Office of the City Auditor

Clinical Services & Vital Records Revenue Collection Audit
Health & Human Services Department

January 2015

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Executive Summary

The Office of the City Auditor recently completed an audit of the internal controls surrounding the collection of Clinical Services and Vital Records revenue within the Department of Health and Human Services (Department). These revenue streams are collected through the Clinical Services Division (Division) located within the newly created Physician Services Bureau. The Division administers free or low-cost health care services to the public through the operation of various clinics located at the Department's main facility. In addition to medical services, the Division also administers issuance of vital records. In fiscal year (FY) 2013, Clinical Services and Vital Records revenue totaled more than $1.7 million.

Because the Division's main function is to provide clinical health services to the public, healthcare professionals manage operations. However, the Division's three other functions – billing and collection of clinical services, vital records, and cashiering – are financial functions that usually are located within a department's financial services area. The lack of financial expertise in the Division has contributed to significant internal control weaknesses over the collection and processing of revenue, leaving the Division vulnerable to fraud and misappropriation. Division staff are focused on providing services to the community and are not aware of the associated risks of safeguarding and managing revenue. As a result, the Division has a lack of separation of duties for business-critical functions, manual processes that are inconsistent and subjective, and minimal documentation and oversight. The current process for handling revenue has left no audit trail for which financial data can be effectively monitored and verified.

The Division's software system is also ineffective even though the Department, as a whole, invested nearly 10 years and over $1 million dollars to purchase, implement, and maintain it. The Division attempted to configure the software to match the poorly defined business processes resulting in inaccurate and unreliable data.

Along with the specific recommendations provided throughout the report, we also recommend the Department consider relocating collection of this critical revenue stream under financial-oriented individuals who are qualified to design processes, identify controls and risk points, implement mitigating controls and monitor outstanding revenue and account modifications. Until this occurs, there can be no assurance that all Clinical Services and Vital Records revenue due the City is actually collected and recorded.

We would like to thank Department staff for their assistance and cooperation during the audit and respectfully request an update in nine months on efforts to implement recommendations outlined in this report.

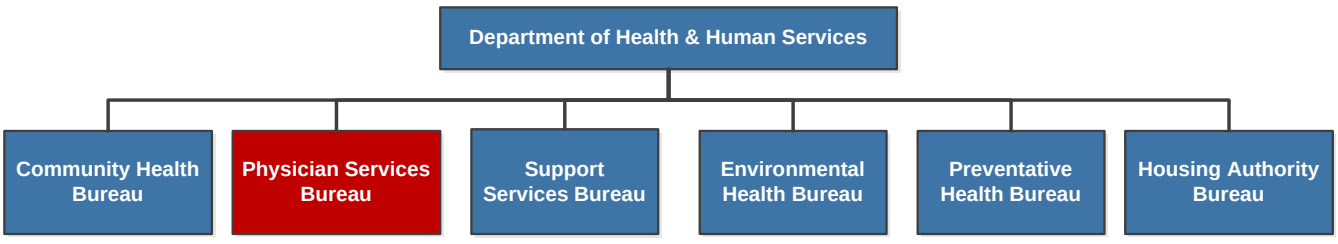
Background

The City of Long Beach (City) maintains its own municipally operated Health & Human Services Department (Department), which is one of only three city-operated local health departments within the State of California. Established in 1906, the Department is over 100 years old. Local provision of public health service allows the Department to tailor its programs to meet the specific public health and human service needs of Long Beach residents. Per the Department's *Strategic Plan 2014-2019* its mission statement is to *"Improve the quality of life by promoting a safe and healthy community in which to live, work and play."*

Recognized as an independent local health jurisdiction within the State, the Department is responsible for all aspects of preventive and public health services, as well as human services and social programs within the City. Using a combination of local, state and federal funds, in addition to various fees and third-party payments, the Department supports an operating budget of over $120 million annually.

The Department is composed of six bureaus and led by a Director who is responsible for the overall administration of the Department. The six bureaus are: Community Health, Housing Authority, Environmental Health, Physician Services, Preventative Health and Support Services. The City Health Officer is responsible for ensuring compliance with the public provisions of the California Health and Safety Codes.

Chart 1
Organizational Structure
Department of Health & Human Services



Bureau of Physician Services, Clinical Services Division

The Bureau of Physician Services (PS Bureau) is one of the six bureaus within the Department and was newly created in fiscal year 2014 (FY14). In FY14, the Public Health Laboratory Division and Preventative Health Services Division were transferred from the Preventative Health Bureau to the new PS Bureau in an effort to consolidate these core public health services. Per the Department's FY14 Adopted Budget Book, these changes support the City

Health Officer's role as lead medical staff and align clinical activities with communicable disease control oversight. The change was meant to improve clinical service delivery and support a structure to maximize grant and clinical revenues.

Within the newly created PS Bureau, resides the Clinical Services Division (Division). The Division administers issuance of vital records and provides free or low-cost health care services and is also responsible for administration of all related billing and collection of associated fees.

Clinical Services Revenue

Clinics within the Division consist of Immunization/Travel, HIV/AIDS, Family Planning, Tuberculosis, and Sexually Transmitted Disease. In FY13, an estimated 10,500 individuals received health care service through clinics, consisting of approximately 19,000 appointments.

When patients arrive at the Department for clinical services, they check in at the Central Registration Unit (CRU), where basic information is obtained and financial screenings are conducted by CRU staff. CRU prepares an Encounter Form (EF) for each patient, which then serves as the record of service. EF's are assigned a number from the automated system, the *NextGen Practice Management Module (EPM Module)*. Services administered by the medical providers are documented on the EF and ultimately recorded in the *NextGen EPM Module* under the assigned EF number. The original manual EF's are retained by the Division.

Payment for medical services can come from various sources depending on the patient's ability to pay or coverage under third parties. Potential third parties include Medi-Cal, Medicare, private insurance, grant funding and program funding. In some instances, payment for services may be paid in full by the patient at the time the service is provided, such as with the Immunization/Travel clinic. Occasionally, they may be asked to only pay a portion of the cost, which is based on a sliding scale relative to the patient's income level. Fees can be completely waived if they cannot pay, in the case of a public health emergency, for medical necessity or if ignoring treatment is determined to be a public health threat. For those who either have a balance due or are covered under third parties, the billing staff within the Division is responsible for generating the medical bill and recording the associated payment, write off or adjustment.

Table 1 illustrates Clinical Services revenue received over the last five years (excluding grant revenues), with over $1.2 million in revenue received in FY13 alone.

Table 1
Clinical Services Revenue
FY09 through FY13

Fiscal Year (FY)	Clinical Services Revenue
FY09	$ 1,827,560
FY10	1,346,590
FY11	1,543,438
FY12	1,368,623
FY13	1,233,276
Total	**$ 7,319,487***

*Does not include grant revenues

Vital Records Revenue

Vital Records is responsible for processing certificates for both births and deaths occurring within Long Beach. Birth data provided by local hospitals is scanned into a State-wide birth certificate system, Automated Vital Statistics System (AVSS). A similar process is completed for death certificates, with specific information entered into a State-wide Electronic Death Registration System (EDRS). Copies of all birth and death certificates are kept on file at the Department for up to a year. The public can purchase official copies of certificates by filling out an application and paying the associated fee. Currently birth and death certificates cost $28 and $21 per copy, respectively. Table 2 illustrates Vital Records revenue received over the last five years, with approximately $490,000 in revenue received in FY13 alone.

Table 2
Vital Records Revenue
FY09 through FY13

Fiscal Year (FY)	Vital Records Revenue
FY09	$ 391,576
FY10	398,664
FY11	394,007
FY12	425,026
FY13	490,297
Total	**$ 2,099,570**

NextGen HealthCare System

NextGen HealthCare is a software company that offers both electronic health record software via the *NextGen Ambulatory Electronic Health Record Module (NextGen EHR)* and practice management software via the *NextGen Practice Management Module (NextGen EPM)*. *NextGen* has been active in the medical industry for 20 years and is used by over 60,000 medical providers.

The Department purchased both the *NextGen EHR* and *EPM* modules in 2006, nearly eight years ago. Various consultants were used by the Department over the years to assist with the implementation of the *NextGen EHR* and *EPM* modules. *NextGen EPM* went live two years after the initial software purchase while *NextGen EHR* went live in one clinic in August 2013. The Department plans to implement *NextGen EHR* across all clinics within the near future.

NextGen EHR acts as the medical record, allowing the medical providers to document notes and services electronically. This module was outside the scope of our audit and was not reviewed.

NextGen EPM acts as more of an accounting system. This is where appointments are scheduled, accounts are managed, services and associated fees are recorded, and account write offs and payments are posted. Review of data within *NextGen EPM* was within the scope of our audit. This module does not interface with other Department or City systems.

Infinity Cashiering System

The Department currently uses the *Infinity Retail Management System (Infinity)* as a point-of-sale cashiering system to record payments received by the Department. The system is antiquated and is no longer supported by the vendor. Its uses and reporting capabilities are very limited. *Infinity* does not interface with Department or City systems. The Department is planning to replace *Infinity* with the *iNovah* point-of-sale cashiering system in the near future.

A cashiering window is located at the main Department facility where payments for services are processed. Payment types accepted include cash, checks, and credit cards. *Infinity* is connected to an automatic cash drawer and generates dual receipts with each transaction. A copy of the receipt is provided to customers, while the other is retained by the cashier.

The cashier is not limited to accepting Clinical Services and Vital Records payments. All payment types received at the Department are deposited with the cashier and processed through *Infinity,* including temporary food permits, grants, etc.

Change of Personnel

The Department has seen numerous changes in management over the past several years, including the appointment of a new Department Director. During the course of our audit, the

Support Services Bureau Manager and the Financial Services Officer both left the Department as well. At the time of this report those two positions remained unfilled.

Objective & Methodology

The objective of our audit was to evaluate the adequacy of internal controls over the collection of Clinical Services and Vital Records revenue within the Department of Health and Human Services (Department). The scope of our audit included review of a sample of appointments occurring within selected clinics between April 1, 2013 and May 31, 2013 as well as evaluating the current internal controls surrounding both Clinical Services and Vital Records revenue.

The Department utilizes two modules within the *NextGen Healthcare System (NextGen)*. The *NextGen Ambulatory Electronic Health Record Module (NextGen EHR)* is used to record and store electronic health care records. We did not review or audit *NextGen EHR*. The *NextGen Practice Management Module (NextGen EPM)* is used to record, bill, and adjust or write off fees and record associated payments. Audit procedures performed within *NextGen* were limited only to *NextGen EPM*. Review of data within *NextGen EPM* fell within the scope of our audit.

During our audit, we performed the following procedures:

- Obtained and reviewed the Department's Cash Control Policy and the revenue collection audit performed internally by Department staff;
- Interviewed Department personnel and performed observations of key processes to obtain an understanding of internal controls related to our audit objective;
- Obtained an understanding of both systems used to process and collect payments, the *Infinity Retail Management System (Infinity)* and *NextGen EPM*;
- Reviewed system access to *NextGen EPM* and *Infinity*;
- Reviewed available system reports from *NextGen EPM* in an effort to determine accounts receivable;
- Reviewed accounts within *NextGen EPM*, on a sample basis, to determine if services provided were appropriately charged, billed, and recorded.

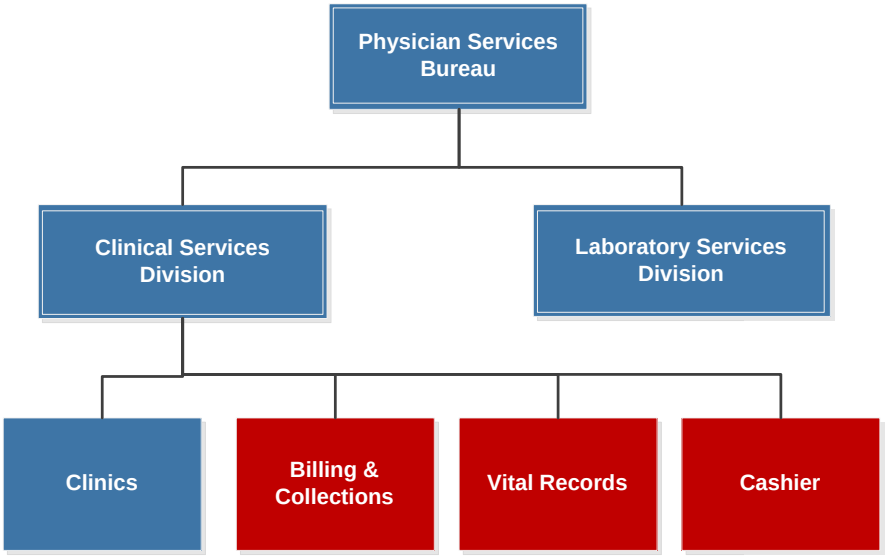
We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards required that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results & Recommendations

The City of Long Beach (City) maintains its own municipally operated Health & Human Services Department (Department), which is one of only three city-operated local health departments within the State of California. Our audit focused specifically on the Clinical Services Division (Division) located within the Department's newly created Physician Services Bureau (PS Bureau) which administers issuance of vital records and also focuses on providing free or low-cost health care services.

As illustrated in Chart 2, the Division has four main functions: clinical health services, billing and collection of clinical services, vital records, and cashiering. Providing free or low-cost clinical health services is the Division's main priority; therefore, health professionals oversee operations. However, the remaining functions in the Division, highlighted in red and the focus of our audit, are financial processes that require a different area of expertise. The Financial Services Division, within the Support Services Bureau, is generally where these types of activities occur and where more financial-oriented individuals reside, such as the Financial Services Officer and Department accountants. The lack of financial expertise in the Division has contributed to an environment where significant internal control weaknesses exist over financial functions that collect more than $1.7 million annually.

Chart 2
Organizational Structure
Physician Services Bureau



This lack of financial expertise within the Division has resulted in flawed manual and automated processes that have created a high risk of fraud and unreliable data. Overlapping

job duties, inconsistent handling of transactions and revenue collection, and minimal documentation and oversight have left virtually no audit trail for which financial data can be verified. This problem is compounded by a poorly designed and implemented software system, with an investment by the Department of nearly 10 years and over $1 million with unsuccessful results.

The problems identified in this audit can be remedied by aligning financial activities with financial-minded personnel who have knowledge of internal controls over revenue operations. Once sufficient manual processes can be designed and implemented, automated processes can be configured to ensure data integrity and reduce the risk of fraud and misappropriation.

The following results of our audit are categorized into five categories:

1. *A Lack of Separation of Duties Creates a High Risk of Fraud or Error*
2. *Current Revenue Collection Process is Insufficient, Inconsistent and Not Transparent*
3. *Outstanding Revenue Due to the City is Unknown and Not Recorded*
4. *Considerable Amount of Write-offs with Little to No Documentation*
5. *Systems Are Not Configured Appropriately or Being Used Adequately*

1. A Lack of Separation of Duties Creates a High Risk of Fraud or Error

Separation of business-critical duties is necessary to ensure a strong internal control system. In any organization, business-critical duties are categorized into three types of functions: custody of assets, authorization of transactions related to those assets, and recording the transactions related to those assets. By separating the performance of these business-critical functions, the organization helps ensure that no single individual is in a position to both perpetrate and conceal irregularities.

Table 3 illustrates examples of the business-critical functions handled specifically by the Division.

Table 3
Business-Critical Functions
Clinical Services and Vital Records

Critical Functions	Clinical Services & Vital Records
Custody of Assets (ie. Cash, check, credit card information)	- Access to receive revenue by serving as cashier or back-up cashier - Physical access to the safe and/or area where revenue is stored - Ability to receive and open mail (i.e. checks)
Authorization of Transactions Related to Those Assets	- Ability to enter, modify and delete charges within NextGen - As cashier or back-up cashier, access to perform daily reconciliation of receipts to cash drawer - Accepts and processes manual Vital Records applications and provides customer with official certificate
Recording the Transactions Related to Those Assets	- Ability to record revenue in Infinity as it is received - Ability to update account information as to payments received in NextGen - Ability to write off or adjust account balances in NextGen - Ability to generate invoices for accounts receivables in NextGen - Ability to serve as supervisor's back up designee to recount the end-of-day cash and deposit and verify cashier's reconciliation, including physically placing daily deposit into safe

The business-critical functions listed in Table 3 are performed by a variety of personnel whose primary or back-up responsibilities allow them to process transactions in two or all three functional areas. A prevalent lack of separation of duties such as this creates opportunities for employees to commit undetected errors or fraud. Below are a few examples of the lack of separation of duties that currently exist within the Division:

Examples:

- *Cashier and two clinical billing staff have the ability to perform all three business critical duties. They have the responsibility to enter fees, generate bills, receive checks, post payments, write off accounts, deposit checks with the cashier and/or serve as cashier, and serve as supervisor designee to recount cash and the deposit at the end of the day. This could result in error or fraud to go undetected. For example, the same individual can bill an account, receive and pocket payment, and then write-off the account to make it appear as though payment was never received.*

- *Vital Records staff has the responsibility to accept and process vital record applications, accept payment for vital records, serve as back-up cashier, and provide birth and death certificates to customers. Staff has the ability to accept payment and*

provide the customer with the certificate without ever recording the payment in the cashiering system.

- *Cashier or back-up cashiers are responsible for reconciling end-of-day reports from Infinity to the actual daily cash receipts received. Allowing staff who accept cash to also perform reconciliations can result in fraud or errors to go undetected. This reconciliation should be performed by a person independent from the revenue collection function.*

In instances where a complete separation of duties is not possible, other types of controls can be implemented to reduce the risk. Although these types of controls are less desirable and do not necessarily eliminate the control weakness, they could lessen the likelihood of a negative impact such as misappropriation in large amounts. Examples of alternate or compensating controls are increased supervisory review of transactions or limited system access. However, our audit found that even these type of compensating controls do not exist over Division revenue. Software system access for both *NextGen EPM* and *Infinity* is not properly configured to limit access, and supervisory review of critical transaction reports to identify changes made to system records is not being performed.

Examples:

- *Supervisory review appears to be ineffective. Currently it is limited to a recount of revenue paid through the Infinity cashiering system without any reconciliation to services recorded in NextGen EPM. In addition, there is no review of modified or deleted records. In some instances, the supervisory review is performed by billing staff, who also have access to the cashier drawer and access to modify revenue records.*

- *User system access in both NextGen EPM and Infinity is not properly configured to correspond with employee responsibilities.*

    - *Administrator access essentially allows the user access to any system function including the modification and deletion of transactions. There are 49 NextGen EPM users with administrator access rights, including the cashier, billing staff, and supervisor.*

    - *All Infinity users have the same level of access, including the cashier, billing staff, Vital Records staff, accounting staff, and supervisor. However, we were unable to determine everything the access level allowed users to do, because no one on staff was familiar enough with the software. Regardless, it is inappropriate for staff of various levels to have the same access level with no consideration of their business-critical roles in the process.*

Allowing staff the capability to edit and delete records, combined with no supervisory review of edit reports results in the ability for staff to alter records without accountability. In addition, unlimited system access combined with the ability to perform multiple business-critical functions exposes the Division to unnecessary risk of fraud and error.

Recommendation:

No. 1 - Management should consider restructuring the Division to include or incorporate supervisors who have a proficient understanding of internal controls necessary to safeguard revenues. Proper separation of duties should be implemented over the handling of revenue, recording and modifying of revenue transactions, and end-of-day processes. Specifically, employees assigned to accept cash receipts should not have input and update access for systems used to record, edit and delete revenue transactions. Mitigating controls, such as configuring system user access based on employees duties and regular review of revenue and transaction edit reports, should be designed and implemented.

2. Current Revenue Collection Process is Insufficient, Inconsistent and Not Transparent

Clinical Services

Ultimately, it is management's responsibility to establish internal controls, procedures and policies that adequately safeguard revenue collection. The current revenue collection process within the Division is insufficient, inconsistent, and not transparent. Written policies and procedures only address the cash collection and end-of-day processes performed by the cashier. Policies covering other business-critical functions such as the recording of services, fees and payments in *NextGen EPM*, billing and collection of revenue, proper supervisory review, reconciliation of revenue data and account write-off protocol do not exist. The lack of sufficient guidance and direction for these business-critical functions has created an environment with numerous exceptions to every process. These exceptions, along with little to no paper trail, results in incomplete and unreliable data as to an account's history. Without a clear audit trail, it is impossible to verify revenues were charged, collected, or written off appropriately.

Division staff stated that services and fees are entered into *NextGen EPM* within a few days of the appointment. However, we discovered numerous instances of staff keeping manual files outside of *NextGen EPM* rather than recording the services and revenue within the system. While the practice of using a temporary manual file for certain clinics may be appropriate, billing staff appear to use their discretion as to when, and if, they enter services, fees, refunds,

write offs and payments into *NextGen EPM*. In addition, for accounts kept in manual files, we found that staff did not always complete the billing process or resolve outstanding items.

Example:

- *One account had 23 appointments (within one month) that occurred one year ago. Staff retained all 23 Encounter Forms (EF) in a manual file rather than input the fees at the time of service into NextGen EPM. Billing staff stated they were waiting to enter the account information into the system once they received confirmation from a third party verifying program eligibility. However, billing staff could not provide dates of inquiry or a status of the account eligibility. Therefore, services rendered and associated fees were not recorded in NextGen EPM. The fees were not billed and as such, not collected or written off.*

We also observed instances where accounts similar in nature were recorded differently, making it difficult to assess if accounts are charged and collected properly.

Example:

- *Table 4 illustrates an example of how accounts receiving the same service are recorded differently within the system. Accounts A, B and C all received the same service and were funded by the same subsidized program. Although all three accounts ultimately arrived at a final account balance of zero, the transactions were recorded in multiple ways. Three transactions were recorded in Account A, six transactions in Account B and four transactions in Account C.*

Table 4
Inconsistent Record Keeping
Accounts A, B and C

Type of Transaction	Account A	Account B	Account C
Initial Charges	$ 50.57	$ 82.38	$ 50.57
Initial Charges	58.43	-	-
Write-Off	-	(82.38)	(50.57)
Account Balance	109.00	-	-
Charges Reinstated	-	109.00	109.00
Charges Reinstated	-	83.88	-
Additional Write-Off	-	(83.88)	-
Revised Account Balance	109.00	109.00	109.00
Program Payment Received	(109.00)	(109.00)	(109.00)
Final Account Balance	$ -	$ -	$ -

When reviewing account history, we noted that certain transactions, such as refunds, were not clearly defined in *NextGen EPM*. Instead of entering the full payment and then the refund, only the net amount was posted. This method of record keeping does not leave an adequate paper trail of all transactions, making it difficult to rely on the documented account history. Entering net or summary data transactions results in a lack of transparency of operations and creates an environment for fraud or errors to occur.

Example:

- *Table 5 details how a refund was recorded in NextGen EPM versus on the EF. In NextGen EPM, staff did not enter the refund, posting only a net amount between the patient payment and subsequent refund. Recording the transaction in this manner leaves no evidence that a refund occurred in the system.*

Table 5
Account Discrepancies
Account Refund

Transaction Type	Account History in NextGen	Account History on EF
Charges	$ 50.57	$ 50.57
Payment by Patient	(20.00)	(30.00)
Refund to Patient	-	10.00
Adjustment	(30.57)	(30.57)
Balance	$ -	$ -

The system that houses the clinical revenue data (*NextGen EPM*) and the cashiering system (*Infinity*) are not interfaced. *Infinity* only captures the amount actually paid by the patient. This paid amount is then manually entered back into *NextGen EPM*. Currently, there is no reconciliation between the systems to provide assurance that the fees charged for clinical services rendered were actually collected and handled appropriately. Unfortunately, this task will need to wait until new processes are implemented and system configurations are updated.

Vital Records

The Division maintains manual copies of Long Beach birth and death certificates for up to a year. Public requests for certificate copies are made by completing an application form and paying a set fee. The application form is not pre-numbered or sequentially numbered and forms are not entered into any automated system. Without the use of pre-numbered applications in conjunction with manual certificate generation, there is no way to verify that all applications are accounted for and that all revenue is being collected and recorded.

Recommendations:

No. 2 - Policies and procedures for both Clinical Services and Vital Records should be developed in order to provide clear guidance to staff on the appropriate methods and expectations surrounding how recording of accounts and transactions should occur. The policies and procedures should, at a minimum, ensure record keeping is consistent and accurate, serve as an outline for the billing and collection process, and provide guidance for appropriate levels of reconciliation and review.

No. 3 – Revenue data from NextGen EPM should be reconciled to the daily receipts recorded in the Infinity system to ensure all revenue due is collected appropriately.

No. 4 - Vital Records applications should be pre-numbered and used sequentially. Proper inventory, accounting and review of applications will help ensure the completeness of Vital Records revenue.

3. Outstanding Revenue Due to the City is Unknown and Not Recorded

The Division bills numerous parties for fees associated with providing clinical services, including Medi-Cal, Medicare, private insurance companies, and individuals. A common best practice for managing accounts receivables includes having written procedures for receivable and collection activities, with topics such as invoice preparation, recording and collecting the receivables, posting payments, adjustment of receivable balances and follow-up of delinquent accounts. In addition, management should review critical information such as turnover rate, average collection time, and aging reports.

Unfortunately, the Division has not implemented the best practices mentioned above. In fact, Division staff is not running receivable reports and was unable to provide an accounts receivable balance or the status of delinquent accounts. Therefore, accounts receivable balances for Clinical Services are not recorded in the City's financial system, FAMIS.

There is no consistency regarding review or follow-up of accounts after an item is billed. We found that an account with an outstanding balance is not usually monitored unless payment is received. Therefore, if payment is not received, outstanding charges remain on the account. As a result, we noted instances where staff stated they had forgotten to revisit the accounts to write off remaining balances.

Although staff is not running system account receivable reports, we did find that *NextGen EPM* is fully capable of providing the information. The Department's designated Technology Services (TS) staff was able to run a receivable report, but the data was clearly inaccurate. In August 2013, the Division attempted to rid *NextGen EPM* of test or corrupt data by eliminating

all records prior to January 2010, instead of identifying specific records and deleting only those that were inaccurate. As a result, bad data remained and real-time records were deleted. Therefore, subsequent reporting proved to be skewed and unreliable. In addition, as noted previously, not all records are entered into *NextGen EPM*. Therefore, there are receivables due that would not be captured on receivable reports.

Example:

- *One account was billed nearly a year ago; however, there was no indication of payment ever being received or the account written off. Staff indicated that they were tracking the account via a manual file, but due to accounts receivable not being monitored there is no way to know if the account is a true receivable or if payment was received and not recorded.*

Recommendation:

No. 5 - Policies and procedures should be developed to provide clear guidance on the appropriate method and expectations of receivable collection, including adjustment to accounts and follow-up on delinquent accounts. We recommend Division management work with NextGen to obtain reliable and accurate accounts receivable reports and that billing staff begin immediately recording all accounts into NextGen EPM. Reports should be reviewed by the supervisor on a regular basis in order to properly manage past due accounts.

4. Considerable Amount of Write-offs with Little to No Documentation

Account service fees are written off for a variety of reasons. During our review, 60% of the accounts we observed were written off or adjusted in some capacity. Over half of these adjustments were related to Medi-Cal and Medicare reimbursements. Medi-Cal and Medicare payments are received by check on a monthly basis for multiple billed accounts. A report is received with each Medi-Cal or Medicare check detailing the maximum benefit paid on each claim. These reports are uploaded into *NextGen EPM* by Division staff and payment data automatically posts to the corresponding account. If the maximum benefit does not fully cover the fees, the remaining balance is automatically written off within *NextGen.*

Accounts can also be adjusted at the Division's discretion. The Department's FY13 Master Fees and Charges Schedule states "the City Health Officer, or their designee, may waive any service fees where he/she determines a threat to public health exist. The fee waiver shall be based upon financial need or medical necessity. Service fee waiver may either be total, or based on a sliding scale established by the Department." We found that 48% of total write offs were manually entered by Division staff and were related to fee waivers, fees being charged

incorrectly, insurance denials, or grants. However, very little documentation or evidence supporting the write-offs exists. Based on staff explanations, 25% of the manual write-offs were due to fees being paid by grant funding. However, the Department's grants are recorded and billed out of a separate system that does not interface with *NextGen EPM* nor does staff reconcile the two systems. Therefore, without reviewing the independent grant system we were unable to verify the grant funding to the account.

Supervisor approval is not required to write off an account balance. Nor is anyone, including the supervisor, reviewing write-off volume or activity to ensure the adjustments to account balances are warranted and appropriate. Additionally, the staff performing the manual write-offs are the same staff with access to all three business-critical functions discussed earlier: recording of initial charges, acting as cashier and receiving payments, and ability to perform end of day supervisor review of receipts. This creates a situation where there is a high risk of fraud or error that could go undetected.

Recommendation:

No. 6 - Procedures should be developed to ensure that manual write-offs are entered and documented thoroughly and consistently, including the reason the write-off is occurring. We recommend that the supervisor review write-off activity on a regular basis in order to ensure changes to accounts are valid and reasonable. This will enforce more effective management of accounts and account receivables and ensure staff is managing accounts appropriately.

5. Systems Not Configured Appropriately or Being Used Adequately

Costly History of Automated System

In trying to understand why *NextGen EPM* wasn't functioning effectively for the Division, we inquired further as to the history of *NextGen EPM* including the implementation, design and configuration of the system. This led us to a broader view of the Department's attempt to implement clinical services software. As illustrated in Chart 3 and Table 6, the Department, as a whole, has spent nearly 10 years and over $1 million in an effort to successfully implement clinical services software. In 2005, the Department contracted with Garrison Enterprises, Inc. (Garrison). Per the scope of work, Garrison was to develop clinical services software, along with other software for the Department. After the Department paid Garrison nearly $600,000, a satisfactory product for clinical services was not delivered, and the Department was left with the continued need for clinical services software.

In 2006, the Department purchased *NextGen EPM* (practice management module for scheduling appointments and recording fees and payments) and *NextGen EHR* (electronic

health record allowing medical providers to document notes and services). NextGen was initially purchased through a vendor, Lumetra, who was also utilized to implement the software. Lumetra, along with other consultants, was unsuccessful in implementing NextGen. Therefore, the Department turned directly to NextGen for assistance. *NextGen EPM* eventually went live two years after the initial purchase of the software. Although the system was being used by staff, it was not fully functional or meeting the needs of the Division. As a result, the Department has continued to use consultants and dedicated City Technology Services (TS) staff to make system changes to meet operational needs. Unfortunately, *NextGen EPM* is still not configured appropriately. As seen in Chart 3 and Table 6, a considerable amount of time and resources have been invested in implementing and configuring this software.

Chart 3
Timeline of Automated System Implementation
2005 through 2014

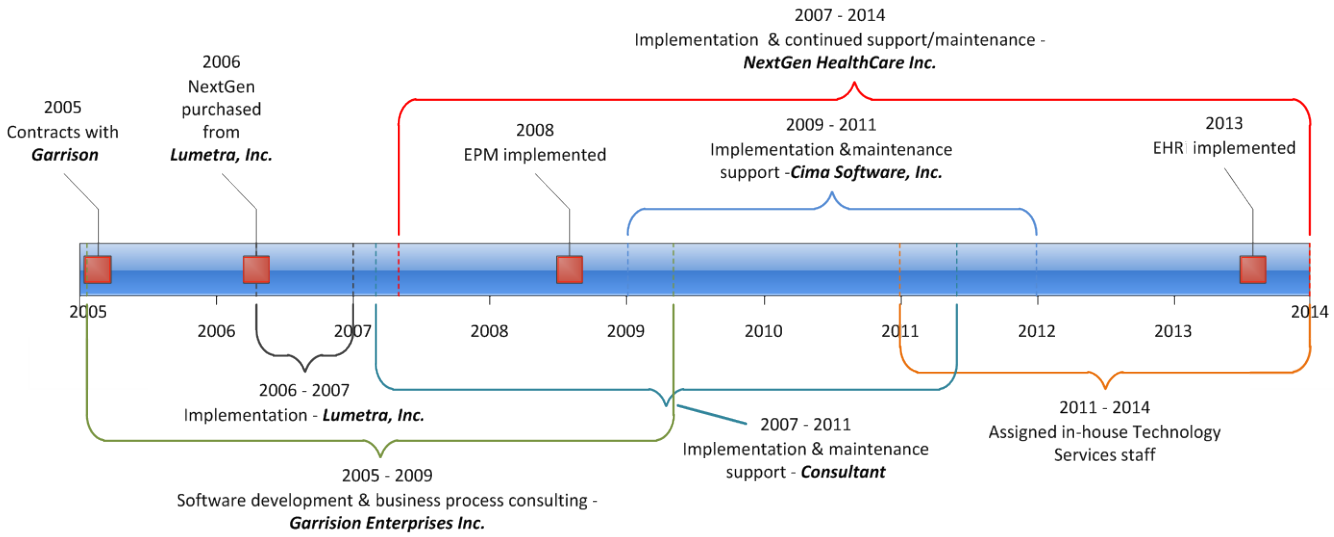


Table 6
Costs to Implement Automated System
2005 through 2014

Vendor/Payee	Total Expenditures Paid
Garrison Enterprises Inc.*	$ 597,000
Consultant **	386,000
Lumetra	284,000
NextGen Healthcare	139,000
Cima Software Inc.	134,000
Total	**$ 1,540,000**

**Fees paid to Garrison Enterprises, Inc. were for development of a Department-wide software that would include a module specific to Clinical Services.*
***Consultant costs include technology project management costs for the entire Department.*

The Division's problems implementing the software are rooted in its ineffective operational processes. As discussed earlier, the processes established by the Division are not applied consistently. Numerous exceptions are subjectively employed when handling transactions. When attempting to configure software to mirror all of these exceptions, the result is a system with "work arounds" that go against system logic. The more "work arounds", the less effective the software becomes. Until the business processes are revamped and standardized, the Division will not be successful in fully utilizing *NextGen*.

NextGen EPM Data Cleanse

Per Division staff, clinical test data was used in *NextGen EPM* after it went live which resulted in unreliable data within the system. In an effort to rid the system of this data, in August 2013 a data cleanse was conducted to remove all data within *NextGen EPM* prior to January 2010. Although staff states they were trying to make data more reliable by ridding the system of the test data, some bad data remained along with approximately two years of actual real-time records being deleted. Therefore, current reports generated by the system contain erroneous data that is not a true representation of actual account status and activity.

Lack of NextGen Super User

Implementing software requires technical expertise to handle database management and software maintenance and a user of the software to determine how the system's functionality should be configured, otherwise known as a "super user". Currently, Division management is relying on TS staff to perform both functions. While TS staff may be aware of the system's functionality or capabilities, they are not involved in the day-to-day processes surrounding clinical services. The Division lacks a super user who understands how *NextGen EPM* should

be used in relation to the revenue collection process. Successful use of software is contingent on users taking as much ownership of the system as technical personnel. This is not the case with *NextGen EPM*, creating even more challenges with configuring and using the system effectively.

System User Access & Reporting Capabilities

NextGen EPM seems to be a well respected, highly sophisticated system widely used in the medical profession. The system allows the ability to restrict user access down to a very detailed task level. However, while trying to determine user access levels within the system, it was apparent that Division staff was unsure how certain user access settings affected access to particular functions. Further, Division management is not communicating with TS staff to ensure user access within *NextGen EPM* is set up to help mitigate risks in the system and restrict access. Also, the system appears to have a wide array of reporting capabilities that are not currently being used by the Division. The supervisor responsible for Division revenue stated that she does not generate or review any reports from the system for purposes of monitoring revenues, write-offs or receivables.

Example:

- *In February 2012, billing staff was granted administrator access in NextGen EPM to allow them to enter new billing codes for the claims process. Billing staff was supposed to have this unusual access for only three months to complete the project. However, at the time of our audit, over a year later, access for billing staff had not been reassessed or changed, leaving them with unlimited and unnecessary user access.*

Unexplainable Issues With Encounter Form (EF) Numbers in NextGen

Division staff stated *NextGen EPM* automatically generated sequential EF numbers as patients are checked in for their appointments in the Central Registration Unit (CRU). However, we found the system does not always generate EF numbers sequentially as we identified significant gaps. We were unable to get clarity as to the reason for the missing EF numbers and are unclear as to whether this resulted from a system issue or a user error.

Example:

- *When reviewing EF numbers for a two month period, we identified 720 missing EF numbers. As illustrated in Table 7, we saw multiple instances of EF numbers don't appear to be assigned sequentially and chronologically.*

Table 7
Missing & Non Chronological EF Numbers

EF Number Range	Appointment Date
124243-124304	4/9/2013
124305-124307	Missing EF's
124308-124321	4/1/2013
124322-124352	4/10/2013

Recommendations:

No. 7 - Before NextGen EPM configuration can be resolved, the business processes for clinical services must be mapped out, including identification of critical control points and risk areas. Once a thorough understanding of the general process is understood, then it should be determined how that process would fit within NextGen EPM. Division management should work with system experts to assist with system reconfiguration and resolving issues within NextGen EPM.

No. 8 - The Department should identify someone who can serve as the official NextGen EPM "super user" who is well versed in the entire clinical services process and can work with TS staff for the needs of the business.

No. 9 – Reporting capabilities within NextGen EPM should be explored and used by Division staff to improve the efficiency of the operation and the management of clinical services accounts and revenue.

No. 10 – Sequence of EF numbers generated in NextGen EPM should be reviewed to determine the root cause of discrepancies. Once the root cause is identified, then corrective action should be taken to ensure EF numbers are issued automatically in a sequential and chronological order. Gaps or duplicate numbers should be investigated.

Infinity Cashiering System

Infinity is used as the primary cashiering system for all fees collected at the Department, including Clinical Services and Vital Records revenue. The system is antiquated and unsupported by the vendor. While trying to determine user access levels it was evident that Division staff who use the system were unaware of its configuration or capabilities.

Example:

- *Infinity user access is set to "100" for all users; however staff is unaware of what level "100" access means. Division staff contacted the software vendor for*

clarification on level "100" access; however, they were told the software is no longer supported and were unable to obtain information on the system.

Although we were unable to determine the definition of user access level "100", we were able to observe that all users are allowed access to edit and delete transactions and that these types of transactions are occurring. Division management does not review unusual transactions or edits within *Infinity* to ensure they are warranted and appropriate. Allowing users access to edit and delete transactions, combined with the lack of edit reports, can result in the ability to alter records without accountability, exposing the Division to unnecessary risk of fraud and errors.

The Department is considering migrating to a new cashier system, *iNovah*, which is currently being used by other City Departments. However, until processes are reassessed to appropriately safeguard revenues, implementing a new cashiering system will not successfully mitigate the risk of fraud or errors.

Recommendations:

No. 11 – Division management should review edit and delete reports on a regular basis to ensure modifications to transactions are valid and explainable.

No. 12 - Prior to implementing a new cashiering system, the cashiering process in conjunction with other Department processes should be assessed to ensure the software is properly configured to accurately track, record, and safeguard revenues.

No. 13 - Management should establish processes and procedures that will allow fees recorded within NextGen EPM and Vital Records applications to be reconciled to the Infinity cashiering system. If a new cashiering system is implemented, it would be beneficial for it to contain an interface with other Department systems and the Citywide financial system, FAMIS.

No. 14 - User access in both NextGen EPM and Infinity should be evaluated and assigned to users based on their job responsibilities.

Appendix A

Management's Response

City of Long Beach
Working Together to Serve

Memorandum

Date: January 23, 2015

To: Laura Doud, City Auditor

From: Kelly Colopy, Director of Health & Human Services

Subject: Audit Response – Clinical Services & Vital Records Revenue Collection

Thank you for your professional and thorough audit of the Department of Health and Human Services (DHHS) Clinical Services and Vital Records revenue collection. DHHS management concurs with the recommendations outlined in the audit document to strengthen oversight, policies and procedures of the cash handling, clinical billing and vital records processes. While it is important to note that no fraud or misappropriation was identified in the audit, DHHS management agrees that improved systems are necessary to ensure none occur in the future.

The DHHS undertook billing for clinical and nursing services as a requirement of our grants and Medicaid and Medicare contracts. Due to resource constraints, this process was led by program staff without strong financial expertise. The expertise and support to develop the policies and procedures important to tracking and accountability has been limited. In addition, there have been significant staff reductions in Clinical Services and turnover at the administrative level, including:

- Clinical Services central intake staff was reduced from 17 people to 5; billing staff reduced from 5 to 3.
- A new Bureau Manager overseeing Clinical Services.
- Retirement and departure of key management staff, including Bureau Managers, Financial Services Officers and Department Director.

These reductions led to reduced oversight and support of the clinical billing, vital records and cash handling processes.

After the time period for the audit, a new Director for the Department was hired. Clinical billing was identified as an area of focus and, at the same time, the audit was initiated by the City Auditor's Office. While internal conversations have been taking place regarding restructuring of the billing and cash handling oversight, Department management was waiting for the outcome of this audit to determine any additional concerns and learn from the recommendations to improve the system.

The Department has gathered best practice models for cash and clinical billing, developed and implemented new procedures for improved oversight, and committed the time and resources to complete the electronic health record and billing system implementation by early 2016.

Our response to the audit findings is as follows:

1. **A lack of separation of duties creates a high risk of fraud or error.**

   We concur. While no fraud or error was identified in the audit, a lack of separation of duties did exist which created risk. The Department has built in a checks and balances process for cash collection and payments. It has also begun restructuring the Division to strengthen internal controls, including increased oversight by the DHHS Financial Services Officer and

Bureau Manager overseeing Clinical Services. In addition, the Department is undertaking a management review in February 2015 to ensure the Division is structured to support strong internal controls.

2. **Current revenue collection process is insufficient, inconsistent and not transparent.**

   We concur. Written policies and procedures covering the different aspects of cash handling, medical billing and vital records did not exist at the time of the audit. Procedures have been documented and implemented. The clients visiting the clinic have very different needs and schedules. Uninsured patients pay based on income (sliding fee) and for insured patients, different insurance companies reimburse different amounts for the same services. In addition, fees can be waived for medical necessity. While in practice, this looks like discretionary decision making, it is dictated by service and insurance. Written documentation has been developed to clarify the process. Daily reconciliation of receipts between NextGen and the Infinity Cashiering system is in place. In addition, the Department has implemented a tracking process and scanning system for Vital Records requests. Vital Records staff can no longer accept payments. All payments are accepted through the cashier.

3. **Outstanding revenue due to the City is unknown and not recorded.**

   We concur. The Department bills individuals and insurance companies for clinical services provided. At the time of the audit, written policies and procedures regarding tracking and reporting revenue collection were not well documented. At this time, Accounts Receivable reports are generated and reviewed regularly. New policies and procedures for collecting outstanding revenues are being developed.

4. **Considerable amount of write-offs with little or no documentation.**

   We concur. Generally, patients visiting the Department are screened for financial need and whether they have insurance or are eligible for Medi-Cal. Based on this screening, patients may have their fees waived, pay a reduced fee, a grant may cover their costs or the insurance is billed and the Department receives the contracted amount. A majority of the adjustments are made automatically in the billing system, however, many are manually entered. While the decision to write-off an amount is based on a set screening tool, reimbursement schedules or patient medical necessity, the procedures and tracking of what is written-off was not well documented at the time of the Audit. Procedures regarding write-offs have been developed and implemented, and a write-off report that documents contractual and manually entered adjustments is now generated and reviewed monthly.

5. **Systems not configured appropriately or being used adequately.**

   We concur. Planning and implementation of an effective patient scheduling/medical record/medical billing system has been an ongoing effort. The system has experienced many starts and stops based on limited resources and changing priorities during times of extensive budget cuts. New consultants were brought on as resources allowed, and released in the absence of resources. This significantly impacted a timely and effective implementation. The Department is currently working with the City's Technology and Innovation Department staff and NextGen to complete implementation of NextGen by early 2016. This includes reviewing and improving current billing processes. In addition the Department will implement the iNovah cashiering system by summer 2015, with NextGen integration soon after.