SUBMITTAL DATE:
October 25, 2010

FROM: County Auditor-Controller

SUBJECT: Internal Audit Report: 2010-006: Community Health Agency, Department of Public Health

RECOMMENDED MOTION: Receive and file Internal Audit Report: 2010-006: Community Health Agency, Department of Public Health.

BACKGROUND: The Auditor-Controller completed an audit of the Community Health Agency, Department of Public Health. Our primary audit objectives were to determine the adequacy of internal controls over information security, records retention and the billing and collection for clinical services. We conducted the audit during the period August 29, 2009, through May 10, 2010, for operations of July 1, 2007 through February 11, 2010. The department's internal controls over records retention are adequate. However, some improvements are needed in the following areas: clinical billings, collections and information security. We will follow-up with the department in one year to determine if actions were taken to correct the findings noted.

BRUCE KINCAID - ASST. AUDITOR-CONTR.

for Robert E. Byrd
County Auditor-Controller

FINANCIAL DATA				
	Current F.Y. Total Cost:	$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	$ 0	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A

Positions To Be Deleted Per A-30	☐
Requires 4/5 Vote	☐

C.E.O. RECOMMENDATION:

APPROVE

BY: _____

County Executive Office Signature   Karen L. Johnson

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Stone, seconded by Supervisor Benoit and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley
Nays: None
Absent: None
Date: November 9, 2010
xc: Auditor, CHA-Public Health

Kecia Harper-Ihem
Clerk of the Board
By: _____
Deputy

Left margin (vertical text): Departmental Concurrence

Left margin: Dep't Recomm.: ☐ Policy ☐ Consent

Per Exec. Ofc.: ☐ Policy ☐ Consent

Prev. Agn. Ref.: | **District:** ALL | **Agenda Number:**

2.4

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

County of Riverside

INTERNAL AUDIT REPORT

2010-006

Community Health Agency Department of Public Health

September 30, 2010

Office of
Robert E. Byrd, CGFM
County Auditor-Controller

4080 Lemon Street
P.O. Box 1326
Riverside, CA 92502-1326

COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

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COUNTY OF RIVERSIDE
AUDITOR-CONTROLLER
Robert E. Byrd, CGFM
AUDITOR-CONTROLLER

September 30, 2010

Susan Harrington, Director
Department of Public Health
4065 County Circle Drive
Riverside, CA 92503

Subject: **Internal Audit Report 2010-006: Community Health Agency, Department of Public Health**

Dear Ms. Harrington:

We have completed an audit of the Community Health Agency, Department of Public Health (DOPH). Our primary audit objectives were to determine the adequacy of the internal controls over information security, records retention and the billing and collection for clinical services. We conducted the audit during the period August 29, 2009, through May 10, 2010, for operations of July 1, 2007, through February 11, 2010.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, reliable, relevant and useful evidence to provide reasonable assurance that our objective as described in the preceding paragraph is achieved. An audit includes examining, on a test basis, evidence about the adequacy and effectiveness of internal controls, compliance with applicable government codes and regulations, and performing such other procedures, as we considered necessary. We believe the audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial information. Management is responsible for establishing and maintaining adequate internal controls; our responsibility is to express a conclusion on the internal controls based upon our audit.

The department's internal controls over records retention are adequate. However, some improvements are needed in the following areas: clinical billing, collections and information security.

We thank the Community Health Agency and DOPH management and staff for their cooperation, their assistance contributed significantly to the successful completion of the audit.

Robert E. Byrd, CGFM
County Auditor-Controller

Melissa S. Bender

By: Melissa S. Bender, CIA
Audit Manager

cc: Board of Supervisors
    Executive Office
    Grand Jury

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Executive Summary

Overall Objective

Our primary audit objectives were to determine the adequacy of the internal controls over information security, records retention and the billing and collection for clinical services.

Overview

Riverside County DOPH mission is to "promote and protect the health of all county residents and visitors in service of the well-being of the community." To accomplish these goals, DOPH has developed programs and opened new clinics and family care centers throughout the county.

Overall Conclusion

Based upon the results of our audit, DOPH's internal controls over records retention are adequate. However, some improvements are needed in the following areas: clinical billing, collections and information security.

Details about our audit methodology, results, findings and recommendations are provided in the body of our report.

Clinical Billing and Collections

Background

DOPH operates 10 clinics providing medical services throughout the County of Riverside. The clinical services are billed to Medi-Cal, Medicare, insurance providers and individual self-pay clients. Clients seek medical assistance at health clinics for various services; these could be primary care, family planning, pregnancy testing and counseling, and other services. Prior to receiving services, clients are required to provide identifying information and insurance provider information (if applicable).

Objectives

Our detailed audit objectives were to:

- Evaluate the efficiency and effectiveness of the clinical billing process by ensuring services were billed accurately, the rates for services were correct and insurance providers were billed appropriately and timely; and

- Evaluate the collection and deposit process to ensure payments were collected and processed in a timely manner.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed laws, codes, and regulations, Board of Supervisors' ordinances, and applicable policies and procedures;

- Conducted interviews, observed the operating activities performed by department personnel relating to clinical services and documented results in a narrative;

- Performed a financial analysis for the period July 1, 2007 through November 30, 2009; and

- Verified the rates for services provided were in accordance with Board of Supervisor's approved rates;

Results

DOPH implemented a new billing system, Business Computer Application (BCA), in the beginning of fiscal year 2007/08. Each time a patient visits one of the clinics, a paper record is created to document the visit on a form referred to as the "encounter". BCA is updated for each visit in addition to the paper encounter form. The document is utilized by the clinical staff to track the services provided to the patient for each visit and initialed by staff once closed. More specifically, it contains sections for staff to record whether patient is new or established, insurance provider, how patient paid for services (if a co-pay is required), medical procedures performed, and provider diagnosis. Fiscal Services maintains the encounter forms after they are processed.

Insurance providers can be billed electronically in BCA prior to the verification that is performed by Fiscal Services.

We selected a sample of 76 encounters which have been closed and represent patients seen at the clinics during November 2009. We tested to ensure the patient accounts were appropriately charged for all services provided, patient accounts were charged the Board approved rates for all services received and payments were received timely. We also obtained accounts receivable ledgers, reports of open encounter forms and credit balance history reports.

Finding 1

DOPH does not have adequate internal controls in place over the manual encounter forms at the clinics or Fiscal Services. During fieldwork, 24 % (18 of the 76) of our sample did not have the encounter forms and its supporting documentation available for review at either the clinics or Fiscal Services. While the forms were located and provided after our initial audit fieldwork, we noted there is an increase risk for untimely information or manual encounter forms that can be lost in transit from clinics to Fiscal Services. The manual and computerized encounter forms results in an inefficient process and requires DOPH to maintain duplicative information which has to be adequately secured to protect patients' privacy. Furthermore, during our audit fieldwork, we observed the manual encounter forms in a storage area that all CHA employees have access to.

Management's Reply

"Partially Concur. The manual encounter forms are a tool to assist in the data entry of the patient information into the BCA system. When the data entry was done by centralized staff, the forms were sent to Fiscal Services from the clinics. Now that data entry is completed in the clinics, there is no longer a need to file the encounter forms centrally. The manual encounter forms are not required to be kept for audit back-up as the patient medical record is the supporting documentation for billing."

Recommendation 1.1

Evaluate the need to maintain manual and computerized encounter forms.

Management's Reply

"Concur. The need to maintain the manual encounter forms has been reviewed. As there is no legal requirement to maintain the manual encounter forms, the forms will be disposed of once the data entry is completed at the clinic site."

Recommendation 1.2

In the interim, revise procedures to ensure all closed encounter forms are submitted to Fiscal Services in a timely manner.

Management's Reply

"Concur. Procedures will be revised to reflect the change in process as commented in 1.1 above."

Recommendation 1.3 Adequately secure the manual encounter forms to protect patients' privacy.

Management's Reply "Concur. While the encounter forms are not in a separate locked room in Fiscal Services, they are in a room that is not accessible to the public. Records are filed in the file room with access via one door. The staff entering the room are Fiscal Services staff and they are all covered under HIPAA. When all staff leave the office, as in a fire drill, the door to the room is locked. Encounter forms are either in the Fiscal Services file room, in use by the appropriate Fiscal Services staff or located in the clinic.

Under the new manual encounter form procedure, the forms will be maintained with the patient medical records until data entry is complete. Once data entry is complete, manual encounter forms will be disposed of at the clinic site."

Finding 2 Internal controls are not adequate over the encounter form process to ensure the timely billing of services. There were 1,194 outstanding encounters for the period of May 2009 through January 2010 as of January 5, 2010 due to delays in processing at the clinics. Upon further inquiry, we determined the Palm Springs clinic consistently has open encounters each month because of an incorrect procedural code that is utilized by the clinic. Review of available documentation found 79 open encounter forms and supporting documentation for this provider for the period of August 2008 through April 2010 that have not been billed.

Management's Reply "Partially Concur. The open encounter report generated by the BCA system is currently in the process of re-programming. Once this programming is complete the report will assist management in identifying issues with encounters so they can be corrected in a timely manner. The goal is to have all encounters entered into the system by the close of business the following day. During the time period covered in the audit (May 2009 through January 2010) there were 169 days of operation for a total of 75,709 encounters. The 1,194 outstanding encounters reviewed represent 1.6% of the total encounters for the audit time period."

Recommendation 2.1 Develop a system to review, process, and track the encounters forms in a timelier manner.

Management's Reply "Concur. All staff are instructed to complete the encounter forms accurately and timely so the Department of Public Health may receive payments in a timely manner."

Recommendation 2.2 Ensure all providers utilize the correct medical procedural codes that would allow accurate and timely billing.

Management's Reply "Concur. The issue existing in the Palm Springs Clinic was known to management and has been researched and appropriately addressed. The Department worked with the State to clarify the correct procedure code to use on these encounters. The Procedure code has been added and the clinicians have been trained on the use of the new code. All outstanding encounters have been processed."

Finding 3 Payment adjustments and credits to individual patient accounts were calculated automatically in BCA. Specifically, we found that 15% (11 of 76) of the individual patient accounts were credited or adjusted incorrectly. This occurred due to information being incorrectly entered by the clinic staff and because the computerized encounter information is not properly linked in BCA system. Furthermore, CHA, Fiscal Services did not review patient account payment credits and adjustments appropriately and in a timely manner.

Inappropriate entries in BCA can increase the likelihood of inaccurate billing. Fiscal Services entered a total of $137,429 in adjustments and credits in BCA as of January 2010 and is currently in the process of reconciling outstanding adjustments and credits. Standard Practice Manual 704 (Billing) Section 7 requires all county departments to ensure appropriate postings and collection of account receivables, revenues and deferred revenues. If not adjusted, revenues in FY 2009/10 may be inappropriately over/understated.

Management's Reply "Partially Concur. Most of the 11 accounts with credit balances totaling $237.78 were due to an error in the data entry of charges into the BCA system. Most of these errors are from the need to enter additional information manually for particular insurance codes because the cost of programming the system for these adjustments is prohibitive. None of the errors required funds to be reimbursed to either patients or outside payor sources and all funds were deposited timely."

Recommendation 3.1 Reconcile the outstanding balances.

Management's Reply "Concur. We are reconciling the outstanding balances and sending refunds to the patients as necessary. The procedures for refunds are being updated to address the individual accounts."

Recommendation 3.2 Generate a credit balance report from BCA system every month to perform reconciliation.

Management's Reply "Concur. The credit balance report from BCA is currently generated and worked. Staff are regularly reminded of the importance that the charge is inputted correctly."

Recommendation 3.3 Management should review all credit and adjustments for each account every month.

Management's Reply "Partially Concur. Most of the adjustments are system generated by following billing rules in the system. The number of these adjustments are voluminous therefore it is not effective for management to review each adjustment. The rules are periodically reviewed and updated as changes to the billing requirements occur."

Finding 4 DOPH uses a listing of rates instead of a complete charge description master (CDM) to bill for services. A CDM is a list of every procedure, service, and supply that DOPH can charge to patients, along with the appropriate coding information and the price to be charged. The CDM should be based upon Current Procedural Terminology (CPT) codes to ensure the uniform coding and billing of services.

Furthermore, DOPH did not bill in accordance with approved listing of rates and several rates were utilized to charge for services that were not listed on the Board approved rates.. Thirty-eight (50%) of 76 patient accounts were charged rates other than those listed on the Board approved listing.

Department officials stated they did not submit the current rates to the Board of Supervisors in a timely manner. In addition, BCA is not always updated in accordance with the new rates and clinic staff does not have access to the rates listing. Keeping the rates listing current is a challenge due to constant changes received from payers, regulators, and other outside parties. A better approach to the rate listing would be to prepare a CDM and perform ongoing maintenance. Ongoing maintenance would require an annual review to ensure inaccurate codes are removed, new codes are added and charges are current, accurate and complete to recover DOPH's costs.

Board Policy B-4 (Rates Charged for Services) requires county department to review and revise their rates annually.

Management's Reply "Concur. The Medi-Cal rates and CPT4 codes change throughout the year. The rates are presented to the Board annually as part of the Department Fee Ordinance."

Recommendation 4.1 DOPH complete a charge description master.

Management's Reply "Concur. The Department will implement the Auditor's recommendation and remove these charges from the fee ordinance with the next update."

Recommendation 4.2 DOPH perform ongoing maintenance of the CDM at least annually.

Management's Reply "Concur. The Department will implement the CDM charge process and the CDM will be updated with rates annually and procedures as necessary."

Recommendation 4.3 DOPH seek approval from the Board of Supervisors' to request an annual percentage increase instead of an annual review and approval of the CDM.

Management's Reply "Concur. The Department will seek approval from the Board of Supervisors to implement the CDM charge process and the CDM will be updated with rates annually and procedures as necessary."

Recommendation 4.4 DOPH update BCA with the CDM in a timely manner.

Management's Reply "Concur. The Department will update BCA with the CDM in a timely manner."

Finding 5 DOPH did not have appropriate controls over the system interface and does not perform timely reconciliations of the systems. As of October 7, 2009, the accounts receivable balance per BCA was $5,278,736 while the balance per PeopleSoft was $5,953,310. Furthermore, DOPH did not reconcile refunds/credits between BCA and PeopleSoft systems to ensure refunds were processed monthly.

Standard Practice Manual 104-Section 1 requires all county departments' records to be routinely examined and reconciled to ensure transactions are properly processed. Lack of adequate controls over system interface can increase the likelihood of over/understated revenues in the county's financial system and inaccurate reporting at the end of each fiscal year.

Management's Reply "Do Not Concur. The monthly transfer between the BCA system and the PeopleSoft system is reconciled before processing into the General Ledger.

The difference in the AR balances in the BCA system ($5,278,736) and the PeopleSoft system ($5,953,310) is due to outstanding balances from the previous Signature billing system that were still in the PeopleSoft AR balance, but had also been reserved against so revenue was not overstated. The final General Ledger adjustment of these balances occurred in the 09/10 Fiscal Year. The AR balances were reconciled annually, reserves for bad debt calculated and the GL entries made as necessary. This will be done quarterly from now on.

Due to the timing of the Department's ability to enter Journal Entries into the PeopleSoft system, there will always be a timing difference until the end of the Fiscal Year when the accounting period remains open past the end of the month. There was also an accrual for outstanding Laboratory bills from the previous year. This accrual was reversed against revenue in FY 09/10."

Recommendation 5.1 Review and reconcile all the refund and credit transfers from BCA to PeopleSoft system every month.

Management's Reply "Concur. Patient refunds are processed in the BCA system to validate their accuracy and the request is processed through the PeopleSoft Accounts Payable process. Because there are two systems involved, a timing difference can exist in the recording of the refund. The General Ledger refund account is reconciled to prevent errors and assure timely reimbursement to patients."

Recommendation 5.2 Update written policies and procedures regarding reviews and reconciliation of all refund transactions processed and transferred from BCA to PeopleSoft system.

Management's Reply "Concur. The cash procedures manual is being updated to reflect new procedures."

Recommendation 5.3 Interface BCA with PeopleSoft to resolve the posting problems.

Management's Reply "Concur. There is activity that will at times have no monetary effect on the revenue but will move balances between the AR accounts that is not picked up by the transfer. BCA program enhancements have been completed to alleviate this problem."

Finding 6 The internal controls over credit card processing do not ensure appropriate safeguards over personal financial information. The clinical staff sends invoices to patients when they are unable to pay at time of service. Some of these patients pay over the phone with a credit card. DOPH staff records the credit card information on a half sheet of paper and forwards to Fiscal Services for processing.

Since the credit card information is hand written and processed later by Fiscal Services, the opportunity for loss, theft, or misappropriation of sensitive information is increased. In order to mitigate this potential liability and/or loss of revenue, the patient billing staff assigned to collect the payments from patients should process credit card information immediately.

Management's Reply "Concur. The Department has strengthened the internal control procedures around credit card transactions."

Recommendation 6.1 CHA ensure that a credit card processing machine is available to DOPH staff.

Management's Reply "Concur. In order to eliminate the transfer of information across the Fiscal Services office, credit card machines have been ordered for the Clinical Billing staff."

Recommendation 6.2 Implement appropriate internal controls to monitor the process.

Management's Reply "Concur. Appropriate internal controls have been implemented and the process will be monitored."

Recommendation 6.3 Update the cash procedural manual to reflect the current process and any changes to the credit card acceptance policy.

Management's Reply "Concur. The cash procedure manual is being updated to reflect the change in procedures for the credit card machines."

Finding 7 Segregation of key duties is not maintained over DOPH's cash receipts at the Palm Springs clinic. Specifically, all certified medical and accounting assistants are custodians of cash as well as reviewers and verifiers of deposits.

Management's Reply "Concur. Key duties have been segregated and cash handling procedures are in place."

Recommendation 7 Segregate cash handling functions so that on one person has complete control over the key functions or activities.

Management's Reply "Concur. Key duties have been segregated and cash handling procedures are in place."

Information Security and Records Retention

Background

DOPH maintains patient health information on individuals who received services through their clinics. Health information is maintained in BCA as well as hard copies. Patients' medical records such as lab results, x-rays, and clinic records are recorded and stored on hard copy. The clinic manager for each clinic is responsible for the security of medical records.

BCA information is stored on a Virtual Private Network (VPN) with access only granted to clinical, billing and IT support employees who need access to perform their duties. The System Access Request (SAR) form is completed by all CHA employees. In addition to Board Policy A-50 (Electronic Media and Use Policy) CHA has implemented CHA Policy A-32 and P-10. Each employee signs the SAR acknowledging they received and read the aforementioned policies.

Objectives

Our detailed audit objectives were:

- To ensure data transferred between BCA system and PeopleSoft Financial System are adequate and properly safeguarded against corruption or alteration;

- To ensure adequacy of internal controls over sensitive data stored electronically or by hard copy within the department;

- To ensure the adequacy of internal controls over the disclosure of sensitive information; and

- To ensure sensitive information is retained and/or disposed of in accordance with the county's record retention policies.

Audit Methodology

To accomplish our objectives, we:

- Conducted interviews and observed the operating activities performed by DOPH and CHA personnel relating to information security;

- Identified and reviewed laws, codes, and regulations, Board of Supervisors' ordinances, and applicable policies and procedures;

- Obtained and understood policy and procedures regarding information security and performed testing to ensure internal controls were adequate over security of information; and

- Determined the nature of sensitive information stored by DOPH.

Results

The results of our review indicated that CHA's policies on information security were consistent with those of the county.

Hard copy Medical records are maintained in the clinic records room. Badge readers limiting access to employees are installed at the doors; patients and visitors are not allowed inside. Access to medical records is limited to nurses and receptionist who must use the records in the course of providing patient services. Medical records not in use on receptionist and nurses desks were observed face down and folders containing documents were closed. All paperwork was kept outside of the view and reach of the public. Documents were not left unattended. Based on our review, controls are adequate to secure hard copy sensitive information. Files are maintained for 3 years in clinics then purged to Records Management and Archives. CHA has successfully implemented a department specific retention schedule that follows county record retention policies in respect to destroyed/deleted data.

Moreover, we performed observations to ensure computers were adequately secured when not in use, back-ups were performed daily and passwords contained a minimum of eight characters, were changed regularly and contained a special character. We performed testing of terminated employees to determine if their access was disabled in a timely manner.

Finding 8

We found employee access to CHA's BCA system was not processed immediately upon termination or position changes.

As a result, 50% (45 of the 92) of the employees retained access to BCA on average of 457 days after termination, retirement or while on long-term leave. Although CHA IT receives a Personnel Action Request (PAR) from Human Resources each pay period, updates are not made or processed when a change in employment status occurs in the department. Furthermore, DOPH did not designate "delete BCA access" on the SAR request form.

Management's Reply

"Concur. When employees leave the Department, access to the County Network is terminated which is also required to access the BCA system. The System Access Request (SAR) process has now been changed to assure staff who have left the Department no longer have user log-in access to the BCA system. The authorized users in the BCA system will be reviewed quarterly."

Recommendation 8.1

DOPH develop a process to ensure SAR is completed and submitted when employee separates from the department.

Management's Reply "Concur. The SAR process has been updated to eliminate access to the BCA system."

Recommendation 8.2 DOPH ensure BCA and all other applications are identified for deletion on the SAR.

Management's Reply "Concur. The SAR form has been updated to remove user access to the BCA system."

Recommendation 8.3 Implement a system to ensure BCA access has been deleted each pay period.

Management's Reply "Concur. When an employee leaves the Department, BCA access to all systems will be deleted each payperiod."

Recommendation 8.4 Verify that the employee names contained in the SAR corresponds with PAR and updates are made timely. If the request form is missing, user access should be interrupted.

Management's Reply "Concur. The SAR process has been updated to ensure that the employee name contained in the SAR corresponds with PAR and updates are made in a timely manner."

Finding 9 Information Systems Security Program user agreements did not contain an approval from the appropriate level of management verifying the level of access that is required for each employee. According to SAR User guidelines, SARs will not be processed until an "approved SAR signer" has signed the form.

Management's Reply "Concur. All SARs require the appropriate level of authorization before they will be processed by IT. The only individual SARs that were not completed was at the system go-live when users were identified and granted access by the implementation team. There could have been some users in the system that were granted access at go-live. The process outlined in the SAR User Guidelines is now being followed."

Recommendation 9 Ensure the "approved SAR signer" has signed each SAR form before access is granted to new users in the department.

Management's Reply "Concur. The SAR approval process is in place."

Finding 10 CHA does not have a system in place to test its ability to restore data from back-up. According to CHA IT, the department does not have the necessary environment to test. As a result, the department does not know if they will be able to restore data from back-up.

Management's Reply "Concur. The Department is working to establish a contract with a vendor to restore data in a timely manner and to test the system on an annual basis."

Recommendation 10 Consult with the BCA vendor to implement a production partition to test sensitive information after the back-up has been restored.

Management's Reply "Concur. The Department will set up a process to test BCA system information after the back-up is restored."

Riverside County
Community Health Agency
Department of ***Public Health***

Susan Harrington, M.S., R.D.
Director

DATE: September 29, 2010

TO: Auditor-Controller's Office
Audits and Specialized Accounting Division

FROM: Susan Harrington, Director
Department of Public Health

SUBJECT: Reply to Draft Audit Report 2010-006: CHA, Department of Public Health

Finding 1:

DOPH maintains manual and computerized encounter forms although there is no legal requirement to do so. DOPH does not have adequate internal controls in place over the manual encounter forms at the clinics or Fiscal Services.

Management position concerning the finding: Partially Concur

Comments:

The manual encounter forms are a tool to assist in the data entry of the patient information into the BCA system. When the data entry was done by centralized staff, the forms were sent to Fiscal Services from the clinics. Now that data entry is completed in the clinics, there is no longer a need to file the encounter forms centrally. The manual encounter forms are not required to be kept for audit back-up as the patient medical record is the supporting documentation for billing.

Recommendation 1.1:

Evaluate the need to maintain manual and computerized encounter forms.

Management position concerning the recommendation: Concur

Comments:

The need to maintain the manual encounter forms has been reviewed. As there is no legal requirement to maintain the manual encounter forms, the forms will be disposed of once the data entry is completed at the clinic site.

Recommendation 1.2:

In the interim, revise procedures to ensure all closed encounter forms are submitted to Fiscal Services in a timely manner.

Management position concerning the recommendation: Concur

Comments:

Procedures will be revised to reflect the change in process as commented in 1.1 above.

Recommendation 1.3:

Adequately secure the manual encounter forms to protect patients' privacy.

Management position concerning the recommendation: Concur

Comments:

While the encounter forms are not in a separate locked room in Fiscal Services, they are in a room that is not accessible to the public. Records are filed in the file room with access via one door. The staff entering the room are Fiscal Services staff and they are all covered under HIPAA. When all staff leave the office, as in a fire drill, the door to the room is locked. Encounter forms are either in the Fiscal Services file room, in use by the appropriate Fiscal Services staff or located in the clinic.

Under the new manual encounter form procedure, the forms will be maintained with the patient medical records until data entry is complete. Once data entry is complete, manual encounter forms will be disposed of at the clinic site.

Finding 2:

Internal controls are not adequate over the encounter form process to ensure the timely billing of services.

Management position concerning the finding: Partially Concur

Comments:

The open encounter report generated by the BCA system is currently in the process of re-programing. Once this programming is complete the report will assist management in identifying issues with encounters so they can be corrected in a timely manner. The goal is to have all encounters entered into the system by the close of business the following day. During the time period covered in the audit (May 2009 through January 2010) there were 169 days of operation for a total of 75,709 encounters. The 1,194 outstanding

encounters reviewed represent 1.6% of the total encounters for the audit time period.

Recommendation 2.1:

Develop a system to review, process, and track the encounters forms in a timelier manner.

Management position concerning the recommendation: Concur

Comments:

All staff are instructed to complete the encounter forms accurately and timely so the Department of Public Health may receive patments in a timely manner.

Recommendation 2.2:

Ensure all providers utilize the correct medical procedural codes that would allow accurate and timely billing.

Management position concerning the recommendation: Concur

Comments:

The issue existing in the Palm Springs Clinic was known to management and has been researched and appropriately addressed. The Department worked with the State to clarify the correct procedure code to use on these encounters. The Procedure code has been added and the clinicians have been trained on the use of the new code. All outstanding encounters have been processed.

Finding 3:

Payment adjustments and credits to individual patient accounts were calculated automatically in BCA. Specifically, we found that 15% (11 of 76) of the individual patient accounts were credited or adjusted incorrectly.

Management position concerning the finding: Partially Concur

Comments:

Most of the 11 accounts with credit balances totaling $237.78 were due to an error in the data entry of charges into the BCA system. Most of these errors are from the need to enter additional information manually for particular insurance codes because the cost of programming the system for these adjustments is prohibitive. None of the errors required funds to be reimbursed to either patients or outside payor sources and all funds were deposited timely.

Recommendation 3.1:

Reconcile the outstanding balances.

Management position concerning the recommendation: Concur

Comments:

We are reconciling the outstanding balances and sending refunds to the patients as necessary. The procedures for refunds are being updated to address the individual accounts.

Recommendation 3.2:

Generate a credit balance report from BCA system every month to perform reconciliation.

Management position concerning the recommendation: Concur

Comments:

The credit balance report from BCA is currently generated and worked. Staff are regularly reminded of the importance that the charge is inputted correctly.

Recommendation 3.3:

Management should review all credit and adjustments for each account every month.

Management position concerning the recommendation: Partially Concur

Comments:

Most of the adjustments are system generated by following billing rules in the system. The number of these adjustments are voluminous therefore it is not effective for management to review each adjustment. The rules are periodically reviewed and updated as changes to the billing requirements occur.

Finding 4:

DOPH uses a listing of rates instead of a complete charge description master (CDM) to bill for services. A CDM is a list of every procedure, service, and supply that DOPH can charge to patients, along with the appropriate coding information and the price to be charged. The CDM should be based upon Current Procedural Terminology (CPT) codes to ensure the uniform coding and billing of services.

Furthermore, DOPH did not bill in accordance with approved listing of rates and several rates were utilized to charge for services that were not listed on the Board approved rates.. Thirty-eight (50%) of 76 patient accounts were charged rates other than those listed on the Board approved listing.

Management position concerning the finding: Concur

Comments:

The Medi-Cal rates and CPT4 codes change throughout the year. The rates are presented to the Board annually as part of the Department Fee Ordinance.

Recommendation 4.1:

DOPH complete a charge description master.

Management position concerning the recommendation: Concur

Comments:

The Department will implement the Auditor's recommendation and remove these charges from the fee ordinance with the next update.

Recommendation 4.2:

DOPH perform ongoing maintenance of the CDM at least annually.

Management position concerning the recommendation: Concur

Comments:

The Department will implement the CDM charge process and the CDM will be updated with rates annually and procedures as necessary.

Recommendation 4.3:

DOPH seek approval from the Board of Supervisors' to request an annual percentage increase instead of an annual review and approval of the CDM.

Management position concerning the recommendation: Concur

Comments:

The Department will seek approval from the Board of Supervisors to implement the CDM charge process and the CDM will be updated with rates annually and procedures as necessary.

Recommendation 4.4:

DOPH update BCA with the CDM in a timely manner.

Management position concerning the recommendation: Concur

Comments:

The Department will update BCA with the CDM in a timely manner.

Finding 5:

DOPH did not have appropriate controls over the system interface and does not perform timely reconciliations of the systems. As of October 7, 2009, the accounts receivable balance per BCA was $5,278,736 while the balance per PeopleSoft was $5,953,310. Furthermore, DOPH did not reconcile refunds/credits between BCA and PeopleSoft systems to ensure refunds were processed monthly.

Management position concerning the finding: Do Not Concur

Comments:

The monthly transfer between the BCA system and the PeopleSoft system is reconciled before processing into the General Ledger.

The difference in the AR balances in the BCA system ($5,278,736) and the PeopleSoft system ($5,953,310) is due to outstanding balances from the previous Signature billing system that were still in the PeopleSoft AR balance, but had also been reserved against so revenue was not overstated. The final General Ledger adjustment of these balances occurred in the 09/10 Fiscal Year. The AR balances were reconciled annually, reserves for bad debt calculated and the GL entries made as necessary. This will be done quarterly from now on.

Due to the timing of the Department's ability to enter Journal Entries into the PeopleSoft system, there will always be a timing difference until the end of the Fiscal Year when the accounting period remains open past the end of the month. There was also an accrual for outstanding Laboratory bills from the previous year. This accrual was reversed against revenue in FY 09/10.

Recommendation 5.1:

Review and reconcile all the refund and credit transfers from BCA to PeopleSoft system every month.

Management position concerning the recommendation: Concur

Comments:

Patient refunds are processed in the BCA system to validate their accuracy and the request is processed through the PeopleSoft Accounts Payable

process. Because there are two systems involved, a timing difference can exist in the recording of the refund. The General Ledger refund account is reconciled to prevent errors and assure timely reimbursement to patients.

Recommendation 5.2

Update written policies and procedures regarding reviews and reconciliation of all refund transactions processed and transferred from BCA to PeopleSoft system.

Management position concerning the recommendation: Concur

Comments:

The cash procedures manual is being updated to reflect new procedures.

Recommendation 5.3

Interface BCA with PeopleSoft to resolve the posting problems.

Management position concerning the recommendation: Concur

Comments:

There is activity that will at times have no monetary effect on the revenue but will move balances between the AR accounts that is not picked up by the transfer. BCA program enhancements have been completed to alleviate this problem.

Finding 6:

The internal controls over credit card processing do not ensure appropriate safeguards over personal financial information.

Management position concerning the finding: Concur

Comments:

The Department has strengthened the internal control procedures around credit card transactions.

Recommendation 6.1:

CHA ensure that a credit card processing machine is available to DOPH staff.

Management position concerning the recommendation: Concur

Comments:

In order to eliminate the transfer of information across the Fiscal Services office, credit card machines have been ordered for the Clinical Billing staff.

Recommendation 6.2:

Implement appropriate internal controls to monitor the process.

Management position concerning the recommendation: Concur

Comments:

Appropriate internal controls have been implemented and the process will be monitored.

Recommendation 6.3:

Update the cash procedural manual to reflect the current process and any changes to the credit card acceptance policy.

Management position concerning the recommendation: Concur

Comments:

The cash procedure manual is being updated to reflect the change in procedures for the credit card machines.

Finding 7:

Segregation of key duties is not maintained over DOPH's cash receipts at the Palm Springs clinic. Specifically, all certified medical and accounting assistants are custodians of cash as well as reviewers and verifiers of deposits.

Management position concerning the finding: Concur

Comments:

Key duties have been segregated and cash handling procedures are in place.

Recommendation 7:

Segregate cash handling functions so that on one person has complete control over the key functions or activities.

Management position concerning the recommendation: Concur

Comments:

Key duties have been segregated and cash handling procedures are in place.

Finding 8:

We found employee access to CHA's BCA system was not processed immediately upon termination or position changes.

As a result, 50% (45 of the 92) of the employees retained access to BCA on average of 457 days after termination, retirement or while on long-term leave. Although CHA IT receives a Personnel Action Request (PAR) from Human Resources each pay period, updates are not made or processed when a change in employment status occurs in the department. Furthermore, DOPH did not designate "delete BCA access" on the SAR request form.

Management position concerning the finding: Concur

Comments:

When employees leave the Department, access to the County Network is terminated which is also required to access the BCA system. The System Access Request (SAR) process has now been changed to assure staff who have left the Department no longer have user log-in access to the BCA system. The authorized users in the BCA system will be reviewed quarterly.

Recommendation 8.1:

DOPH develop a process to ensure SAR is completed and submitted when employee separates from the department.

Management position concerning the recommendation: Concur

Comments:

The SAR process has been updated to eliminate access to the BCA system.

Recommendation 8.2:

DOPH ensure BCA and all other applications are identified for deletion on the SAR.

Management position concerning the recommendation: Concur

Comments:

The SAR form has been updated to remove user access to the BCA system.

Recommendation 8.3:

Implement a system to ensure BCA access has been deleted each pay period.

Management position concerning the recommendation: Concur

Comments:

When an employee leaves the Department, BCA access to all systems will be deleted each payperiod.

Recommendation 8.4:

Verify that the employee names contained in the SAR corresponds with PAR and updates are made timely. If the request form is missing, user access should be interrupted.

Management position concerning the recommendation: Concur

Comments:

The SAR process has been updated to ensure that the employee name contained in the SAR corresponds with PAR and updates are made in a timely manner.

Finding 9:

Information Systems Security Program user agreements did not contain an approval from the appropriate level of management verifying the level of access that is required for each employee. According to SAR User guidelines, SARs will not be processed until an "approved SAR signer" has signed the form.

Management position concerning the finding: Concur

Comments:

All SARs require the appropriate level of authorization before they will be processed by IT. The only individual SARs that were not completed was at the system go-live when users were identified and granted access by the implementation team. There could have been some users in the system that were granted access at go-live. The process outlined in the SAR User Guidelines is now being followed.

Recommendation 9:

Ensure the "approved SAR signer" has signed each SAR form before access is granted to new users in the department.

Management position concerning the recommendation: Concur

Comments:

The SAR approval process is in place.

Finding 10:

CHA does not have a system in place to test its ability to restore data from back-up. According to CHA IT, the department does not have the necessary environment to test. As a result, the department does not know if they will be able to restore data from back-up.

Management position concerning the finding: Concur

Comments:

The Department is working to establish a contract with a vendor to restore data in a timely manner and to test the system on an annual basis.

Recommendation 10:

Consult with BCA vendor to implement a production partition to test sensitive information after the back-up has been restored.

Management position concerning the recommendation: Concur

Comments:

The Department will set up a process to test BCA system information after the back-up is restored.