

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

**UC Davis
Veterinary Medicine Revenue
Audit & Management Advisory Services Project #26-08**

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Fieldwork Performed by:

Hiba Baloch, Senior Auditor

Reviewed and Approved by:

Ryan Dickson, Director

**Veterinary Medicine Revenue
AMAS Project #26-08**

MANAGEMENT SUMMARY

Background

As part of the fiscal year (FY) 2026 audit plan, AMAS reviewed revenue-related processes at the Veterinary Medical Teaching Hospital (VMTH).

VMTH is a unit of the #1 ranked School of Veterinary Medicine delivering state-of-the-art clinical care to nearly 50,000 animals a year, advancing innovations in the study of veterinary medicine, all while training the next generation of veterinary practitioners and specialists. Additionally, VMTH is accredited by the American Animal Hospital Association, the only organization providing accreditation to veterinary hospitals, where less than 15% of hospitals in North America receive such a distinction.¹

Purpose and Scope

The purposes of this audit were to evaluate billing processes and controls in place to ensure the completeness, accuracy, and timeliness of clinical veterinary charges and collection.

In order to accomplish these objectives, we interviewed VMTH management to understand reasonable timeliness expectations for hospital billing; extracted population data for FY 23 showing: dates of clinical encounter and discharge, dates for invoice creation, description of the type of transaction, and monthly write-off values to analyze the rate of compliance. Utilizing the data, we analyzed for instances of subsequent charges added to a client account after a closed invoice. We collected and reviewed patient surveys to determine the impact of billing practices upon patient satisfaction. Moreover, we validated pricing agreements, the application of discounts, and lastly interviewed VMTH management to understand processes in place to perform charge capture reconciliation.

The timeframe under review was FY 2023.

Conclusion

We were able to verify that VMTH established guidelines for staff to create an invoice for a clinical encounter within three to five days following the date of discharge. Considering the significant volume of daily encounters and despite the absence of formal expectations, VMTH staff perform at a near perfect compliance rate of 93% to produce an invoice within the noted timeframe.

We also identified opportunities for improvement that may serve to increase revenue. There is an opportunity to define standards around documentation of services rendered, which would help minimize late or missing charges. There is also an opportunity to formalize a procedure for charge capture reconciliation.

This audit project was conducted in conformance with the Institute of Internal Auditors' 2024 International Professional Practices Framework's (IPPF) Global Internal Audit Standards.

¹ Copied from <https://www.vetmed.ucdavis.edu/hospital>

Observations, Recommendations, and Management Corrective Actions

- A. There is no internal procedure requiring billing sheets for all hospital services, which may lead to delayed or missed charges, multiple subsequent bills to clients, and lost revenue for VMTH.**

A formal standardized process for hospital services to utilize billing sheets has not been established.

Each function of the veterinary hospital is responsible for capturing rendered clinical services in the Veterinary Medical and Administrative Computer System (VMACS). Billing staff prepare invoices within three to five days following patients' discharge; however, we observed instances in which not all charges had been entered into VMACS during that timeframe. When additional charges are entered after an issued invoice, VMTH must send additional invoices related to the same encounter. We observed 106,615 unique encounters with 31,965 of them having additional charges entered in VMACS after the initial invoice was determined to be closed. This practice not only produces frustration, which we observed in patient satisfaction surveys, but it may also contribute to improper revenue capture for VMTH.

We identified a control gap as there is not a uniform practice of using billing sheets among the various hospital functions for real-time charge capture performed by documenting all services, diagnostics, treatment, medications, and products provided to a patient following discharge for submission to the billing team. Instead, there is a reliance upon VMTH staff to perform post-visit charge capture reconciliation to identify missing or inaccurate charges. The prioritization of billing sheets may increase continuity of care by accurately reflecting clinical services provided in an itemized breakdown beneficial for both VMTH billing staff and VMTH clients.

Recommendations

We recommend VMTH management develop a strategy informing the use and submission of billing sheets from each hospital function. Establishing this new process will support accuracy in documenting services rendered to ensure the completeness of bills, minimizing the opportunity for revenue loss, and benefiting revenue integrity.

Management Corrective Actions

- 1) By July 23rd, 2026 VMTH Management will implement a strategy for informing the use of billing sheets from all hospital functions to prioritize real-time charge capture.

Owner: Hospital Administrator, Veterinary Medicine Teaching Hospital

B. There is no internal procedure defining steps to perform charge capture reconciliation, which may lead to opportunities for errors in identifying missing or inaccurate charges.

A formal procedure defining the process for performing charge capture reconciliation has not been established.

There is not a documented procedure for charge capture reconciliation. VMTH staff follow an informal process of comparing the estimate to the actual charges and validating the pertinent medical record for mentioned procedures and diagnostics. For example, Large Animal Clinic is required to conduct a reconciliation of charges after *each* intake. Conversely, due to the significance in volume, Small Animal Clinic only performs a reconciliation of charges on intakes with a balance due or submitted for processing of a refund. It is important to formalize such internal procedures to minimize inconsistent practices and the frequency of errors, to ensure efficiency in workflow, as well as to facilitate training of staff.

Recommendations

We recommend VMTH management develop an internal standard operating procedure for how charge capture reconciliation should be performed.

Management Corrective Actions

- 1) By July 23rd, 2026 VMTH management will develop internal operational procedures for charge capture reconciliation.

Owner: Hospital Administrator, Veterinary Medicine Teaching Hospital