contracting Office to develop a process to help ensure that potential conflicts of interest are disclosed where appropriate for service agreements.

B. Service Agreement Amendments and Renewals

The process for drafting and maintaining CFS service agreements was not effective for ensuring that all labs were performed in accordance with a valid service agreement.

All labs should be performed in accordance with an active service agreement, and the Department should ensure that labs are conducted within the time period specified in the service agreement. In addition, agreements should be drafted so that there are no conflicting terms between multiple agreements with the same third party entity.

During our review, we identified 12 labs that either did not have an active service agreement at the time of the lab, or had an active service agreement that did not specify the lab date in the exhibit(s) of the agreement. The standard CFS service agreement language required that any additional “Training Period” or lab(s) be agreed to in writing and attached as an additional exhibit to the agreement.

We also identified two service agreements that included rates which did not agree to negotiated rates included in an active Master Agreement that the entity had entered into with CFS. The CFS Business Office advised that these service agreements were independent of the Master Service agreement because they related to labs conducted for a distinct division within the entity. However, the distinction between the customers specified in the agreements was not readily apparent. As a result, there appeared to be three active agreements with the same entity with conflicting rates for similar services.

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CFS would benefit in maintaining a repository of service agreements. Although HS Business Contracting Office is the office of record, CFS should maintain a copy of all service agreements and track expiration dates to ensure that invoicing is in accordance with service agreement terms, and labs are conducted while the agreement is still active. A repository would also allow the CFS Business Office to review prospective agreements with an entity in its entirety to avoid any conflicting terms between agreements.

Management Corrective Actions:

CFS management will:

1. Add language when renewing the two service agreements referenced above, to assist in differentiating them from the Master Agreement with the same entity.
2. Coordinate with HS Business Contracting Office to maintain a service agreement repository that can be used to track expiration dates, and avoid conflicting terms and conditions between service agreements with the same entity.
3. Develop a process to ensure that an active service agreement is in place with the third party before a lab is scheduled.

C. Master Service Agreement Terms

We noted an inconsistency in rates charged under Master Service Agreements versus other service agreements for CFS. In addition, all obligations under the Master Agreements were not fully disclosed.

Master Service Agreements

It is recommended that departments entering into service agreements establish standard rates for similar goods and services in order to ensure full cost recovery on all services rendered. For Campus departments, the Office of Contract and Grant Administration has developed a service agreement checklist that requires like goods and services to be billed on the same prices or pricing methodology. Any differences or exceptions to established rates must be justified and not result in favorable financial terms for any particular party.

We identified Master Service Agreements with two entities that had fixed rates for certain CFS services. One of the agreements, which expired in January 2015,

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provided financial support for CFS personnel salaries, facility maintenance and lab supplies in exchange for use of CFS facilities and personnel time. They also paid pre-established rates for animal and cadaver models. It was unclear how the fixed rates were established, nor was there any clarification on what “Facilities” were to be provided by the University in the agreement.

This Master Agreement was renewed in February 2015 with fixed rates for human anatomic specimen and animal station/services and conference room rentals. Administration and technician time was incorporated into a yearly lump sum amount. The lump sum amount was 50% of estimated salary costs for three technicians and CFS Business Manager. It was not clear as to why a fixed amount was used instead of using hourly rates for technician and administrative time for each lab, which is the practice for similar labs with other customers. The CFS Business Manager reasoned that the lump sum amounts and agreement rates should result in CFS breaking even on costs.

The Manager also indicated that the entity provided financial support for CFS resident labs. However, the financial support received for resident labs was not specifically referenced in the Master Agreement. In addition, we were informed that the entity provided certain supplies to CFS for their labs, but this was not quantified in the agreement.

The Master Agreement with the second entity, which expired in November 2013, established a fixed rate by the type of lab, but did not break down the services that were included in the rate. Again, it is not clear how the rates were established for each lab. In addition, the agreement referenced the former Surgical Resources Lab (SRL), located in the old location in Hillcrest. There were no modifications or amendments to the service agreement to reflect the change in recharge facility name and location.

Financial terms under an agreement should be based on sound business practices and should not result, or appear to result, in favorable terms to either party of the agreement. Inappropriate financial rates under an agreement may impact the ability to fully recover the costs of the department, which could result in financial deficits.

Management Corrective Actions:

CFS management will:

1. Develop service agreements using similar pricing methodology for all external customers. Exceptions will be justified, and any alternative prices will be sufficient to ensure full cost recovery.

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2. Add terms to disclose all financial support or obligations under the Master Agreement for each party.
3. Monitor payments received under the current active Master Service Agreement to ensure costs are being fully recovered under current rates.

D. Recharge Rates

CFS recharge rates were not updated to reflect current costs.

CFS currently recharges to some internal UCSD customers, and billing for external customers is processed through service agreements. Business and Financial Bulletin, A-47, requires that recharges be related to the cost of providing the goods or services, and seek to recover actual costs. The Service Agreement Checklist in Blink suggests use of recharge rates for service agreements, which helps ensure that like goods and services are sold to customers based on consistent and current prices.

We noted that recharge rates for CFS had not been updated since its inception in November 2008. At that time, an hourly labor rate was developed based on CFS employees salary, supplies and expense, and depreciation costs. However, these costs have not been updated to reflect current compensation rates, additional technician salaries, equipment costs and other operating expenses. Further, standard recharge rates had not been established for animal costs, imaging services, conference room charges (inclusive of incidental expenses) and parking charges. As a result, different rates have been used to invoice customers for similar services.

It appears that the absence of recharge rates may have resulted in some billing errors. As part of the billing process, the Billing Assistant perused lab calendar notes (and related documentation) to identify costs to invoice customers, which resulted in billing errors. Of the 30 labs that we sampled and reviewed, seven contained billing errors that had an overall impact of \$4,531 in under-billing. There were also three labs where inconsistency in calendar notes and associated lab documentation made it difficult to determine the billing accuracy. Establishing standard rates for most CFS services would help streamline the billing process, reduce billing errors, and help to ensure full cost recovery.

One reason that customers were billed using different rates is because some were billed based on the terms of an executed service agreement, and UCSD policy does not require the use of approved recharge rates for service agreements.

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Nonetheless, in an effort to increase consistency in customer billings, the CFS Business Manager was exploring options to use approved recharge rates for all labs, and enter into a separate agreement describing the lab with external customers that require that an agreement be provided. This would impact the invoicing and collections process, in addition to overhead assessments.

Currently, anatomical specimens are invoiced at cost, and overhead is not added to the invoice to external customers. The Director of Anatomical Services advised that they have an external rate for their customers but a department cannot charge overhead to their customers as UC policies prohibit loan fees to pay for any non-AMP (Anatomical Materials/Donation Program) salaries or activities. The Anatomical Material Review Committee (AMRC) believes that external customers should be charged at external rates and CFS could either pass on their external charges or pay these costs out of their revenues.

Management Corrective Actions:

CFS management will:

1. Develop recharge rates for all services, to the extent practical, that reflect current costs.
2. Invoice customers using recharge rates, when practical. Any deviations will be justified and documented.
3. Coordinate with Anatomical Services to determine logistics of billing for anatomical specimens.

E. Billing and Cash Handling Processes

There was inadequate separation of duties in the billing process, and a ledger reconciliation was not performed for CFS payments. In addition, it was noted that background checks had not been conducted for staff with cash handling responsibilities.

Separation of Duties

BUS-49, Policy for Cash and Cash Equivalents Received, states that “no single individual is responsible for collection, handling, depositing and accounting for cash received by that unit. At least two qualified individuals must be assigned to carry out key duties of the cash handling process.” Lack of separation of duties increases the risk of undetected errors, lost or stolen receipts, or inaccurate application of receipts to departmental accounts.

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One CFS Administrative Assistant was responsible for invoicing, collections and accounts receivable management. The Administrative Assistant would prepare and send invoices to customers without secondary review by another CFS member, which increased the risk of undetected errors or irregularities. The Administrative Assistant tracked invoices to external customers in a Billing Spreadsheet. Collections were received (or monitored electronically) by the Assistant who updated the Billing Spreadsheet to reflect payments received, and was responsible for forwarding collections to the Controller's Office for deposit.

Ledger Reconciliation

CFS did not regularly reconcile operating ledgers to ensure that CFS payments were accurately recorded in the ledger. The Administrative Assistant would forward checks to the HS Controller's Office for deposit, but did not verify that deposits were accurately recorded in CFS ledgers. Deposits should be verified to ledgers by someone other than the person preparing the deposit or managing accounts receivable. Although we were able to trace all payments to the ledger for labs sampled in our review, we noted that, at times, the index noted in the Billing Spreadsheet (to reflect payment) did not match the index in which the payment was recorded.

The current Business Manager identified approximately \$363K in unclaimed wires that were attributed to CFS payments. Had a ledger reconciliation been performed periodically, these payments would have been traced earlier and posted to the appropriate index more timely.

In January 2015, the interim Business Manager modified the cash deposit process so that all payments were deposited by the Department rather than through the Controller's Office. However, the Controller's Office indicated that this practice is not recommended, and that CFS should revert to depositing payments for service agreements through the Controller's Office.

Background Checks

UC Business and Financial Bulletin (BUS) 49, Policy for Cash and Cash Equivalents Received: Section IV.1, states that "the campus must perform background checks prior to employing cashiers, cash handlers and individuals in other critical positions." The University now requires that a background check be obtained for new staff with cash handling responsibilities included in their job description.

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The CFS Business Manager and Administrative Assistant received and submitted service agreement payments for deposit, but background checks had not been completed for these staff members as required by University policy.

Management Corrective Actions:

The CFS Business Office will:

1. Review CFS invoices prepared by the Administrative Assistant prior to forwarding invoices to customers;
2. Coordinate with the Controller's Office to develop options for depositing service agreement collections;
3. Assign at least two individuals to carry out key duties in the cash handling process;
4. Perform a ledger reconciliation monthly; and
5. Perform background checks for employees with cash handling responsibilities.

F. Financial Deficit

CFS indexes reflected an overall deficit balance as of October 31, 2014.

CFS accounts (indexes) were in overall deficit of \$739K as of Oct 31, 2014. The CFS financial accounts used to calculate the balance were active indexes provided by the Surgery Finance Manager as of September 2014.

A deficit management plan was prepared and shared with the Dean's Office in October 2014, and was designed to address the CFS deficit as of June 30, 2014. However, between June 30, 2014 and October 31, 2014, the CFS deficit grew from approximately \$340K to approximately \$739K. The Finance Manager attributed the increase to delay in revenue collections, and hoped payments processed in the current fiscal year will help reduce the deficit.

We identified another CFS index, SURSH51, that was not included in the index listing provided by the Surgery Finance Manager in September 2014. The index was used to deposit some payments from one external CFS customer. The Surgery Finance Manager indicated that the index was erroneously created under a Plastics Division organization code by the Controller's Office. As of the date of

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this review, there was an approximate surplus of \$40K in this index that has not been transferred to CFS index, which would further reduce the CFS deficit.

In February 2015, the CFS Business Manager processed approximately \$363K in unclaimed wires received for CFS payments under a specific service agreement, which reduced the overall CFS deficit. As of July 31, 2015, the CFS deficit balance was \$447K. The CFS Business Manager indicated that they expect approximately \$300K in payments for past services which will reduce the overall deficit.

At the time of our review, CFS did not have a dedicated IFIS organization code, but rather used IFIS indexes within various Surgery organization codes. Since CFS is a separate activity, it is recommended that CFS have an organization code exclusively for CFS indexes that all CFS indexes are assigned to. This would streamline financial reporting and monitoring processes.

Management Corrective Actions:

1. CFS management will work towards placing all CFS accounts under one dedicated organization code.
2. The Business Manager will transfer balances from SURSH51 to another CFS operating index.
3. CFS management will re-evaluate CFS deficit balances and develop a revised deficit management plan, as appropriate.
4. The CFS Director will coordinate with the Department Chair to develop a deficit reduction plan and support for the unit.

G. Equipment Inventory

Some CFS equipment was not recorded in the Capital Asset Management System (CAMS) and/or affixed with a UCSD ID number.

In 2014, the former CFS Business Manager conducted an equipment inventory of some CFS labs, and identified equipment that did not have a UCSD ID tag. Some equipment, including 70 scopes, had been donated to CFS over the years, but were not always logged in CAMS and tagged with a UCSD ID number. It was not clear whether donated equipment was appropriately processed through the Gift Processing Office or Regents as applicable.

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During a tour of the CFS facility with the former CFS Business Manager, UCSD Equipment Management identified equipment that was not recorded in CAMS. At the time of her separation, the former Business Manager was corresponding with the Assistant Vice Chancellor for Advancement Services, and UCSD Equipment Management to ensure that all CFS equipment was logged in CAMS, and donated equipment processed appropriately.

Management Corrective Action:

The current Business Manager is coordinating with Advancement Services and Equipment Management to complete an equipment inventory for CFS.

H. Transactional Sampling

Transactions selected by the campus Transaction Sampling system were not reviewed and reconciled on a timely basis.

The campus Transaction Sampling process selects a sample of department financial transactions to be evaluated during the ledger reconciliation and account validation process. After the review is completed, any transaction processing errors are identified by error type, and corrected. Because only a percentage of total transactions are selected for focused review, department resources are used more effectively.

As of October 1, 2014, it was noted that 65% of FY2013 CFS transactions sampled by the Transaction Sampling system had not been reviewed. In addition, for the period July 1, 2013 to August 31, 2014, 92% of the transactions sampled had not been marked as reviewed in the system. Evaluation of the transactions selected for review provides reasonable assurance that errors are timely identified and corrected.

Management Corrective Action:

CFS management will review and reconcile the outstanding transactions, and ensure that future transactions are evaluated in a timely manner.

I. Express Card Administration

Express Card usage, cancellation and documentation practices needed improvement.

The former CFS Business Manager separated from UCSD on December 13, 2013, but her Express Card was not cancelled until March 5, 2014. There were three

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transactions totaling \$90 that occurred after separation, and the Department was unable to provide documentation to support these charges.

In addition, the Department was unable to provide supporting documentation for nine of the 18 Express Card transactions that we selected for detailed testing. Eight of these transactions were incurred by the former Business Manager. The Department should seek to improve documentation practices to ensure that they maintain Express Card invoices for all purchases to be able to support costs charged to Department indexes.

We also came across one transaction that was for the purchase of a rental booth at a cost of \$10,000 which was split and charged to multiple Express Cards. Any purchase of goods and services above \$4,999 is restricted on an Express Card and should be processed through Marketplace.

Management Corrective Actions:

1. The Department now utilizes and monitors the EC Manager Attachment Tool for compliance with Express Card documentation requirements.
2. The Department will avoid using Express Cards for any future purchases of goods and services above the Express Card limit.
3. The Department will take steps to ensure that Express Cards are cancelled timely when employees separate from the Department.

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Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes, Partially or No)	Audit Conclusion ¹	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Payroll and Non-Payroll Expenditure Transfers		√	√	Verified appropriateness for the one EPET for CFS for the period July 2012 to September 2014.	Yes	Satisfactory	Controls over expense transfers appeared satisfactory.
Travel and Entertainment	√	√	√	Judgmentally selected one travel and one entertainment event and traced to supporting documentation and reviewed for appropriateness.	Yes	Satisfactory	We noted that one travel event for the CFS Director had occurred in April 2014 but had not been reconciled as of November 2014. <i>The CFS Business Office will take steps to reconcile travel events timely.</i>

¹ Scale: Satisfactory - Improvement Suggested - Improvement Needed – Unsatisfactory. TBD = To Be Determined.

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Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes, Partially or No)	Audit Conclusion ¹	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Timekeeping & Payroll	√	√		Reviewed DOPE reports for period July 2012 to September 2014	Yes	Satisfactory	<p>Timekeeping management was under the HR Shared Service Core.</p> <p>We noted that the Distribution of Payroll Expense (DOPE) report reviews were being performed by the Surgery Business Office but were not signed and dated by the person performing the review as required by IA 101: Internal Control Standards: Department Payrolls.</p> <p><i>The CFS Business Manager will establish a process to initial and date DOPE reports electronically.</i></p>

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Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes, Partially or No)	Audit Conclusion ¹	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Service Agreements	√	√	√	Selected a judgmental sample of 30 labs scheduled for the time period July 2012 to September 2014. Reviewed associated service agreements for compliance in billing, and conflict of interest disclosures.	No	Improvement Needed	<p>Conflict of interest forms were not required for service agreements. Refer to Report Finding A</p> <p>There was need for improvement in service agreement management. Refer to Report Finding B and C</p> <p>Billing inconsistencies were identified and recharge rates should be established to reflect current costs. Refer to Report Finding D</p>

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Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes, Partially or No)	Audit Conclusion ¹	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Cash Handling		√	√	Discussed and verified cash handling processes with CFS business office staff.	Partially	Improvement Needed	Several weaknesses were identified in relation to the cash handling process. Refer to Report Finding E Checks were not endorsed upon receipt by CFS as required by BUS-49. <i>The CFS Business Office has obtained an endorsement stamp to endorse checks upon receipt.</i>
Operating Ledger Review & Financial Reporting	√	√		Examined operating ledgers and financial reports.	No	Improvement Needed	CFS had an overall deficit balance of \$739K as of October 31, 2014. Refer to Report Finding F
Equipment Management		√		Discussed equipment inventory and donated equipment process with CFS management and Equipment Management.	No	Improvement Needed	An equipment inventory needs to be conducted for CFS Refer to Report Finding G

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Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes, Partially or No)	Audit Conclusion ¹	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Transaction Processing - Non-Payroll Expenditures	√	√		Analyzed 15 judgmentally selected transactions for reasonableness, and traced them to supporting documentation.	No	Improvement Needed	It was noted that transactional sampling was not being performed timely and completely. Refer to Report Finding H One media services expense for \$1,997 from June 2014 was incorrectly charged to CFS index. <i>An expense transfer was processed in March 2015 to correct the error.</i>
Express Card	√	√		Analyzed 20 judgmentally selected transactions for reasonableness, and traced to supporting documentation.	Partially	Improvement Needed	There was need for improvement in Express Card usage, cancellation and documentation practices. Refer to Report Finding I

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