

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



ITEM: 2.10
(ID # 19458)

MEETING DATE:
Tuesday, July 12, 2022

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2022-302 Riverside University Health System, Medical Center Follow-up Audit

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2022-302: Riverside University Health System, Medical Center Follow-up Audit.

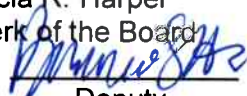
ACTION:Consent


Tanya Harris, Assistant Auditor Controller 6/23/2022

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Jeffries, seconded by Supervisor Hewitt and duly carried, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Washington and Hewitt
Nays: Spiegel
Absent: Perez
Date: July 12, 2022
xc: Auditor, RUHS-Medical Center

Kecia R. Harper
Clerk of the Board
By: 
Deputy

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA**

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: N/A			Budget Adjustment:	No
			For Fiscal Year:	N/A

C.E.O. RECOMMENDATION: Approve.

BACKGROUND:

Summary

We completed a follow-up audit of the Riverside University Health System, Medical Center. Our audit was limited to reviewing actions taken as of December 9, 2021, to correct findings noted in our original audit report 2020-002 dated August 25, 2020. The original audit report contained seven recommendations, all of which required implementation to help correct the reported findings.

Please see report for audit results.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENTS:

A: Riverside County Auditor-Controller - Internal Audit Report 2022-302: Riverside University Health System, Medical Center Follow-up Audit.

Internal Audit Report 2022-302

**Riverside University Health System,
Medical Center
Follow-up Audit**

Report Date: July 12, 2022



**Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller
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ACC | **AUDITOR
CONTROLLER**
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Tanya S. Harris, DPA, CPA
Assistant Auditor-Controller

July 12, 2022

Jennifer Cruikshank
Chief Executive Officer
Riverside University Health System, Medical Center
26520 Cactus Avenue
Moreno Valley, CA 92555

**Subject: Internal Audit Report 2022-302: Riverside University Health System,
Medical Center Follow-up Audit**

Dear Ms. Cruikshank:

We completed the follow-up audit of Riverside University Health System, Medical Center. Our audit was limited to reviewing actions taken as of December 9, 2021, to help correct the findings noted in our original audit report 2020-002 dated August 25, 2020.

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 reasonable assurance that our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusion.

The original audit report contained seven recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that of the seven recommendations:

- Three of the recommendations were implemented.
- Two of the recommendations were partially implemented.
- Two of the recommendations were not implemented.

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Follow-up Audit**

Summary of the conditions from the original audit and the results of our review on the status of the implementation of the recommendations are provided in this report. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2020-002 at [www.auditorcontroller.org/ Divisions / Audits and Specialized Accounting / Internal Audit Reports](http://www.auditorcontroller.org/Divisions/Audits%20and%20Specialized%20Accounting/Internal%20Audit%20Reports).

Paul Angulo, CPA, MA
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Chief Internal Auditor

cc: Board of Supervisors
Jeff A. Van Wagenen, County Executive Officer
Grand Jury

**Internal Audit Report 2022-302: Riverside University Health System, Medical Center
Follow-up Audit**

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Capital Assets

Finding 1: Missing Capital Assets

In our review of 115 capital assets, 53 (46%) could not be located and were not properly tracked in the Asset Management Module. The reasons identified are as follows:

- Assets were traded or exchanged with vendors and the listing was not updated by the department. Further, Medical Center did not have documentation for the traded asset.
- Assets were surplus, but required documentation was not filed with the Medical Center's fiscal staff nor the Auditor-Controller's Office.
- Mobile assets could not be tracked by staff.

Standard Practice Manual 513, *Capital Asset Tags*, states, "Each department is responsible for the tagging and tracking of all movable assets." In addition, we noted the department does not have their own policies and procedures that address capital assets. Not tagging capital assets, maintaining asset information, and removing surplus assets increases the risk of asset misappropriation and inaccurate reporting. In addition, there can be a negative impact on the effectiveness and efficiency of hospital operations when equipment used for patient care and monitoring cannot be located.

Recommendation 1.1

Develop departmental policies and procedures that address the adequate management of capital assets.

Current Status 1.1: Implemented

Recommendation 1.2

Consider investing in a system that will accurately track and monitor capital assets.

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Current Status 1.2: Not Implemented

Medical Center continues to use the Asset Management Module to manage and track capital assets. During our review, Medical Center was unable to locate capital assets and asset tags were not located on capital assets. We found that mobile assets could not be tracked by staff, and the Asset Management Module is not updated when an asset is surplus or exchanged with a vendor for a newer model. For the 25 capital assets selected for testing, we determined the following:

- The department was unable to locate 11 (44%) of them.
- Four capital assets were unable to be accessed at the time of fieldwork.
- Of the 10 capital assets that were located, 8 (80%) did not have asset tags.

Finding 2: Capital Asset Retirements

Capital asset retirements were not reported to the Auditor-Controller's Office in a timely manner. Out of a sample of 15 assets, 11 (73%) were submitted to the Auditor-Controller's Office for removal an average of 365 days after the date of disposition. Medical Center does not have policies and procedures that address the retirement process, and the required timeframes to submit the retirements to the Auditor-Controller's office. Standard Practice Manual 514, *Disposal of Capital Assets*, states, "Completed AM-7 Form must be submitted to the Auditor-Controller's Office with all supporting documentation as soon as possible." Reporting the retirements of capital assets in an untimely manner results in loss of control over assets and/or misstating the value of capital assets.

Recommendation 2

Develop and follow a written capital asset policy to include reporting to the Auditor-Controller's office within 30 days of change in status for asset retirements.

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Follow-up Audit**

Current Status 2: Partially Implemented

Medical Center developed Policy No. 201, *Capital Asset Property Control*, to establish guidelines, controls, and procedures as it relates to capital asset management. Of the 17 retired capital assets selected for testing, six (35%) were not reported to the Auditor-Controller's Office within 30 days of change in status for asset retirements. On average, for the six retired capital assets that were not reported to the Auditor-Controller's Office in a timely manner, the delay was approximately 82 days.

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Inventory Management

Finding 3: Inventory Controls

While testing inventory, we identified the following:

- We selected 14 surgical implants from the operating room and found that eight were either higher or lower than the amount listed on the inventory listing. We later tested an additional 39 implants and found that three did not agree to the listing. In addition, we found three items that were obsolete.
- Adjustments to surgical implants inventory were not approved by a manager. The person responsible over implants has ordering responsibilities and can adjust inventory, lacking adequate segregation of duties for these tasks.
- We selected 13 different types of surgical supplies from the operating inventory room for inventory testing and found the department does not maintain a listing with actual inventory on hand for each of items. The listing they have has the par level for each item (recommended amount to have on hand). During our testing of the items selected, we found items over, under, and at the par level. On an annual basis, staff performs a full inventory and updates inventory in the Riverside County financial system with the actual items on hand, but does not account for missing inventory.
- Inventory items in the surplus warehouse storeroom are not secure. We found the rear entrance to the storeroom which leads to an outpatient waiting room was not locked. In addition, we viewed camera coverage for the room and identified that the camera did not provide coverage for most items stored within the area, including coverage for the rear entrance door that was left unlocked.
- Per Standard Practice Manual 1001 (SPM 1001), Internal Control (Formerly referred to as SPM 104), states, "Equipment, inventories, cash and other property should be secured physically, counted periodically, and compared with control records." Additionally, SPM 1001 states, "Duties should be divided or segregated so that no one person has complete control over a key function of activity." Not appropriately controlling inventory items, can lead to misappropriation and theft of items, and inaccurate inventory listings and quantities.

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Recommendation 3.1

Update departmental procedures to include adequate monitoring and adjustments of inventory levels for surgical implants and surgical supplies. Ensure procedures are being followed by Medical Center personnel.

Current Status 3.1: Partially Implemented

Medical Center developed written procedures to include adequate monitoring and adjustments of inventory levels for surgical implants and surgical supplies. However, the department does not maintain formal, written documentation over the review and approval process for the year-end surgical implant and surgical supply adjustments. As such, we could not determine whether adequate segregation of duties exist over surgical implants and surgical supplies.

Recommendation 3.2

Ensure there are adequate segregation of duties for the handling and tracking of surgical implants.

Current Status 3.2: Not Implemented

Medical Center does not have adequate segregation of duties for the handling and tracking of surgical implants. One individual involved with surgical implants inventory can review and authorize payments for inventory, authorize inventory purchases, update inventory records, and perform adjustments to inventory. We could not determine whether the year-end inventory adjustments are properly reviewed and approved as the department does not maintain formal, written documentation over that process. As such, we were not able to determine whether adequate segregation of duties exist over the handling and tracking of surgical implants.

Recommendation 3.3

Ensure all restricted areas are secured. Specifically, ensure the door leading from the surplus warehouse storeroom is repaired or replaced immediately.

Current Status 3.3: Implemented

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Revenue

Finding 4: Adjustment Codes

While reviewing revenue adjustments, we found 3 of 40 (8%) with an incorrect adjustment code. All three adjustments had been reviewed and approved by management. Medical Center's policy and procedures, Patient Account Receivable Adjustments under Section 3.1 it states, "Patient Accounts staff will enter adjustments into EPIC using the approved service code description to properly categorize the revenue reduction and to remain within the approved dollar threshold." Further under the Section 3.1.a. it states, "For accurate tracking and reporting, it is imperative that the correct adjustment code be used." Not using the correct adjustment code will result in inaccurate tracking and reporting which can lead to making decisions based on incorrect information and possible loss of revenue.

Recommendation 4

Ensure the correct adjustment code is used and properly documented when making revenue adjustments.

Current Status 4: Implemented