

**Follow-Up of the Audit of the  
Orange County Medical Clinic  
– Secondary Care Services**

**Report by the  
Office of County Comptroller**

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September 2, 2010

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

We have conducted a follow-up of the Audit of the Orange County Medical Clinic – Secondary Care Services. Our original audit, Report No. 374, included the period of October 1, 2004 to March 31, 2005. Testing of the status of the previous Recommendations for Improvement was performed for the period April 1, 2009 through September 30, 2009.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require 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.

The accompanying Follow-Up to Previous Recommendations for Improvement presents a summary of the previous condition and the previous recommendation. Following the recommendations is a summary of the current status as determined in this review.

We appreciate the cooperation of the personnel of the Health Services Department during the course of the audit.

Martha O. Haynie, CPA  
County Comptroller

c: Ajit Lalchandani, County Administrator  
Dr. George Ralls, Director, Health Services Department  
Margaret Brennan, Manager, Orange County Medical Clinic

**IMPLEMENTATION STATUS OF  
PREVIOUS RECOMMENDATIONS  
FOR IMPROVEMENT**

**FOLLOW-UP OF ORANGE COUNTY MEDICAL CLINIC – SECONDARY CARE SERVICES  
STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT**

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
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;		✓		
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.	✓			
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,	✓			

**FOLLOW-UP OF ORANGE COUNTY MEDICAL CLINIC – SECONDARY CARE SERVICES  
STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT**

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
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 enhances their policies and procedures to ensure only properly authorized Orange County employees have access to confidential patient records.		✓		
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.		✓		

**FOLLOW-UP OF ORANGE COUNTY MEDICAL CLINIC – SECONDARY CARE SERVICES  
STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT**

<b>NO.</b>	<b>PREVIOUS RECOMMENDATION</b>	<b>IMPLEMENTATION STATUS</b>			
		<b>IMPLEMENTED</b>	<b>PARTIALLY IMPLEMENTED</b>	<b>NOT IMPLEMENTED</b>	<b>NOT APPLICABLE</b>
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.		✓		
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



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## INTRODUCTION



Follow-Up Audit of the Orange  
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### Scope and Methodology

The scope was limited to an examination of the status of the previous Recommendations for Improvement from the Audit of the Orange County Orange County Medical Clinic – Secondary Care Services, Report No. 374, issued in July of 2006. Testing of the status of the previous recommendations was performed for the audit period April 1, 2009 through September 30, 2009.

We interviewed personnel in the Orange County Medical Clinic (OCMC), reviewed source documents, and performed the tests necessary to determine the implementation status of the previous recommendations. We have described the specific methodologies utilized during our review after the implementation status of each recommendation in the Follow-Up to Previous Recommendations for Improvement section of this report.

**FOLLOW-UP TO PREVIOUS  
RECOMMENDATIONS FOR  
IMPROVEMENT**



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

During our original audit we noted OCMC does not consistently retain source documents used to determine whether patients met the eligibility criteria established for the secondary care program. 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.

**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.

**Status:**

Implemented. OCMC has developed written guidelines on both the eligibility criteria and process. The guideline on eligibility included, but is not limited to definitions of terms, criteria, and forms of documentation required for residency, income documentation, eligibility period, and medical home. The eligibility guideline contains detailed steps for going through the process and the forms to be used and retained to document the process. We reviewed a sample of patient files and all contained sufficient documentation to determine eligibility for the secondary care program.

**2. The Pharmacy Should Enhance Their Inventory Management Procedures**

During the original audit we noted the following relative to the Pharmacy's inventory management procedures:

- A) Although not required by Federal or State Pharmacy regulations, the Pharmacy did not maintain a perpetual inventory record for non-controlled substances.

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- B) The annual physical inventory did not provide a reconciliation of what should be on hand and 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. We also noted not all movements in physical inventory were entered in the Pharmacy database or considered in the inventory process.
- C) The Pharmacy did not maintain a physical log (in addition to the computerized record) to track the supply of class III-V controlled substances and we noted the amount on hand for five of the twenty controlled substances tested did not match the amount contained in the computerized record.
- D) The cabinet where controlled substances were kept was unlocked during the business day.

**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.

**Status:**

- A) Implemented. The new pharmacy management software system does not interface with the State

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contract vendor the Pharmacy is required to use, so additions to the system must be made manually. Inventory is automatically deducted when a prescription is dispensed with a system generated prescription number. We traced a sample of drugs purchased and dispensed and found all were accounted for, except we discovered that one invoice had been recorded in the system twice, once by the input technician and a second time by the Pharmacist.

- B) Partially Implemented. The Pharmacy conducted a baseline inventory at the start of the current fiscal year. Differences detected between what was on-hand and what was recorded in the system were not reconciled to the computerized records. However, all controlled substances on-hand are continuously reconciled through the use of a paper log. Although expired controlled substances are removed from the inventory system when removed from the physical inventory, non-controlled drugs are not. The Pharmacy does keep a report of the expired non-controlled drugs that are removed from the physical inventory for their records.

**We Again Recommend** the Pharmacy Director ensures 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) Implemented. As noted above, all controlled substances are recorded on a log and the log is updated every time a prescription is filled or a purchase received.
- D) Implemented. There are two locked cabinets containing controlled substances in the Pharmacy and only the two pharmacists have keys. During our review, we noted the cabinet was kept locked.



**3. OCMC Should Ensure Compliance with Contract Terms and Conditions**

During our previous review of contract No. Y5-2065 between Orange County and Health Care Center for the Homeless (HCCH), we noted the following:

- A) OCMC was unable to provide evidence that they obtained the necessary "alternative methods of distribution demonstration grant" to dispense medications on HCCH's behalf. The contract included a provision for Orange County to dispense prescription medications on HCCH's behalf upon approval and proper execution of an "alternative methods of distribution demonstration grant." During this time HCCH prescriptions represented more than half of all prescriptions filled by the OCMC Pharmacy.
- B) OCMC allowed for the payment of radiology services provided to HCCH patients in addition to the amount included in the base contract funding for services rendered.
- C) OCMC provided additional goods and services to HCCH that were not included in the existing contract document such as allowing HCCH to utilize space at OCMC's facility, placing pharmaceutical orders on HCCH's behalf, providing HCCH medications from OCMC's stock, and assisting HCCH with medical record filing and retrieval.

**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";

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- 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.

**Status:**

- A) Not Applicable. The contract provision was deleted and HCCH is no longer located in the same building with the OCMC and no longer uses OCMC's Pharmacy.
- B) Implemented. The current contract with HCCH, No Y8-2075, has been amended to remove the term "radiology" from its scope of services. Both Orange County and the Health Department shared in the equipment cost which is housed at the Medical Clinic, but owned by the Health Department. The technician who operates the equipment is paid for through Inter-Governmental Transfer (IGT) Program funds through a contract with Orange County and a private vendor. IGT funds are 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.
- C) Not Applicable. As noted above, the HCCH has relocated and there is no longer a need to share staff, materials, or equipment.



**4. Rates Paid for Services Should Conform to Contract Rates**

During our initial review, we noted that the rate billed by the laboratory did not conform to the rate specified in the contract for 32 percent of the laboratory tests included in our sample.

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

**Status:**

Implemented. We selected several patients from a sample of radiology and laboratory invoices submitted for payment during our audit period. We compared the amount billed on the invoice to the contracted amount for services performed. The contract for radiology services stated OCMC would be billed 84 percent of the prevailing Medicare allowance, but our testing indicated that the 2008 Medicare rates were used instead of the 2009 rates that should have been used based on our interpretation of the contract language. When contacted, the vendor provided an e-mail that stated they interpreted the contract terms to utilize the 2008 rates throughout the entire contract period (could be renewed for one more year) due to the contract being initiated in 2008. As these rates are less than the 2009 rates, this interpretation is in the County's financial advantage. As such, we have no further recommendation.

**5. Oversight of Executed Contracts Should Be Enhanced**

The OCMC was not monitoring to ensure that agencies under contract for providing primary medical and dental care related to the primary care access networks were submitting statistical data relative to services provided as required in the contract documents during our original audit. We noted



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the following relative to the reports required in the four contracts reviewed:

- None of the three agencies providing medical related services had been providing the required Quarterly Pharmacy Utilization report that provides the County with the patients accessing special funding for non-formulary medications.
- The data provided by three of the four agencies 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.

**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.

**Status:**

Implemented. We obtained copies of the above noted reports for the audit period that were submitted to OCMC by the various agencies that provided primary medical care to qualifying low-income Orange County residents. All three agencies providing medical services have been providing the required Quarterly Pharmacy Utilization report. As required in their contracts with the County, the data is now broken down by clinic and details both new and established patients in the Quarterly Patient Census and Quarterly Services Provided Reports provided by all four agencies. OCMC Management noted they periodically review these reports and data is presented in management meetings.

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

Through the course of the original 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.

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

**Status:**

Partially Implemented. Through review of users that have access to the client data on the computer applications, we found that the contractor's access has been removed. However, during the course of the audit, we identified active user identifications of individuals that are now working in other areas, on other jobs, or are no longer employed by the County. This was brought to management's attention and they informed us that access was promptly terminated. Additionally, we noted that management does not consistently retain access approval, transfer, and termination documentation. We understand that OCMC management is currently implementing procedures to monitor and review user access and privileges on a periodic basis.

**We Recommend** OCMC strengthen their user access termination procedures to ensure and verify that user access and privileges are removed or adjusted as appropriate when an employee is terminated or transfers to a different part of the organization. OCMC should retain user access user administration documentation (i.e. user access approval, transfers and terminations) as appropriate for their organization.



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**7. Incompatible Job Functions Should Be Adequately Segregated**

During the original audit, we noted instances where incompatible job functions did 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. In addition, the employee responsible for approving medical invoices had created four medical referrals during the audit period.

**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.

**Status:**

Partially Implemented. Although we did not note any employees during our testing who certified a patient's eligibility and also referred them for treatment or approved payment for any medical bill, OCMC's current system can not produce an exception report for such activity nor can it be programmed to deny access to certain functions. Management plans during the on-going implementation of their new system to restrict eligibility access to those who approve medical bills for payment. They also plan to create an exception report showing any instances where the person who created the referral also granted eligibility. Prior to our follow-up, a new guideline was developed in which the billing staff are not permitted to perform the task of determining patient eligibility.

**We Again Recommend** OCMC Management generate an exception report showing all instances where the person who created the referral also granted eligibility that can be reviewed and appropriately approved by management.



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

During the initial audit 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, three of which were processed in error. We also tested for duplicate payments during the audit period and noted three payments that were duplicate payments which resulted in an overpayment of approximately \$1,700 for the noted items.

**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.

**Status:**

Partially Implemented. Subsequent to the prior audit, the medical bill payer reports of amounts paid were modified and no longer contain sufficient data to perform a review to ensure all claims paid were authorized. The prior reports referenced the authorization number for each claim payment. The current reports received do not contain a claim number, and as such, an effective review to ensure all payments made were authorized is not feasible. Management stated they do review the reports and compare totals as part of their review process, but this review would not detect an unauthorized payment.

During our testing, we did not note any unauthorized claims paid or other material inconsistencies in our analysis of all the monthly bill payer reports received during the audit period. Management stated that an interface between the new computer system being developed and the bill payer's system will be created to streamline the bill approval and payment process. This will provide an efficient means to ensure all payments were authorized.



**We Recommend** OCMC Management develop a method in the new electronic medical records (EMR) or Centricity system to ensure all claims paid were approved.

**9. Job Descriptions and Titles Should Match Actual Responsibilities**

During the previous audit, we noted the job titles and related job descriptions for some OCMC employees did not match their actual responsibilities. For instance, we noted the primary responsibility for two employees assigned the Assistance Interviewer job title was to refer patients to appropriate specialists and the primary responsibility for an employee assigned the Administrative Specialist job title was to review and approve all medical bills received for the secondary care program.

**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.

**Status:**

Implemented. OCMC Management stated that the Administrative Specialist position has been reviewed and documentation has been completed to reclassify it to a Fiscal Coordinator. Management is working with the Human Resources Department to complete this process. This is the only position that Management has decided to reclassify because the job duties have changed.

**10. Program Related Forms Should Be Consistently Completed and Retained**

Forms used by OCMC during the eligibility process were not consistently completed and retained during our initial review. We noted not all patient files reviewed contained a current, signed copy of the Consent for Medical Treatment and

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Release of Protected Health Information form, the Secondary Care Medical Screening form, or the Member Benefits and Responsibilities form.

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

**Status:**

Implemented. As noted in 1 above, OCMC has developed written guideline on both the eligibility criteria and process. We reviewed a sample of patient files and all contained sufficient documentation and required forms to determine eligibility for the secondary care program.