

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

508



**FROM:** County Auditor-Controller

**SUBMITTAL DATE:**  
June 18, 2012

**SUBJECT:** Internal Audit Report 2011-303: Community Health Agency, Department of Public Health Follow-up

**RECOMMENDED MOTION:** Receive and file Internal Audit Report 2011-303: Community Health Agency, Department of Public Health Follow-up

**BACKGROUND:** We have completed a Follow-up Audit of Community Health Agency, Department of Public Health. Our audit was limited to reviewing actions taken as of May 7, 2012, to correct the findings noted in our original audit report (2010-006) dated August 5, 2010. The original audit report contained 10 findings, all of which required corrective action and; therefore, were reviewed as part of this audit. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2010-006 at [www.auditorcontroller.org](http://www.auditorcontroller.org).

(Continued on page 2)

*Paul Angulo*

Paul Angulo, CPA, MA-Mgmt.  
County Auditor-Controller

<b>FINANCIAL DATA</b>	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	<input type="checkbox"/>
Requires 4/5 Vote	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:**

APPROVE

BY: *Lani Sioson*  
Lani Sioson

**County Executive Office Signature**

ATTACHMENTS FILED

Dep't Reddini: THE CLERK OF  Consent  Policy

Per Exec. Ofc.:  Consent  Policy

Prev. Agn. Ref.:

District:

Agenda Number:

2.9

Departmental Concurrence

**BACKROUNG continued:**

The follow-up audit found of the 10 findings which required corrective action, eight findings were fully corrected, one finding was partially corrected and one finding was not corrected. We will conduct a desk review on the two findings where were not corrected and partially corrected within one year.



# County of Riverside

## INTERNAL AUDIT REPORT

2011-303

### Community Health Agency Department of Public Health Follow-up Audit

June 18, 2012

Office of  
**Paul Angulo, CPA, MA-Mgmt.**  
County Auditor-Controller

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Paul Angulo, CPA, MA-Mgmt  
AUDITOR-CONTROLLER

June 18, 2012

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

**Subject: Internal Audit Report 2011-303: Community Health Agency, Department of Public Health Follow-up Audit**

Dear Ms. Harrington:

We have completed a follow-up audit of Community Health Agency, Department of Public Health. Our audit was limited to reviewing actions taken as of May 7, 2012, to correct the findings noted in our original audit report (2010-006) dated August 5, 2010.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require we plan and perform the audit to obtain reasonable assurance our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require 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 opinion.

The original audit report contained 10 findings, all of which required corrective action and; therefore, were reviewed as part of this audit. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2010-006 at [www.auditorcontroller.org](http://www.auditorcontroller.org).

This follow-up audit found of the ten findings:

- 8 of the findings were corrected
- 1 finding was not correct
- 1 finding was partially corrected

Detailed statuses of the findings identified in the original audit are provided in the body of this report. We will conduct a desk review on the two findings which were not corrected and partially corrected within one year.

We appreciate the cooperation and assistance extended to us by staff of the Community Health Agency, Department of Public Health during this follow-up audit. Their assistance contributed significantly to the successful completion of the audit.

Paul Angulo, CPA, MA-Mgmt.  
Auditor-Controller

A handwritten signature in black ink that reads "Rachelle Roman". The signature is written in a cursive, flowing style.

By: Rachelle Roman, MPA  
Chief Internal Auditor

cc: Board of Supervisors  
Executive Office  
Grand Jury

### **Clinical Billing and Collections**

**Finding 1:** Department of Public Health (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 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 increased 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) Community Health Agency employees have access to.

#### **Recommendation 1.1**

Evaluate the need to maintain manual and computerized encounter forms.

#### **Recommendation 1.2**

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

#### **Recommendation 1.3**

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

#### **Current Status: Corrected**

Although the Department of Public Health requires the clinics to utilize computer generated encounter forms to track the services provided to patients, the forms are shredded once the patient information is verified by the Admissions Clerk and then entered directly into the Business Computer Application. These revised procedures expedite the billing process by eliminating the need to maintain and transfer most computerized encounter forms to Fiscal Services. Medi-Cal encounter forms are forwarded for billing by Fiscal Services and/or tracking by Child Health Disease Prevention.

**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 has not been billed.

#### **Recommendation 2.1**

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

#### **Recommendation 2.2**

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

**Current Status: Corrected**

The department has developed a new system for processing encounter forms in a timelier manner. The Admissions Clerk in each of the ten clinics is currently responsible for reviewing the computer generated encounter forms for completeness and accuracy daily. At which time, the Admissions Clerk documents the medical services provided for the patient in the Business Computer Application. Encounter forms are shredded once information is verified.

**Finding 3:**

Payment adjustments and credits to individual patient accounts were calculated automatically in the Business Computer Application. 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 the Business Computer Application system. Furthermore, CHA, Fiscal Services did not review patient account payment credits and adjustments appropriately and in a timely manner.

Inappropriate entries in the Business Computer Application can increase the likelihood of inaccurate billing. Fiscal Services entered a total of \$137,429 in adjustments and credits in the Business Computer Application 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.

**Recommendation 3.1**

Reconcile the outstanding balances.

**Recommendation 3.2**

Generate a credit balance report from the Business Computer Application system every month to perform reconciliation.

**Recommendation 3.3**

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

**Current Status: Corrected**

The department has revised the procedures to reflect changes which relate to the processing of refund and reconciling the outstanding balances due to patients. Currently, the Billing Clerks in Fiscal Services adjust and/or credit individual accounts during their review of the patient accounts and reconciliations are performed monthly by department staff. The Billing Manager is responsible for their review.

**Finding 4:** DOPH uses a listing of rates instead of a complete (CDM) charge description master 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 (CPT) Current Procedural Terminology 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.

**Recommendation 4.1**

DOPH complete a charge description master.

**Recommendation 4.2**

DOPH perform ongoing maintenance of the CDM at least annually.

**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.

**Recommendation 4.4**

DOPH update the Business Computer Application with the CDM in a timely manner.

**Current Status: Partially Corrected**

The DOPH Ambulatory Care section has revised and submitted the CDM to the Board of Supervisors for final approval. Further, all computer systems have been updated to reflect the current approved rates.

With the merger of the DOPH and Riverside County Regional Medical Center scheduled to commence July 1, 2012, the CDM approval process, the Business Computer Application updates, and all topics relating to the rates will be conducted at a later time.

We will conduct a desk review on this partially corrected item within one year.

**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.

**Recommendation 5.1**

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

**Recommendation 5.2**

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

**Recommendation 5.3**

Interface BCA with PeopleSoft to resolve the posting problems.

**Current Status: Corrected**

DOPH officials have resolved the posting problems between the Business Computer Application and PeopleSoft. While the process has been ongoing, DOPH revised its refund policy to address the matter and assigned a Fiscal Services staff member to manually reconcile the information on a monthly basis. The Billing Manager is responsible for their review.

**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.

**Recommendation 6.1**

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

**Recommendation 6.2**

Implement appropriate internal controls to monitor the process.

**Recommendation 6.3**

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

**Current Status: Corrected**

The Clinical Billing staff has access to a credit card billing machine. One staff member has been designated to process all credit card payments. Payments are processed throughout the day. The Cash Procedural Manual has been updated to reflect the changes for 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.

**Recommendation 7**

Segregate cash handling functions so that no one person has complete control over the key functions or activities.

**Current Status: Corrected**

To ensure key functions or activities were properly segregated we requested the Palm Springs Family Care Clinic complete a Segregation of Duties Grid. Based upon our review of the form completed by the Assistant Nurse Manager, it appears a segregation of duties over the cash handling functions has been implemented to strengthen the internal controls over this area.

**Information Security and Records Retention**

**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 (PAR) Personnel Action Request 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) System Access Report request form.

**Recommendation 8.1**

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

**Recommendation 8.2**

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

**Recommendation 8.3**

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

**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.

**Current Status: Not Corrected**

Access to the department's Business Computer Application is terminated upon separation; however, based on our modified review of 21 employees selected for testing, we found a change in the SAR process had not occurred. Thirty-eight percent (8 of 21) of former DOPH employees had not been deactivated. According to DOPH IT staff, the managers are responsible for indicating on the SAR when the Business Computer Application and all other applications should be removed when the employee separates.

We will conduct a desk review on this uncorrected item within one year.

**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.

**Recommendation 9**

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

**Current Status: Corrected**

We reviewed Information Systems Security Program user agreements to determine whether the "approved SAR signer" had signed the SAR forms. All agreements signed after the original audit included appropriate signatures.

**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.

**Recommendation 10**

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

**Current Status: Corrected**

The department has established a contract with Abacus to assist with the restoration of back-up data. DOPH provided a copy of a recent back-up from the Business Computer Application system, which identified that data can be restored.