

Item: AF: I-2a

AUDIT AND FINANCE COMMITTEE

Wednesday, October 20, 2010

SUBJECT: REVIEW OF AUDITS: FAU 09/10-3 AUDIT OF STUDENT HEALTH SERVICES FOR THE FALL 2009 SEMESTER.

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

Primary focus of the audit was to determine adequacy of policies and procedures in place to ensure proper accountability for clinical revenues, safeguarding of drugs/medical supplies and students' medical records, and maintenance of applicable state licenses by the medical staff.

Three recommendations were made to strengthen controls over accountability related to feefor-service revenues.

IMPLEMENTATION PLAN/DATE

Management has agreed to implement the audit recommendations no later than September 30, 2010.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Audit Report FAU 09/10-3

Presented by: Mr. Morley Barnett, Inspector General **Phone:** 561-297-3682

Report No. FAU 09/10-3 Report Issue Date: April 20, 2010

FLORIDA ATLANTIC UNIVERSITY

Office of Inspector General

Audit Report: <u>Student Health Services</u> For the Fall 2009 Semester

Use of Report

We are employed by Florida Atlantic University. This report is intended solely for the internal use of the State University System and is not intended to be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

REPORT ON THE AUDIT OF

STUDENT HEALTH SERVICES

TABLE OF CONTENTS

<u>ITEM</u>	PAGE
LETTER OF TRANSMITTAL	iii
EXECUTIVE SUMMARY	.iv
SCOPE AND OBJECTIVES	.1
BACKGROUND	. 2
COMMENTS AND RECOMMENDATIONS	3
CONCLUSION	6





MEMORANDUM

TO:

Dr. John Pritchett

Interim President

FROM:

Morley Barnett

Inspector General

DATE:

April 20, 2010

SUBJ:

STUDENT HEALTH SERVICES

In accordance with the University's Internal Audit Plan for fiscal year 2009-10, we have conducted an audit of student health services at Florida Atlantic University. The report contained herein presents our scope and objectives and provides comments and conclusions resulting from procedures performed.

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We have made three recommendations to address our findings. We concur with the responses of the auditee which have been incorporated into the report. In accordance with our established procedures, follow-up will be performed subsequent to the issuance of this report to determine effective implementation of our recommendations by management.

Please call me if you have any questions.

cc:

University Provost Senior Vice Presidents

Vice Presidents

Auditee

FAU BOT Audit and Finance Committee Inspector General, Florida Board of Governors

Florida Auditor General

EXECUTIVE SUMMARY

In accordance with the University's Internal Audit Plan for fiscal year 2009-10, we have conducted an audit of student health services (SHS) at Florida Atlantic University for the fall 2009 semester.

Institutional data was used to provide information on student patients who were provided with SHS clinical services at the Boca Raton campus, as well as all students enrolled during the audit period who were subject to the University's immunization requirements. From the aforementioned populations, we selected a judgmental sample of 25 students who made clinical visits during October 2009 for revenue testing; and, a random sample of 50 students for testing of required medical immunizations.

The objectives of this audit were to determine whether:

- Established policies, procedures and practices for covered health services ensured timely and accurate payment or other financial arrangements for services rendered, and proper accountability for revenues;
- Computerized and manual student records were safeguarded as required by state and federal regulations, and university policies and procedures;
- Procedures were in place to ensure that each healthcare professional maintained a current state license and complied with relevant university personnel policies;
- Removal of registration holds for student immunizations was supported by appropriate medical records or documented medical/religious exemptions; and,
- Adequate procedures were in place to safeguard drugs and medical supplies in the clinical office.

Audit procedures included, but were not limited to, the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as the performance of compliance testing on samples of medical transaction records and immunization records for sampled students in order to determine whether control procedures were operating effectively.

Based on the audit work performed for the sampled students, and our review of established SHS departmental procedures and policies, it is our conclusion that the university generally had adequate and effective internal controls in place to provide reasonable assurance that revenues for services provided by SHS were properly accounted for, immunization records and related holds for registered students were consistent with University requirements, healthcare professionals maintained current state licenses, and students' medical (confidential) records, as well as drugs and medical supplies held by SHS, were adequately safeguarded. We did, however, identify two findings relating to accountability over fee-for- services revenues, and another for documentation supporting diagnostic lab fee schedules. The details of these findings, as well as the suggestions for corrective action, can be found in the Comments and Recommendations section of this report.

April 20, 2010

Dr. John Pritchett Interim President Florida Atlantic University Boca Raton, Florida

Dear President Pritchett

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2009-10, we have conducted an audit of student health services at Florida Atlantic University for the fall 2009 semester.

Institutional data was used to provide information on student patients who were provided with SHS clinical services at the Boca Raton campus, as well as all students enrolled during the audit period who were subject to the University's immunization requirements. From the aforementioned populations, we selected a judgmental sample of 25 students who made clinical visits during October 2009 for revenue testing; and, a random sample of 50 students for testing of required medical immunizations. Revenues generated from our sampled students were \$4,030 or approximately 8% of clinical fee for services earned in October 2009.

The scope of the audit did not include the pharmacy operations, which has been the subject of previous operational and financial audits by the Florida Auditor General.

The objectives of this audit were to determine whether:

- Established policies, procedures and practices for covered health services ensured timely and accurate payment or other financial arrangements for services rendered, and proper accountability for revenues;
- Computerized and manual student records were safeguarded as required by state and federal regulations, and university policies and procedures;
- Procedures were in place to ensure that each healthcare professional maintained a current state license and complied with relevant university personnel policies;
- Removal of registration holds for student immunizations was supported by appropriate student medical records or documented medical/religious exemptions; and,

• Adequate procedures were in place to safeguard drugs and medical supplies in the clinical office.

Audit procedures included, but were not limited to, the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as the performance of compliance testing on samples of medical transaction records and immunization records for sampled students in order to determine whether control procedures were operating effectively.

We obtained an understanding of the SHS operations by reviewing written policies and procedures, interviewing key departmental personnel, performing analytical reviews, and evaluating key internal controls.

Our assessment of compliance with applicable laws, rules and regulations, and established policies and procedures was based on reviews of pertinent supporting documentation for selected samples of student patient medical transactions and immunization records. Populations, sample sizes, and selection methods were determined based on our evaluation of internal controls, our assessment of audit risk, the availability of pertinent University records, and other factors, including auditor judgement.

We conducted our audit in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

BACKGROUND

Student Health Services is an auxiliary unit within the Division of Student Affairs which provides basic, non-emergency care, prevention, education and public health services to FAU's diverse student population. It is a longstanding institutional member of the American College Health Association. Full-scale SHS services, including a pharmacy, are provided at the Boca Raton Campus, and limited services are offered at the Davie and Jupiter campuses. Health services for the Treasure Coast Campus are provided through community contracted healthcare providers. SHS is headed by a director and staffed by twelve medical professionals, three dental professionals and eleven administrative personnel to support its mission. Financial support for health services is derived from the credit hour student health fee, as well as fees for basic medical and dental services. Total budgeted revenues for fiscal year 2009/10 were \$5,062,339, and management estimates that approximately 70 students are seen daily by SHS medical professionals.

SHS clinical and administrative operations are supported by comprehensive policies and procedures which impact such areas as integrity and security of medical records, risk management, and quality control for services, revenue collections, safeguarding of medications, and hazardous waste management. For its Boca Raton operations, SHS uses the PyraMED system - specialized software for management of immunization records, tracking appointments, referrals, insurance billings, and lab and diagnostic tracking, among other things. Currently, PyraMED is not interfaced with Banner Finance for daily SHS financial transactions affecting asset and revenue recognition.

COMMENTS AND RECOMMENDATIONS

Accountability over Fee-for-Services Revenues

Billing to Students (Accounts Receivable)

For each student-patient's visit to SHS, the front desk staff posts the student's charges in the *PyraMED* system. The system generates invoices (receipts) that detail the charges to be billed, "Bursar," to the student's university account in the Banner system or those that are to be submitted to a third party payer as "Insurance Responsibility". A copy of the invoice is provided to the student at the time of checkout, and a duplicate copy is given to the SHS Office Assistant assigned to update students' accounts receivable in Banner for daily clinical charges.

Compliance testing of *PyraMED* system health records for a judgmentally selected sample of 25 students who had received treatment at the SHS Boca Raton medical clinic during the fall 2009 semester revealed the following billing discrepancies:

- One instance where a \$255.00 (Bursar) charge was incorrectly posted to a student patient's Banner account in the amount of \$225.00. SHS subsequently reversed the \$225.00 Banner charge and filed a claim for \$255.00 with the student's insurance company.
- An instance where a dental patient's services included purchase of a \$20.25 whitening refill product which was listed on the *PyraMED* invoice, but had not been transferred to her student (receivable) Banner account. Additional follow-up indicated that the student no longer attends FAU and needs to be direct-billed for the product.
- Lab charges totaling \$366.20 were neither billed to a student's Banner account nor had an insurance claim been filed as required by SHS established procedures. No billing adjustments were noted in the *PyraMED* system for the treated student. We pointed out the discrepancy to management during our audit and subsequently an insurance claim for the lab work was filed with the appropriate insurance provider.

Recommendation No. 1.1

We recommend that Student Health Services develop and implement a daily reconciliation process that compares total *PyraMED* "Fee" charges (*invoice billings*) for SHS patients to the combined totals of *PyraMED* "Bursar" and "Insurance Responsibility" charges. This reconciliation will complement the procedure SHS developed on 2/16/10 (during our fieldwork) which requires the SHS Assistant Director to reconcile each day's *PyraMED* entries posted to student receivable accounts in the Banner system to the "Bursar" charges in *PyraMED* for completeness and accuracy. Proper segregation of duties requires that independent reconciliations be performed by an employee not involved in the delivery, authorization, or accounting for medical service transactions. Both of the above-mentioned reconciliations should be supported by exception reports or control totals generated from the *PyraMED* system.

Management's Response

Action Plan:

Student Health Services will develop and implement a daily reconciliation policy and process that compares total PyraMED "Fee" charges (invoice billings) for SHS patients to the combined totals of PyraMED "Bursar" and "Insurance Responsibility" charges. This reconciliation process will complement the *Billing for Health/Dental Services Policy* developed during the Inspector General's field work in SHS and will be performed by an independent staff member. Both policies will be supported by exception reports with control totals generated by our PyraMED system.

Implementation Date:

June 1, 2010

Responsible Auditee:

Cathie Wallace, Director, Student Health Services

Third-Party (Insurance) Billings and Payments

Patient charges that are the responsibility of a third-party payer are periodically billed to the appropriate payer by the Assistant Director using the *PyraMED* ledger billing function. When the claim checks are received (*either by the Office Assistant or the Office Manager*), they are recorded on a Check Transfer Log. Claim checks (restrictively endorsed to FAU) are deposited with the Boca Raton Cashier's Office by the Assistant Director, or the Office Manager in his absence. Deposited claim checks are recognized as revenue in the Banner Finance system. Subsequent to receipt of claim checks, the applicable students' accounts in *PyraMED* are updated by the Office Assistant. Reconciliation of SHS revenues from the deposit of claim checks is performed by the Assistant Director and documented by writing the six-digit receipt number on the Cashier's Office deposit slip.

As noted in the above narrative, the Assistant Director is involved in prime aspects of the third-party payer *PyraMED* billing processes, including billing insurance companies, depositing claim checks received, as well as reconciling checks recorded in Banner Finance.

Recommendation No.1.2

To improve accountability over the receipt of third party payer revenues, we recommend Student Health Services develop and implement a procedure that ensures the reconciliation of third-party payer (insurance company) *PyraMED* system billings to Banner system revenues be performed by someone independent of the billing and deposit processes. In order to make the reconciliation process efficient, we further recommend development of an interface between *PyraMED* and Banner Finance for the daily capture of third party billings and claim payments received.

Management's Response

Action Plan:

Student Health Services will develop and implement a policy and procedure that ensures the reconciliation of third-party payer (insurance company) PyraMED system billings to Banner system revenues. This reconciliation will be performed by a staff member independent of the billing and deposit processes. To make the reconciliation process efficient, SHS will proceed with development of an interface between PyraMED and Banner Finance for the daily capture of third party billings and claim payments received.

Implementation Date:

September 30, 2010

Responsible Auditee:

Cathie Wallace, Director, Student Health Services

Formal Documentation Lacking for Diagnostic Laboratory Fee Schedules

FAU has an Auxiliary Chargeback Committee comprised of faculty, students, and staff which meets periodically to determine how much to charge each student for office visits, dental procedures, and other in-house medical services provided at the clinic. The Director of Student Health Services presents the recommended fee charges to the committee for its approval. Presidential approval of any fee changes is documented on a memorandum of fees presented to the Auxiliary Chargeback Committee by the SHS Director.

For outside diagnostic lab procedures performed, the particular lab company will notify SHS of a proposed rate change for an existing laboratory procedure or the charge for a new lab test. The Assistant Director will accept, on behalf of the University, the proposed lab procedure charge by signing an agreement with the lab and faxing a copy of the approved agreement back to the provider.

In order to determine the amount SHS will charge a student for a particular procedure performed by an outside lab, the Assistant Director utilizes the company's charge to the university and usually marks-up the charge by approximately 7 - 15%, and adds a small fixed fee, usually \$4.25. The revised or new lab charge is then entered into the *PyraMED* system by the Assistant Director.

In performing our review of lab charges, we noted that SHS did not maintain any formal approval in support of current mark-ups on charges. During discussions with the Assistant Director, we learned that if a particular charge was considered high, SHS did not mark it up the full 15% since it was considered too costly for the student to pay. In other instances, lab procedure rates included a mark-up factor based on the presumption that the particular lab results for the patient would be positive instead of negative thus resulting in a higher lab charge. In practice, SHS tries to set the mark-ups on current lab charges at rates that help ensure the viability of SHS as an auxiliary unit. Upon audit inquiry, SHS management disclosed that the last formal approval of the formula for lab test mark-ups occurred more than 10 years ago.

Recommendation No. 2

In keeping with best business practices, we recommend SHS develop a formal process for approval of lab charges, as similarly exists for on-site medical and dental services. In addition, related documentation should be maintained on file to adequately document how various classes of lab charges are computed.

Management's Response

Action Plan:

Student Health Services will develop and implement a formal process for approval of laboratory charges for patients. Related documentation will be maintained on file within SHS.

Implementation Date:

June 30, 2010

Responsible Auditee:

Cathie Wallace, Director, Student Health Services

Corrective Action Already Taken

Signed Medical Confidentiality Policy Forms for Employees not Obtained

Current SHS policy requires all SHS employees to sign a *Medical Confidentiality Form* when first employed to indicate that they have read and understood SHS policy concerning confidentiality. New forms are signed on an annual basis at the time of the employee's performance evaluation.

Our examination of each SHS employee's file for evidence of a signed *Medical Confidentiality Policy* form revealed three instances where a signed form was not on file. Prior to the completion of our fieldwork, we verified that management took appropriate corrective action to obtain signed *Medical Confidentiality Policy* forms for the employees.

Prior Audit Recommendations

Our examination generally includes a follow-up on findings and recommendations of prior internal audits, where the subjects of such findings are applicable to the scope of the current audit being performed.

Within the past three fiscal years, our office has not conducted any audits related to student health services. Accordingly, a follow-up on prior audit findings is not applicable.

CONCLUSION

Based on our observations and audit tests performed, it is our opinion that the evaluated operations of SHS were being conducted in general compliance with applicable laws, rules and regulations, and

University policies and procedures. The current control environment provided reasonable assurance that health services revenues were properly accounted for, immunization records and related holds for registered students were consistent with University requirements, healthcare professionals maintained current state licenses and complied with relevant university personnel policies, and computerized and manual student records, as well as drugs and medical supplies in the clinical office, were adequately safeguarded. Notwithstanding this assessment, we have made three recommendations to improve the internal controls over the accountability for fee-for-services revenues and approval of lab charges.

We wish to take this opportunity to thank the administrative staff and Director of Student Health Services for their kind cooperation and assistance which contributed to the successful completion of this audit.

Morley Barnett, CPA, CFE

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Inspector General

Audit Performed By: Ben Robbins, CPA