

**UNIVERSITY OF CALIFORNIA, SAN FRANCISCO
AUDIT SERVICES**

**Office of Sponsored Research
Government and Business Contracts
Professional Service Agreements
Project #13-021**

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MANAGEMENT SUMMARY

As a planned audit for Fiscal Year 2012-2013, Audit Services conducted a review of the systems and procedures in the Government and Business Contracts (GBC) department, formerly Contracts & Grants, within the Office of Sponsored Research (OSR), for processing Professional Service Agreements (PSAs). The objectives of the review were to assess the execution of PSAs within the new automated process by GBC for proper internal controls, efficiency and effectiveness.

PSAs are established to allow physicians to perform services at another organization and document the terms and conditions for which those services will be provided. PSAs are established for patient care, medical directorship, on-call coverage, telemedicine or other administrative services. Benefits derived from PSAs can include but not limited to outreach to the community, potential expansion of services to a specific location or opportunity for patient referrals to the university as well as revenue to the compensation plan. Timely execution of PSAs is necessary and prudent to clearly define the services being provided, related fee/revenue to the university and limitations of liabilities. Academic Personnel Manual 670-19 states that "Patient care activities must be provided within the University setting or as part of an approved affiliation agreement or professional service agreement. Outside professional activities without proper approval and agreements executed by appropriate authority increase liability and/or reputational risk to the university."

From the work performed, the new PSA Application system, Centralized Agreement, Contact Tracking and Approval System (CACTAS), has helped with automating the process where less manual documents are being routed and has provided visibility of existing PSAs to all parties involved. Additionally, it provides visibility to all departments on existing PSAs so that management decisions on the necessity and appropriateness to create master agreements can be made. However, enhancements can be made to the PSA process by: 1) establishing detective controls and monitoring of PSA compliance with UC Policies; 2) communicating liabilities for initiating clinical services prior to execution of PSAs; 3) developing guidelines for completing the Scope of Work on PSA requests; and 4) defining service level agreements with all internal departments/units involved in the execution of PSAs.

I. BACKGROUND

As a planned audit for Fiscal Year 2012-2013, Audit Services conducted a review of the systems and procedures in the Government and Business Contracts (GBC) department, formerly Contracts & Grants, within the Office of Sponsored Research (OSR), for processing Professional Service Agreements (PSAs). It is not uncommon for clinical faculty and others to provide patient care services at non-UCSF facilities. Academic Personnel Manual (APM) 670 states that "Patient care activities must be provided within the University setting or as part of an approved affiliation agreement or professional service agreement." A PSA is an agreement between an outside organization and the University (UC Regents), not with the individual faculty members, for services rendered within the direct context of the UCSF mission other than research. PSAs account for about 1% of the agreements processed by OSR and the gross professional fee billing in FY12 totaled approximately \$6 million.

PSAs were originally processed by the Business Contract Unit (BCU) within the Campus Procurement organization that handled all revenue agreements and outgoing/procurement agreements. In August 2010, responsibilities for handling revenue agreements involving funds, materials or in-kind contributions were transitioned to GBC to better align with business operations. GBC has dedicated three business contract analysts to execute all business contracts: PSA and non-PSA (external recharges, training affiliation and continuing education). There are approximately 80 active PSAs and 500 non-PSAs agreements. Guidelines are established to define types of agreements required for different types of activities including policies driven for those agreements.

The old BCU database storing previous service agreements was migrated into the new Centralized Agreement, Contact Tracking and Approval System (CACTAS), which allows every department to access and view existing agreements. In December 2012, GBC upgraded CACTAS to include the PSA Application in order to: (a) Enable and enforce an appropriate review and oversight by the School of Medicine, Vice Dean, Affiliations and International Relations; (b) Automate workflow promoting timely processing with notifications; and (c) Provide visibility into the process for the requestor and reviewers. At the time of this audit, there were 18 fully executed PSA and 10 in negotiation status within the new PSA Application system.

GBC uses two PSA standard templates: clinical patient care services and Medical Directors/On-call Coverage¹. The templates have been reviewed and approved by appropriate parties including the Office of Legal Counsel (OLA) and Risk Management (RM). Typically, the physician or Division Chief initiates a PSA request by discussing and obtaining approval from the Department Chair to provide off-site services. The approved paper PSA request is then submitted through the PSA Application by the department manager, who routes it for review and approval by the Office of Affiliations and International Relationships (OAIR) in the School of Medicine (SOM) Dean's Office. Once approved, the PSA will be routed to GBC, where the analyst will start drafting and negotiating the agreement with the outside entity until completion. As a standard, GBC analyst will consult with OLA and RM for terms and conditions that deviate from the standard template. Although GBC encourages the use of university template for efficiency, sometime the third party requires the use of their template adding time to the negotiation process.

¹ Medical Director's service encompasses management support or assessment of all or part of the outside party's clinic or other operations such as setting up policies and procedures.

II. AUDIT PURPOSE AND SCOPE

The objectives of the review were to assess the execution of PSAs within the new automated process by GBC for proper internal controls, efficiency and effectiveness. The scope of this review included PSAs completed within the new PSA Application system since implementation in December 2012.

In order to achieve our objectives, we performed the following:

- Interviewed staff and Director of the Business Contract Unit to understand the new PSA process;
- Interviewed management from the Office of Legal Affairs, Ethics & Compliance, Risk Management and selected departments and obtained different perspectives on risks, issues and/or concerns;
- Interviewed Medical Billing management and obtained physician billing reports at non-UCSF hospital locations to identify potential population of PSAs;
- Reviewed relevant UC and UCSF policies on PSAs and performed Internet searches to gain an understanding on policies, best practices and issues;
- Reviewed prior internal audit reports to obtain information on past system management practices and types of agreements; and
- Obtained access to the PSA Application and reviewed completed PSAs within the new PSA Application system.

Work performed was limited to selected samples for the fully executed/completed PSAs within the new PSA process from December 2012 onward; as such, this report is not intended to, nor can it be relied upon to provide an assessment of the effectiveness of controls beyond the PSAs specifically reviewed. Fieldwork was conducted between April and May 2013.

III. CONCLUSION

From the work performed, we noted that the new PSA Application system has helped with automating the process; where fewer manual documents are being routed and automated notifications to requestors, department chairs and the OAIR are being provided. Additionally, it provides visibility to all departments on existing PSAs so that management decisions on necessity and appropriateness to create master agreements can be made. However, it was noted that enhancements can be made to the PSA process by: establishing detective controls and monitoring of PSA compliance with UC Policies; communicating liabilities for initiating clinical services prior to execution of PSAs; developing guidelines for completing the Scope of Work on PSA requests; and defining service level agreements with all internal departments/units involved in the execution of PSAs. Other discussion items identified but out of scope of this review have been shared with GBC and will be discussed at the Business Contract Process Committee.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS

A. PSA Compliance Monitoring

Physicians are providing services at outside facilities without executing PSAs.

Medical Group Billing Services (MGBS) is responsible for the billing and collection of physician services, which includes care provided at non-UCSF facilities, for the majority of SOM clinical departments.

As a means to determine if PSAs were established for services at non-UCSF facilities, Audit Services requested that MGBS provide billing information for physician services at external locations. MGBS was able to provide billing information prior to the implementation of the new billing system (i.e. APeX) on June 2, 2012, and was determining how to extract current information from APeX. The information obtained from MGBS was reviewed by GBC and from their initial assessment, they questioned if PSAs were established for 77 billable services provided at 47 external facilities by 15 departments. GBC researched their records and could not locate PSAs for the 77 services identified.

The lack of detective controls to identify physicians working at offsite locations without executing PSAs creates unnecessary liability risks and reputational risk to the University.

Management Corrective Actions

1. By June 30, 2014, GBC will research previously identified instances where it appears that external activities are occurring without an established PSA and will establish one where appropriate. In addition, in cases where PSAs were not established, GBC will work with the respective departments to ensure PSAs are established in the future.
2. By March 31, 2014, the Office of Affiliations and International Relationships in the SOM Dean's Office will establish a program of monitoring for PSA compliance by periodically confirming that PSAs exist for external services billed through MGBS.

B. PSA Execution

Periodically, physicians will provide patient care services at a non-UCSF facility before a PSA has been executed.

Through our review of the existing PSAs and interviews with GBC analysts, we were informed that there had been instances where physicians have provided services prior to the execution of a PSA. GBC indicated that recently there was one instance of a physician performing services at local hospitals since July 2012 without receiving compensation and having a PSA in place. GBC analyst has noted that one of the major causes is not having sufficient time to negotiate and execute the PSA as requestors submit an urgent PSA while the physician will be starting soon or has already begun working at the external site.

Policy APM 670 requires that PSAs be established for external services. The lack of an executed agreement creates a significant financial and reputational risk to the institution if an incident occurs.

Management Corrective Action

By March 31, 2014, GBC will implement a process to send formal notification letters to the requestor, Vice Dean of Affiliations and International Relations and Risk Management in situations where the PSA cannot be completed by the requested date and the related justifications and informing them of the related financial liability and reputational risks should the physician began services prior to the execution of the PSA.

C. Scope of Work

There are no guidelines to ensure consistency in defining an appropriate and sufficient Scope of Work (SOW).

The SOW is part of the PSA template and completed by departments prior to PSA processing by GBC. It is a critical component of PSAs for ensuring that services are defined and for determining contractual responsibilities. Failure to include specific and detail information in the SOW could subject the University to unnecessary risk and liability, as contracts may be executed with unclear or inaccurate deliverables.

Currently, there are no guidelines for completing SOW and this has resulted in inconsistencies in the level of details provided within PSAs.

Management Corrective Action

By March 31, 2014, GBC will work with OLA and other parties to establish guideline to assist departments in developing consistent SOWs.

D. Service Level Agreement

Service expectations of departments who are integral to the PSA program and to departments requesting PSAs are not defined.

The processing and execution of PSAs involves not only GBC but also OLA and RM. Collaboration and effective procedures within the three departments are crucial for proper and timely processing of PSAs. Currently, the service levels of GBC, OLA, and RM are not defined along with the responsibilities of those units in managing timely execution of PSAs.

The new PSA Application system was implemented on December 2012 and we reviewed system information for 18 completed PSAs categorized as new, amendments and renewals. The system showed that the completion of a PSA ranged from one day to upwards of 64 days. There were no defined metrics to measure timely PSA processing and execution plus identify respective processing time in GBC, OLA, and RM.

A common practice in other processing systems is to establish a service level agreement (SLA), which is a formal negotiated agreement that helps to identify turnaround time and deliverable expectations for specific services, clarify responsibilities, and facilitate communication among parties involved.

By establishing processing metrics and including specific responsibilities in an SLA, it will assist in promoting timely processing, define expectations, and increase accountability.

Management Corrective Action

By March 31, 2014, GBC will work with other departments such as OLA and RM to establish service level agreements detailing roles and responsibilities and expectations on communication methods, responses and follow up timeframes for various agreements. Additionally, GBC will establish metrics to ensure SLAs are being met.