



County of Riverside

INTERNAL AUDIT REPORT

2008-011

Riverside County Regional Medical Center Professional Services Contract Administration

May 20, 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

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802



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

Bruce Kincaid, MBA
ASSISTANT
AUDITOR-CONTROLLER

May 20, 2010

Douglas Bagley, Hospital Administrator
Riverside County Regional Medical Center
26520 Cactus Street
Moreno Valley, CA 92555

**Subject: Internal Audit Report 2008-011: Riverside County Regional Medical Center,
Professional Services Contract Administration**

Dear Mr. Bagley:

We have completed an audit of the Riverside County Regional Medical Center, Professional Services Contract Administration. Our audit objective is to provide management and the County Board of Supervisors with an independent assessment of the adequacy and effectiveness of internal controls over professional services contract administration. The scope of our audit did not include the nursing registry. We conducted the audit during the period November 1, 2007, through September 30, 2008, for operations of March 1, 2006, through February 29, 2008.

This audit is one of four in a series of audits of the medical center's procurement and contract operations. We decided to report all audits in the series together to provide management and the Board of Supervisors with comprehensive results of the audited topic.

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. An audit includes examining, on a test basis, evidence about the adequacy and effectiveness of internal controls, compliance with applicable government codes, laws, and regulations, and performing such other procedures as we considered necessary. We believe the audit provides a reasonable basis for our conclusions.

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 an opinion on the internal controls based on our audit.

In our opinion, the existing internal controls over professional services contract administration are adequate and effective.

We thank Riverside County Regional Medical Center's management and staff for their cooperation and assistance.

Robert E. Byrd, CGFM
County Auditor-Controller

A handwritten signature in cursive script that reads "George C. Tabora".

By: George C. Tabora, CPA
Audit Manager

cc: Board of Supervisors
Grand Jury

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Executive Summary

Audit Objective	Our audit objective was to determine the adequacy of existing internal controls over the administration of professional services contracts and to identify areas where internal controls and efficiencies can be improved. The scope of our audit did not include the nursing registry.
Overview	<p>The Riverside County Regional Medical Center (RCRMC), located in the city of Moreno Valley, is a 520,000 square foot state-of-the-art adult and pediatric patient care facility. The hospital is licensed for a total of 439 beds. There are 362 licensed beds in the main acute-care hospital, and 77 licensed beds in a separate psychiatric facility. RCRMC has approximately 2,100 employees and staff.</p> <p>RCRMC's Contract Administration Department oversees 165 professional services contracts valued at \$34 million per year.</p>
Audit Methodology	<p>In order to achieve our audit objectives, we performed the following:</p> <ul style="list-style-type: none">• Reviewed the professional service procurement process for compliance with government codes, laws and regulations, including county and department policies and procedures.• Performed a risk assessment and evaluated whether internal controls are sufficient to mitigate identified risks.• Reviewed whether the terms of the professional agreements are complied with.• Interviewed personnel to gain an understanding of current practices.• Tested transactions including billings and payments to contractors for appropriateness and accuracy of charges.
Conclusion	In our opinion, the existing internal controls over professional services contract administration are adequate and effective.

Results

Contract Administration

The RCRMC Contract Administration provides oversight of hospital departments' monitoring of professional service agreements to ensure that contractors perform the services and meet all requirements in accordance with the terms of the agreements. The Contract Administration's responsibilities include the verification of unsatisfactory contractor performance, sending of discrepancy letters to contractors, as needed, and reporting on the status of the departments' monitoring activities to management. A Finding Report, including a description of the review scope and process, findings, recommendations, and conclusions, are issued. If a corrective action is required from a contractor, a discrepancy letter is issued to the contractor requesting a response within 30 days.

We reviewed 22 contracts valued at \$17 million, by performing the following steps:

1. Examined 124 billing statements/invoices arising from the 22 contracts to verify that charges were consistent with the contract and properly supported.
2. Reviewed the clinic records for December 2007 and January 2008 to obtain evidence that services were rendered to patients.
3. Ascertained that contractor's insurance certificates (professional, general and vehicle liability and workers' compensation insurance) were current, along with required annual tuberculosis test, chest x-ray and hepatitis B immunization.
4. Verified the existence of malpractice insurance claims against any of the contracted service professionals who rendered the services.
5. Reviewed the monitoring activity reports.

We noted eleven of 22 contractors included in our test did not submit a breakdown of the charges although the service agreements with these contractors require that the billing should indicate the physician who rendered the services, the date services were rendered, the rates charged, and the hours worked. According to management, it has been a standing practice of the hospital not to require the said breakdown because there is a reasonable assurance that physician services are being rendered as contracted. Should an exception regarding physician performance occur, management is confident that the information will be channeled to the proper authority either by the clinic staff or the patient and addressed appropriately.

We noted the insurance certificates on file (commercial general liability, workers' compensation or vehicle insurance) of 20 contractors were not current. Upon our request, Contract Administration was able to obtain current certificates from 18 of the 20 contractors and is following up with the two remaining contractors. We also noted 34 contractor employees did not have a current PPD/TB (Purified Protein Derivative/Tuberculosis) and/or chest x-ray record on file, and 108 contractor employees did not have current Hepatitis B immunization. (The physician service contracts were subsequently amended to exclude the Hepatitis B immunization requirement.) The professional service contracts require a current written report signed by a qualified party, certifying that the contractor is free from infectious disease symptoms. Upon our request, Contract Administration started updating the PPD/TB and/or chest x-ray records and immunization reports for all contractors. We determined that appropriate corrective actions were already implemented by Contract Administration to address the issues as discussed.