

Audit of the Orange County Medical Clinic – Secondary Care Services

**Report by the
Office of County Comptroller**

**Martha O. Haynie, CPA
County Comptroller**

County Audit Division

J. Carl Smith, CPA
Director

Christopher J. Dawkins, CPA
Deputy Director

Lisa A. Fuller, Senior Auditor, CIA, CGAP
In-Charge Auditor

Renee Anderson
Auditor

**Report No. 374
July 2006**

TABLE OF CONTENTS

Transmittal Letter	1
Executive Summary	2
Action Plan	4
Introduction	8
Background	9
Scope, Objectives, and Methodology	11
Overall Evaluation	15
Recommendations for Improvement	16
1. Source Documents Should Be Retained to Support Eligibility for the Secondary Care Program.....	17
2. The Pharmacy Should Enhance Their Inventory Management Procedures	18
3. OCMC Should Ensure Compliance with Contract Terms and Conditions.....	21
4. Rates Paid for Services Should Conform to Contract Rates	24
5. Oversight of Executed Contracts Should Be Enhanced	25
6. Access to Confidential Patient Information Should Be Restricted to Orange County Employees	26
7. Incompatible Job Functions Should Be Adequately Segregated.....	27
8. Reports of Payments Processed by a Third Party Should Be Routinely Reviewed	28
9. Job Descriptions and Titles Should Match Actual Responsibilities	29
10. Program Related Forms Should Be Consistently Completed and Retained	29

July 18, 2006

Richard T. Crotty, County Mayor
And
Board of County Commissioners

We have conducted an audit of the Orange County Medical Clinic. The audit was limited to a review of internal controls over activities related to Orange County Medical Clinic's Secondary Care Program and supporting pharmacy. The period audited was October 1, 2004 through March 31, 2005. In addition, certain testing of the inventory management system was performed for the period July 2005 through August 2005. Our audit was conducted in accordance with generally accepted government auditing standards, and included such tests as we considered necessary in the circumstances.

Responses to our Recommendations for Improvement were received from the Assistant Manager of the Medical Clinic as well as the Pharmacy Director and are incorporated herein.

We appreciate the cooperation of the personnel of the Orange County Medical Clinic during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator
Larry A. Jones, Director, Health and Family Services Department
Dr. George Ellis, Medical Director, Orange County Health Services Division
Margaret Brennan, Assistant Manager, Orange County Medical Clinic
Shari Hopwood, Pharmacy Director, Orange County Medical Clinic

EXECUTIVE SUMMARY

Executive Summary

We have conducted an audit of Orange County Medical Clinic's (OCMC) Secondary Care Program and supporting pharmacy. The objectives of the audit were to assess internal controls as they relate to establishing program eligibility, authorizing services, utilizing program funding in a cost effective manner, ensuring providers are properly licensed, and safeguarding patient information. We also assessed the controls the pharmacy has in place over cash receipts as well as ordering, safeguarding, and dispensing pharmaceuticals. The period under audit was from October 1, 2004 to March 31, 2005. In addition, certain testing of the inventory management system was performed for the period July 2005 through August 2005.

OCMC is a unit within the Health Services Division of the Health and Family Services Department. OCMC provides secondary medical services (i.e., oncology, cardiology, urology, neurology, etc) including physician, nursing, basic x-ray, laboratory, and limited pharmacy services to eligible uninsured Orange County adults with low incomes.

In our opinion, OCMC has adequate controls over the core processes described above. Opportunities for improvement were observed and are described in the Recommendations for Improvements section of this report. The recommendations include:

OCMC should enhance their policies and procedures regarding the collection and retention of source documents and program forms utilized to establish eligibility to the secondary care program.

OCMC Pharmacy should improve their inventory management procedures to include establishing a perpetual inventory record for non-controlled substances and ensuring all items added to and removed from the physical inventory are entered in the Pharmacy database. In addition the Pharmacy should enhance inventory procedures by utilizing a physical log to record receipts and disbursements for all controlled substance classes and ensuring access to controlled substances is limited to licensed pharmacists.

OCMC should ensure compliance with contract terms and conditions. We noted instances in which additional funding was provided for services included in the scope of the contract; goods and services provided were not included in the contract document; and, rates billed did not conform to rates stipulated in the contract document. We also found instances in which OCMC was not ensuring that agencies submitted statistical data relative to services provided as defined in the contract document.

The Orange County Medical Clinic concurred with all of the Recommendations for Improvement. Corrective action is either underway, planned, or completed.

ACTION PLAN

**AUDIT OF THE ORANGE COUNTY MEDICAL CLINIC – SECONDARY CARE SERVICES
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We recommend OCMC Management enhances their policies and procedures on eligibility to include specifying what documentation should be collected and retained during the eligibility interview.	✓			✓	
2.	We recommend the Pharmacy Director performs the following:					
A)	Establish perpetual inventory records for non-controlled substances;	✓				✓
B)	Ensure all items added to and removed from the physical inventory are entered in the Pharmacy database and the physical inventory is periodically reconciled to the perpetual record;	✓			Completed	
C)	Enhance inventory procedures by utilizing a physical log to record receipts and disbursements for all controlled substance classes; and,	✓			Completed	
D)	Ensure controlled substances remain locked and limit access to licensed pharmacists.	✓			Completed	
3.	We recommend OCMC Management performs the following:					
A)	As specified in Article II of contract Y5-2065, obtain documentation to support the Pharmacy's dispensing of prescriptions to HCCH patients under an "alternative methods of distribution demonstration grant";	✓			✓	
B)	Ensure OCMC's practices relative to payment for radiology services conform to the contract document; and,	✓			✓	

**AUDIT OF THE ORANGE COUNTY MEDICAL CLINIC – SECONDARY CARE SERVICES
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
3. C)	Establish a formal agreement with HCCH for the goods and services that are not included in other contract documents with HCCH. We further recommend OCMC request the County Attorney to review the agreement.	✓			✓	
4.	We recommend OCMC Management compares the amounts billed to the contract prices to ensure conformance with the fee schedule contained in the contract.	✓			✓	
5.	We recommend OCMC Management requires the agencies to submit the data as specified in the contract documents. We further recommend OCMC Management reviews the reports for completeness and compliance with contract requirements.	✓			✓	
6.	We recommend OCMC Management enhances their policies and procedures to ensure only properly authorized Orange County employees have access to confidential patient records.	✓			Completed	
7.	We recommend OCMC Management enhances their policies and procedures to ensure employees who approve medical bills for payment do not have access to create referrals. In addition, an exception report showing all instances where the person who created the referral also granted eligibility should be generated, reviewed, and appropriately approved by management.	✓			✓	
8.	We recommend OCMC Management reviews and analyzes reports provided by the medical bill payer on a periodic basis to ensure the accuracy of data reported.	✓			✓	

**AUDIT OF THE ORANGE COUNTY MEDICAL CLINIC – SECONDARY CARE SERVICES
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
9.	We recommend OCMC Management works with Human Resources to review job duties to ensure employees are properly classified and their positions held are correctly titled.	✓			✓	
10.	We recommend OCMC Management enhances their policies and procedures on eligibility, specifying the forms and steps needed for their completion and retention.	✓			✓	

INTRODUCTION

Background

The Orange County Medical Clinic (OCMC) is a unit within the Health Services Division of the Health and Family Services Department. OCMC provides secondary medical services (i.e., oncology, cardiology, urology, neurology, etc.) including physician, nursing, basic x-ray, laboratory, and limited pharmacy services to eligible uninsured Orange County adults with low incomes.

OCMC had a budget of \$26.5 million for the 2004-2005 fiscal year, including \$11.9 million for the funding of the Inter-Governmental Transfer (IGT) Program. The IGT program provided a 17.5 percent match to the County funds that were transmitted to the state Medicaid program. The IGT funds (\$11.9 million provided by the County, plus the 17.5 percent match) were returned to the local hospitals that are eligible for Disproportionate Share Hospital Medicaid funds (Florida Hospital and Orlando Regional Healthcare). The IGT funds are being utilized for the payment of secondary care services provided by OCMC as well as to provide funding for the County's Primary Care Access Network and the hospitals that provide high levels of uncompensated care.

OCMC has a network of medical specialists who have agreed to provide secondary care services to eligible patients on a volunteer and/or discount basis. Physicians who wish to donate their services must be enrolled with SpecialCare of Central Florida, Inc.; a partnership between the Orange County Medical Society and Orange County Government. The Access to Health Care Act (Florida Statutes 766.1115) extends the State's sovereign immunity¹ to eligible physicians and hospitals that treat indigent patients without compensation. Volunteer physicians decide if they prefer to treat patients in their private office (Special Care) or at the County's medical clinic facility (Volunteer In-House).

Physicians who are reimbursed for services provided are typically reimbursed at 80 percent of the allowable Medicare

¹ A health care provider under contract with the state may not be named as a defendant in any action arising out of medical care or treatment provided under contracts entered into under F.S. 766.1115 (4).

INTRODUCTION

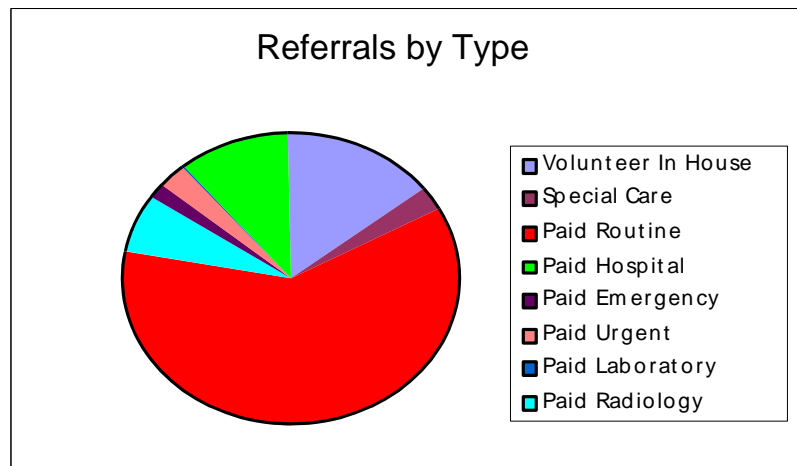


rates and are not protected by the State's sovereign immunity. All bills for services provided are forwarded to OCMC where they are reviewed to ensure the services were authorized. The approved bills are forwarded to a third party for payment.

In order to access Orange County's Secondary Care Program, patients must be referred by a primary care provider who is part of the County's Primary Care Access Network. Patients must meet the following eligibility criteria:

- Orange County resident
- US citizen
- 18 years or age or older
- Income equal to or below 125 percent of the Federal Poverty Level
- Not eligible for other medical resources (i.e., private health insurance, Medicare, full Medicaid, Veteran's benefits, etc.)

Once a client is granted eligibility for secondary care services an assessment is made on their condition and the patient is referred to the appropriate specialist. Consideration is given to the urgency of the patient's condition as well as the availability of resources when deciding to place a patient with a volunteer provider or with a paid provider. For the six-month period under review, the OCMC issued 7,089 referrals (15% Volunteer In-House, 2.45% Special Care, 82.55% Paid).



OCMC also operates a pharmacy. The pharmacy maintains a formulary and dispenses prescription medications to patients who are eligible for the following programs: OCMC Secondary Care, Health Care Center for the Homeless, Medicare – Medications Only Program, and emergency room one-time fills. The formulary contains both controlled and non-controlled substances. Controlled substances are regulated under existing federal law and are described in Schedules I-V of S. 893.03 (Drug Abuse Prevention and Control). The placement into a particular schedule is based upon the substance's medical value, harmfulness, and potential for abuse or addiction. Schedule I is reserved for the most dangerous drugs that have no recognized medical use, while Schedule V is the classification used for the least dangerous drugs.

**Scope, Objectives,
and Methodology**

The scope of the audit included a review of internal controls over activities related to OCMC's Secondary Care Program and supporting pharmacy. The audit did not include a review of the activities performed by the Primary Care Access Network (PCAN) to which the County is a member. However, we did review OCMC's oversight of the Comprehensive Medical Services Agreement that provides funding to the PCANs. Although the audit included an assessment of controls relative to safeguarding confidential patient information, it should be noted that a full Health Insurance Portability and Accountability Act (HIPAA) compliance review was not conducted. The period under audit was from October 1, 2004 to March 31, 2005. In addition, certain testing of the inventory management system was performed for the period July 2005 through August 2005.

The objectives of the audit were to determine whether OCMC's:

- A) Controls are adequate to ensure eligibility of patients and proper authorization of secondary care services;
- B) Oversight is adequate to ensure program funding is used in a cost effective manner;

- C) Oversight is adequate over providers to ensure they are properly licensed and sovereign immunity is maintained;
- D) Controls are adequate to ensure patient information is safeguarded; and,
- E) Controls over cash receipts as well as ordering, safeguarding, and dispensing pharmaceuticals are adequate.

To determine whether controls are adequate to ensure OCMC provides services to eligible patients, we selected a sample of patients who received secondary care services and reviewed documented evidence that the patient met the program's eligibility criteria. We also verified that patient eligibility data was accurately entered in the Softscape System (client database); eligibility was granted by appropriate personnel; referrals were processed in a timely manner; and, required forms, such as consent for treatment and privacy disclosures, were signed by patients.

To determine whether controls are adequate to ensure secondary care services are properly authorized, we selected a sample of patients and verified the patient's eligibility was current on the date of service. We verified the services provided were authorized before they were rendered and were not on OCMC's exclusion list. We tested to determine whether the number of visits authorized was reasonable, referrals were granted by appropriate personnel, and proper follow-up was conducted when necessary.

To determine whether OCMC has adequate oversight to ensure program funding is used in a cost effective manner we performed the following:

- We selected a sample of medical bills paid by the third party bill processor and verified the procedures billed were for authorized services provided to eligible OCMC patients. We also ensured the providers were reimbursed at the agreed-upon rate.

- We selected a sample of invoices for contracted services paid by the third party bill processor and verified the rates paid corresponded with the contract rates. We reviewed OCMC's procedures for monitoring the services provided by the contracted agencies and the usage of County funds.
- We analyzed the payments processed during our audit period to verify payments were not for services referred to volunteer providers and duplicate payments were not made. We also verified medical bills were paid timely.
- We verified whether OCMC was properly handling patients identified as having other medical benefits. For a sample of patients identified as having full coverage, such as Medicare or Medicaid, we verified patients were terminated from the County's program and reimbursement was sought for services rendered after the other coverage was effective. For a sample of patients identified as having partial coverage, such as Share of Cost Medicaid, we verified OCMC did not pay more than the patient's share of cost deductible for the services provided during any given month.
- We verified whether physicians who agreed to provide services on a voluntary basis were being adequately utilized.
- We selected a sample of patients who received waivers for their prescription medication co-payments and verified that the waivers were appropriately provided to needy patients.

To determine whether OCMC has adequate oversight to ensure physicians are properly licensed and sovereign immunity is maintained, we performed the following:

- We selected a sample of physicians who provided services during our audit period and verified that they had a clear and active license to practice medicine in

Florida. We also verified that the pharmacist maintained a current license and adequate controls were in place to ensure pharmacists utilized on a temporary basis were properly licensed. We verified that the Pharmacy has a current permit, Drug Enforcement Agency (DEA) license, and approval from the Board of Pharmacy for its pharmacist to technician ratio.

- We selected a sample of services provided on a voluntary basis and ensured the necessary forms were properly completed to maintain sovereign immunity. We tested to ensure the provider was an approved volunteer; the completed forms were returned to the OCMC in a timely manner; and the forms were signed by the volunteer provider, patient, and authorized OCMC employee.

To determine whether controls are adequate to ensure patient information is safeguarded, we verified that OCMC established written policies and procedures to provide guidance to employees on protecting confidential health information. We tested to determine whether employees were trained on confidentiality issues. We also selected a sample of medical record requests and verified the records were released to authorized parties after proper documentation was obtained.

To determine whether controls over cash receipts as well as ordering, safeguarding, and dispensing pharmaceuticals are adequate, we performed the following:

- We calculated the amount of co-payments that should have been collected for prescriptions dispensed on a sample of days. We compared the calculated amounts to the amounts actually collected. We also ensured the amounts collected matched the amounts deposited.
- We selected a sample of invoices and verified that the substances were paid for at the contract price and

that a licensed pharmacist signed for controlled substances. We selected a sample of medications used by the Pharmacy and verified they were listed on the formulary.

- We reviewed the Pharmacy's inventory management procedures. We selected a sample of controlled substances and ensured the amount on hand matched the amount in the perpetual inventory record.
- We selected a sample of orders dispensed and verified they were supported by a prescription and filled properly. We also verified whether the patients receiving medications were eligible for at least one of the programs the Pharmacy supports.

Overall Evaluation

In our opinion, OCMC has adequate controls over its core processes. Specifically, it is our opinion that controls are adequate to ensure the following:

- Eligibility of patients and proper authorization of secondary care services;
- Program funding is used in a cost effective manner;
- Providers are properly licensed and sovereign immunity is maintained; and,
- Patient information is safeguarded.

It is also our opinion that controls at the Pharmacy over cash receipts as well as ordering, dispensing and safeguarding pharmaceuticals are adequate. Opportunities for improvement were noted and are described herein.

RECOMMENDATIONS FOR IMPROVEMENT

1. Source Documents Should Be Retained to Support Eligibility for the Secondary Care Program

OCMC does not consistently retain source documents used to determine whether patients meet the eligibility criteria established for the secondary care program. As a result, we were unable to verify whether 94 percent (28 of 30) of the patients reviewed met all of the established criteria for the secondary care program. In addition, without the supporting documentation, we were unable to verify the accuracy of data entered in the database and relied upon by other OCMC employees.

OCMC eligibility procedures (sections I-III) require that specific criteria be taken into account when determining whether a patient is eligible to receive services. However, the procedures do not contain examples of the documents that qualify as evidence for all the eligibility criteria (i.e., proof of age, citizenship/legal status, the number of individuals in the family). In addition, the procedures do not specifically require OCMC employees to retain the documented evidence reviewed to determine a patient's eligibility.

Without prescribing and retaining physical evidence to support the eligibility decision, OCMC does not have a mechanism for ensuring eligibility is granted consistently and in conformance with established policies. OCMC could potentially be providing services to patients who do not qualify for the program.

We Recommend OCMC Management enhances their policies and procedures on eligibility to include specifying what documentation should be collected and retained during the eligibility interview.

Management's Response:

Concur and underway. Patients are initially screened for income eligibility by the Federally Qualified Health Centers before they are referred from primary care to OCMC

secondary care services. Once referred, the County completes a second eligibility screening.

Florida Administrative Code 64F-11.002 Client Eligibility for Sovereign Immunity for SpecialCare (secondary services) states. "The applicant's self declaration of income and expenses is acceptable for eligibility determination."

A more restrictive eligibility determination process was implemented by the County; to ensure that income and USA and County residency documents be reviewed by the eligibility specialists at the time of interview. OCMC had not previously required that documentation be retained in the patient's records. We agree to enhance our procedures on eligibility, specifying what documentation should be collected and retained during the eligibility review.

2. The Pharmacy Should Enhance Their Inventory Management Procedures

We noted the following relative to the Pharmacy's inventory management procedures:

- A) The Pharmacy does not maintain a perpetual inventory record for non-controlled substances. In addition, it came to our attention that a single employee is responsible for ordering, receiving, and stocking medications as well as assisting with conducting the annual physical inventory. The lack of segregation of duties coupled with the lack of a perpetual inventory system places the Pharmacy at a higher risk for undetected errors, omissions, and possible intentional loss of inventory.
- B) The annual physical inventory does not provide a reconciliation of what should be on hand. We noted the balance from the previous inventory period was not carried forward and used as the starting point for the most current inventory performed. Also, certain movements in physical inventory (i.e., removal of expired products and return of filled prescriptions that

**RECOMMENDATIONS
FOR IMPROVEMENT**



were not picked-up) were not entered in the Pharmacy database and considered in the inventory process. As a result, the Pharmacy is not able to determine the quantity of substances that should be on hand.

- C) The Pharmacy does not maintain a physical log (in addition to the computerized record) to track the supply of class III-V controlled substances as they do for class II controlled substances. We noted the amount on hand for five of the twenty controlled substances tested did not match the amount contained in the computerized record. All of the substances for which differences were noted were class III-V substances. The amount on hand matched the perpetual inventory record for all eight of the class II controlled substances in our sample.

Substance Name	Class	Format	Amount In Computer	Amount On Shelf	Overage/ (Shortage)
Hydrocodone & Acetaminophen (Vicodin/Lortab)	3	Pills	2522	2380	(142)
Alprazolam (Xanax)	4	Pills	1383	1381	(2)
Lorazepam (Ativan)	4	Pills	413	411	(2)
Hydrocodone-APAP	3	Fl oz	1346	868	(478)
Diphenoxylate/Atropine	5	Pills	218	158	(60)

- D) The cabinet in which controlled substances are retained is kept unlocked during the business day. Given the nature of these items it would be in the Pharmacy’s best interest to limit access to properly authorized personnel such as licensed pharmacists.

Best practices require adequate controls be in place to ensure inventories are properly accounted for and safeguarded. The maintenance of perpetual inventory records would serve as a check on Pharmacy employees, provide information essential to adequate purchasing

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Orange County
Medical Clinic - Secondary
Care Services

control, and be particularly useful in the taking of physical inventories. Through the reconciliation of perpetual records to actual counts, the reliability of the inventory will be maintained on a continuing basis.

We Recommend the Pharmacy Director performs the following:

- A) Establish perpetual inventory records for non-controlled substances;
- B) Ensure all items added to and removed from the physical inventory are entered in the Pharmacy database and the physical inventory is periodically reconciled to the perpetual record;
- C) Enhance inventory procedures by utilizing a physical log to record receipts and disbursements for all controlled substance classes; and,
- D) Ensure controlled substances remain locked and limit access to licensed pharmacists.

Management's Response:

- A) Concur and planned. Florida pharmacy law does not require implementation of a total perpetual inventory. This would be an enormous undertaking for an already operational pharmacy; however, consideration will be taken when transitioning to the new prescription software package in late 2006 for creating a perpetual system.
- B) Concur and completed. A system has been implemented, effective April 1, 2005, whereby items removed from stock for EMS and those designated as expired products are documented in the pharmacy database as removed from inventory.
- C) Concur and completed. Florida pharmacy law does not require a perpetual inventory for CIII-CV controlled substances. We concur that a discrepancy

was noted in the controlled substances indicated. Due to the fact that the pharmacy has had to utilize the services of agency pharmacists for many months, a physical inventory log sheet has been implemented to serve as a double-check with the already established computerized perpetual inventory for the CIII-CV controlled substances.

- D) Concur and completed. The unlocked controlled substance cabinet noted by the audit representative was an isolated incident. Over the past nine months the pharmacy has utilized the services of a staffing agency to provide temporary pharmacist labor. Staffing coverage from the agency is inconsistent (never the same pharmacist) and results in the need to train a new temp on a daily basis. The Orange County Medical Clinic Pharmacy staff complies with the "Physical Plant, Security, and Inventory" SOP which states "The pharmacy door shall remain locked at all times when a pharmacist is not present. Additional locked compartments inside the pharmacy will secure all Class II controlled substances. Only a registered pharmacist currently employed by the pharmacy will have access." Pharmacy technicians are not given access to the controlled substance cabinet.

3. OCMC Should Ensure Compliance with Contract Terms and Conditions

We noted the following relative to compliance with contract No. Y5-2065 between Orange County and Health Care Center for the Homeless (HCCH):

- A) OCMC is unable to provide evidence that they obtained the necessary "alternative methods of distribution demonstration grant" to dispense medications on HCCH's behalf. Article II of the contract includes a provision for Orange County to dispense prescription medications on HCCH's behalf upon approval and proper execution of an "alternative

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Orange County
Medical Clinic - Secondary
Care Services

methods of distribution demonstration grant.” HCCH prescriptions represent more than half of all prescriptions filled by the OCMC Pharmacy (17,170 out of 31,730 or 55 percent). The County may be providing services to HCCH patients without having obtained the proper approval and therefore, may not be adequately protected from liability arising from lawsuits.

- B) OCMC allows for the payment of radiology services provided to HCCH patients in addition to the amount included in the base contract funding for services rendered. Contract Y5-2065 provides HCCH a sum not to exceed \$700,000 to support the provision of primary care services, including prescription drugs, laboratory, and radiology, to uninsured, underinsured and medically indigent residents of Orange County. For example, OCMC authorized to pay \$32,574 for radiology services provided during December 2004. The amount authorized included \$2,270 (7 percent) for radiology services provided to HCCH patients. By authorizing to pay the radiology services provided to HCCH patients, OCMC is allowing additional funds to be used for services included in the contract amount.
- C) OCMC provides additional goods and services to HCCH that are not included in the existing contract document. This includes allowing HCCH to utilize space at OCMC’s facility, placing pharmaceutical orders on HCCH’s behalf as well as deciding which medications to order with the available funds, providing HCCH medications from OCMC’s stock, and assisting HCCH with medical record filing and retrieval. Without a formal agreement, the County may not be adequately protected from liability arising from lawsuits related to tasks performed on HCCH’s behalf at OCMC’s facility.

Controls should be in place to ensure contractually required documents are obtained and retained as well as to ensure additional payments are not made for items included in a contract’s scope of services. In addition, formal agreements

should be established to document the terms and conditions for goods and services provided to external agencies.

We Recommend OCMC Management performs the following:

- A) As specified in Article II of contract Y5-2065, obtain documentation to support the Pharmacy's dispensing of prescriptions to HCCH patients under an "alternative methods of distribution demonstration grant";
- B) Ensure OCMC's practices relative to payment for radiology services conform to the contract document; and,
- C) Establish a formal agreement with HCCH for the goods and services that are not included in other contract documents with HCCH. We further recommend OCMC request the County Attorney to review the agreement.

Management's Response:

- A) Concur and underway. While the Pharmacy is not required by law to obtain approval for the dispensation of medication on behalf of another agency, we shall ensure that contracts reflecting such language are updated and held in compliance.
- B) Concur and underway. Future contracts shall specify practices relative to payment for radiology services and expenditures reviewed to ensure contract compliance.
- C) Concur and underway. HCCH has relocated and is no longer co-located at OCMC. We agree that a formal agreement for goods and services provided by the County to other healthcare partners is beneficial. Future arrangements of this type shall be formalized in a contract and reviewed by our legal and risk management staff.



4. Rates Paid for Services Should Conform to Contract Rates

During our review, we noted that the rate billed by the laboratory did not conform to the rate specified in the contract for 32 percent (17 of 53) of the laboratory tests included in our sample. The difference in the rates for 14 of the noted items was equal to or less than one dollar. For the remaining three items noted, the County overpaid \$640.93.

Description of Laboratory Procedure	Procedure Code	Rate Billed	Contract Rate	Diff
Hemochromatosis	83890	\$400.00	\$1.07	\$398.93
Hepatitis C Genotype	87902	\$311.00	\$190.00	\$121.00
Hepatitis C Genotype	87902	\$311.00	\$190.00	\$121.00
Total Difference				\$640.93

Contract No. Y3-144 for laboratory services contains a fee schedule detailing the test names, current procedural terminology (CPT) codes, and corresponding prices that are covered by the contract. In addition, section 5.1 of the contract, entitled “County Special Pricing”, prescribes that any test ordered that is not listed on the fee schedule shall be billed at thirty percent of list price or Medicare reimbursable rates, whichever is less.

We Recommend OCMC Management compares the amounts billed to the contract prices to ensure conformance with the fee schedule contained in the contract.

Management’s Response:

Concur and underway. OCMC cross checks to ensure that an approved physician (through secondary services) has requested the bills that are paid. This is done through arrangements with our third party payer, Sun Belt Medical Management (SMM). The three examples cited above did result in overpayment.

OCMC will perform a random audit of bills paid by SMM on a quarterly basis and will continue to maintain a close relationship with SMM to ensure that errors are kept to a minimum.

5. Oversight of Executed Contracts Should Be Enhanced

The OCMC is not ensuring that agencies are submitting statistical data relative to services provided as defined in the contract document. We noted the following relative to the reports required in the four contracts (Y5-2062, Y5-2063, Y5-2064 and Y5-2065) reviewed:

- None of the three applicable agencies (Y5-2062, Y5-2063, and Y5-2065) have been providing the required Quarterly Pharmacy Utilization report. This report provides the County with the patients accessing special funding for non-formulary medications.
- The data provided by three of the four agencies (Y5-2062, Y5-2063, and Y5-2065) did not fully satisfy the requirements for the Quarterly Patient Census and Quarterly Services Provided Reports. These reports provide the County with data relative to the volume of new and existing clients serviced by the agencies as well as the number and type of client encounters that occurred during the reporting period.

The County is not receiving the data needed to perform adequate oversight of the services provided. Without receiving timely information regarding service levels provided, the County is unable to assess whether the contracted agencies are meeting expectations and funding amounts are justified.

We Recommend OCMC Management requires the agencies to submit the data as specified in the contract documents. We further recommend OCMC Management reviews the reports for completeness and compliance with contract requirements.

Management's Response:

Concur and underway. The contracted agencies are required to submit Uniform Data Set (UDS) utilization information to the Federal Government annually. They

provide this information to the County per contract on an annual basis. During this audit period the reports were not received in a timely manner. In addition to the UDS, the contracted agencies provide the County with monthly patient utilization data. This information was available at the time of the audit. The Pharmacy Utilization Reports had not been received by the providers at the time of the audit.

We agree to implement a quality assurance process. This will ensure the timely submission of the required reports from each of the contracted agencies.

6. Access to Confidential Patient Information Should Be Restricted to Orange County Employees

Through the course of the audit it came to our attention that an employee of a contracted vendor providing services at the medical clinic had access to computerized patient records. Without adequate controls, sensitive data such as confidential patient information may be compromised resulting in a liability to the County. Access to such information should be restricted to properly authorized Orange County employees.

We Recommend OCMC Management enhances their policies and procedures to ensure only properly authorized Orange County employees have access to confidential patient records.

Management's Response:

Concur and completed. OCMC strives to ensure HIPPA compliance and provides the necessary training. We have reviewed and enhanced our procedures. Contracted staff and/or agencies will agree, in writing, to uphold patient confidentiality when assigned to work at OCMC.

7. Incompatible Job Functions Should Be Adequately Segregated

We noted instances where incompatible job functions do not appear to be properly segregated. For example, we noted that an employee with the authority to grant eligibility to the secondary care program also had the ability to provide patient referrals to the program. During our testing, we found that this person made ten percent (3 of 30) of the patient referrals reviewed (however, the employee did not grant eligibility for the patients in question). In addition, the employee responsible for approving medical invoices had created four medical referrals during the audit period.

Good internal controls require incompatible job functions to be adequately separated or other compensating controls (such as exception reports showing all instances where the person who created the referral also granted eligibility) be utilized to ensure only authorized referrals are made. In addition, individuals who approve billed services for payment should not be able to originate and approve referrals for those services.

We Recommend OCMC Management enhances their policies and procedures to ensure employees who approve medical bills for payment do not have access to create referrals. In addition, an exception report showing all instances where the person who created the referral also granted eligibility should be generated, reviewed, and appropriately approved by management.

Management's response:

Concur and underway. To meet the workload, without hiring additional personnel, OCMC staff are cross-trained to work in multiple areas. OCMC will work with IS to enhance the system to generate an exception report showing instances where an employee generated both the eligibility approval and created the referral. To provide continuity of health care services there are times however, when an individual responsible for referrals may need to extend an eligibility

date. Should this occur, written documentation will be noted in the computer system.

Further, the billing clerk has been informed that due to database constraints she cannot update client records for billing purposes as it will inaccurately show her as the eligibility worker. Since the audit, the billing clerk has consistently referred all eligibility issues to the appropriate eligibility worker.

8. Reports of Payments Processed by a Third Party Should Be Routinely Reviewed

We were informed that OCMC does not routinely review reports of payments processed by the medical bill payer. Through the course of the audit, we noted 153 payments processed without an OCMC authorization number. Of these 153 payments, we found nine that were processed in error. We also tested for duplicate payments during the audit period and noted three payments that were duplicate payments. The medical bill payer overpaid approximately \$1,700 for the noted items.

Although the above referenced errors appear to be isolated, good internal controls require adequate monitoring of the usage of County provided funding. At a minimum, this review should include scanning the payments for items not containing an Orange County authorization number and duplicate payments. Without such a review, potential errors will not be detected and corrected in a timely manner.

We Recommend OCMC Management reviews and analyzes reports provided by the medical bill payer on a periodic basis to ensure the accuracy of data reported.

Management's Response:

Concur and underway. We will review and analyze reports provided by the third party payer on a quarterly basis to ensure the accuracy of the data reported.

9. Job Descriptions and Titles Should Match Actual Responsibilities

The job titles for some OCMC employees do not match their actual responsibilities and, as a result, the job descriptions for those employees do not reflect the duties actually performed. For example, the primary responsibility for two employees assigned the Assistance Interviewer job title is to refer patients to appropriate specialists. Also, the primary responsibility for an employee assigned the Administrative Specialist job title is to review and approve all medical bills received for the secondary care program.

A job description is a tool that is useful in evaluating both job candidates as well as employees' minimum qualifications for performing a job and establishes performance standards for the position. If accurate job descriptions are not available for open or filled positions, it becomes difficult for managers, employees and candidates to determine the eligibility requirements and performance standards. Additionally, if assigned job titles do not accurately reflect job responsibilities the employee may be under or over compensated.

We Recommend OCMC Management works with Human Resources to review job duties to ensure employees are properly classified and their positions held are correctly titled.

Management's Response:

Concur and underway. OCMC Management will work with Human Resources to review job duties to ensure employees are properly classified and their positions are correctly titled.

10. Program Related Forms Should Be Consistently Completed and Retained

Forms used by OCMC during the eligibility process are not consistently completed and retained. For the 30 patients reviewed, we noted the following:

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Orange County
Medical Clinic - Secondary
Care Services

- Seven percent (2 of 30) of the patients reviewed did not have a current, signed copy of the Consent for Medical Treatment and Release of Protected Health Information form. Without this form, OCMC does not have documented permission to provide the patient with medical services as well as documented permission to release their Protected Health Information for the purpose of treatment, payment, and health care operations.
- Thirty-three percent (10 of 30) of the patients reviewed did not have a current, signed copy of the Secondary Care Medical Screening form. This form is used to determine whether the patient has insurance or other benefits that may cover their current medical condition. Patients who are eligible for other medical resources may be granted access to the OCMC's Secondary Care Program.
- Twenty-seven percent (8 of 30) of the patients reviewed did not have a current, signed copy of the Member Benefits and Responsibilities form. This is used to inform patients of their rights and responsibilities as a member of OCMC's secondary care program. Patients could be receiving services without acknowledging they understand their rights and responsibilities as patients of the Secondary Care Services Program.

Standard operating procedures require OCMC staff to maintain signed, up-to-date copies of these forms for all of their patients; however, there are no written procedures informing staff of when to collect these forms or how they should be maintained once collected.

We Recommend OCMC Management enhances their policies and procedures on eligibility, specifying the forms and steps needed for their completion and retention.

**RECOMMENDATIONS
FOR IMPROVEMENT**



Audit of the Orange County
Medical Clinic - Secondary
Care Services

Management's Response:

Concur and underway. We agree to enhance our procedures on eligibility, specifying what documentation should be collected and retained during the eligibility review.