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November 7, 2018

Dr. Gayle E. Hutchinson, President
California State University, Chico
400 W. First Street
Chico, CA 95929

Dear Dr. Hutchinson:

Subject: Audit Report 18-08, Student Health Services, California State University, Chico

We have completed an audit of *Student Health Services* as part of our 2018 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

I have reviewed the management response and have concluded that it appropriately addresses our recommendations. The management response has been incorporated into the final audit report, which has been posted to Audit and Advisory Services' website. We will follow-up on the implementation of corrective actions outlined in the response and determine whether additional action is required.

Any observations not included in this report were discussed with your staff at the informal exit conference and may be subject to follow-up.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,



Larry Mandel
Vice Chancellor and Chief Audit Officer

c: Timothy P. White, Chancellor



The California State University
Audit and Advisory Services

STUDENT HEALTH SERVICES
California State University, Chico

Audit Report 18-08
October 18, 2018

EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of campus operational, administrative, and financial controls over the administration of student health services (SHS) activities and to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

CONCLUSION

We found the control environment for some of the areas reviewed to be in need of improvement.

Based upon the results of the work performed within the scope of the audit, except for the weaknesses described below, the operational, administrative, and financial controls for SHS as of August 16, 2018, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

In general, we noted that the campus had an appropriate framework for the administration of health services; however, we identified some areas needing improvement. We noted that the president or designee's approval was not obtained for the Student Health Center (SHC) to provide augmented services or participate in the governmental health program Family PACT, or for the SHC pharmacy to fill prescriptions written by off-campus licensed health care professionals. Additionally, the SHC did not submit a projected budget to the campus budget office in the past two fiscal years. We also found that SHC accounts receivable were not being administered in accordance with systemwide policy addressing accounts receivable, including observations related to segregation of duties, accounting oversight, controls over balance write-offs, and establishment of an allowance for uncollectible accounts. Also, administration of the pharmacy inventory needed improvement, as processing exceptions resulted in inconsistencies in a reconciliation of the inventory to the records. We also noted several areas for improvement in the campus athletic training program, including the lack of a designated physician in charge of medical oversight of the athletic medicine program, and, therefore, a lack of approval of athletic medicine policies and procedures manual by a designated physician. In addition, because the athletic medicine program did not have written policies and procedures until May 2018, the athletic department was unable to demonstrate that it met requirements for the safeguarding of medical records and the scope of service protocols for each health care provider in the program. Additionally, the quality assurance program described in the manual had not been fully put into practice. We also found that the SHC had not implemented written policies for control of access to the facility, and that the process to grant access to the facility was not formally documented. Further, the SHCs pharmacy door was not locked at all times.

Specific observations, recommendations, and management responses are detailed in the remainder of this report.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. PRESIDENT OR DESIGNEE AUTHORITY

OBSERVATION

The campus was unable to provide documentation demonstrating approval from the president or designee for several services, as required by Executive Order (EO) 943, *Policy on University Health Services*, and Coded memorandum Academic Affairs (AA) 2015-08, *Clarifications to EO 943*.

Specifically, the campus could not provide documented approval for:

- Elective physical examinations and elective immunizations, both augmented services, provided by the SHC.
- The filling of prescriptions written by off-campus licensed health care professionals.
- Participation in the government program Family PACT.

Proper written approval for significant elements of SHS helps ensure that responsibilities are identified and assigned and provides greater assurance of compliance.

RECOMMENDATION

We recommend that the campus obtain and maintain written documentation from the president or designee documenting approval for the SHC services noted above.

MANAGEMENT RESPONSE

We concur. The campus will obtain and maintain written documentation from the president or designee documenting approvals for the SHC services noted above.

Completion date: March 31, 2019

2. BUDGET PROCESS

OBSERVATION

The SHC did not prepare and monitor a budget with projected revenues and expenses for fiscal years 2016/17 and 2017/18.

Integrated California State University Administrative Manual (ICSUAM) §2002.00, *Budget Oversight*, requires campuses to establish policies that address the level and frequency of review of budgeted performance.

Budgets enable SHC staff to more easily identify incorrectly categorized revenues and expenses, overspending, and other accounting trends and anomalies on a monthly basis, and enhance financial planning.

RECOMMENDATION

We recommend that the campus ensure that the SHC prepare and monitor budgets to comply with the CSU policy for budget oversight.

MANAGEMENT RESPONSE

We concur. The campus will ensure that the SHC prepares and monitors budgets to comply with the CSU policy for budget oversight.

Completion date: March 31, 2019

3. ACCOUNTS RECEIVABLE MANAGEMENT

OBSERVATION

Accounts receivable in the SHC were not administered in compliance with requirements of ICSUAM §3130.01, *Accounts Receivable Management*.

The SHC managed its own detailed account receivables in its electronic health records system, Point and Click, reporting balances at the end of fiscal periods to the campus accounting department for financial reporting. These accounts receivable consisted primarily of invoices for reimbursement from Family Pact, a state-funded program that provides comprehensive family-planning services to low-income individuals. Receivables tended to age due to the complicated reimbursement process for the Family Pact program.

We reviewed the accounts receivable process at the SHC and found that:

- The process lacked appropriate segregation of duties; a single employee of the SHC had simultaneous responsibility for invoicing Family Pact and patients, generating the monthly reported collections and outstanding balances, and determining and writing off uncollectable balances.
- Campus procedures were not sufficient to provide campus accounting staff the necessary authority and means to oversee the decentralized accounts receivable, in accordance with the campus obligation to ensure that funds are safeguarded to prevent loss of revenue.
- The SHC had not established procedures identifying thresholds for accounts receivable write-offs or requirements for managerial review and approval of those that exceeded the threshold.
- The SHC did not establish an allowance for uncollectable accounts to estimate the anticipated losses for non-payment, nor did it report these estimates to the campus accounting staff.

ICSUAM §3130.01 addresses the administration of accounts receivable and includes specific requirements to accurately account for receivables in the campus general ledger and to establish an allowance for uncollectible accounts, thresholds for initiation of collection efforts, and a process for approving write-offs.

Following established policies for administration of accounts receivable allows the campus to meet the objective to safeguard funds and prevent loss of revenue.

RECOMMENDATION

We recommend that the campus:

- a. Establish appropriate segregation of duties for individuals administering SHC accounts receivable.
- b. Establish procedures that provide campus accounting staff the necessary authority and means to oversee the decentralized accounts receivable in the SHC.
- c. Establish procedures in the SHC for identifying thresholds for accounts receivable write-offs and requirements for managerial review and approval of those that exceed the threshold.
- d. Establish an allowance for uncollectible accounts for the SHC accounts receivable.

MANAGEMENT RESPONSE

We concur. The campus will work with SHC to:

- a. Establish appropriate segregation of duties for individuals administering SHC accounts receivable.
- b. Establish procedures that provide campus accounting staff the necessary authority and means to oversee the decentralized accounts receivable in the SHC.
- c. Establish procedures in the SHC for identifying thresholds for accounts receivable write-offs and requirements for managerial review and approval of those that exceed the threshold.
- d. Establish an allowance for uncollectible accounts for the SHC accounts receivable.

Completion date: March 31, 2019

4. INVENTORY CONTROLS

OBSERVATION

Administration of pharmacy inventory of prescription medicines needed improvement to provide assurance of accurate records.

We selected six medications from the pharmacy formulary list, performed an actual count and reconciliation to the inventory records in the ProPharm pharmacy system, and found that:

- The pharmacy had not recorded the relocation of two epi pens into mobile medical supply bags for use in the SHC.
- The inventory indicated a negative number for one of the medications selected.
- The entire inventory (12 tablets) for a malaria medication was missing. Pharmacy staff indicated that the tablets were removed because they were dormant, but inventory records had not been updated.
- The physical count of an ointment to treat allergies was found to be 15 items short of the 45 listed on the inventory list.

Proper inventory controls can help pharmacy staff more quickly and accurately identify shortages and overstock of certain prescriptions and reduce the risk of loss or theft.

RECOMMENDATION

We recommend that the campus revise pharmacy procedures to include periodic pharmacy inventory reconciliations, removal of expiring stock, and inventory location changes, as well as accurate and timely updates to the inventory tracking system.

MANAGEMENT RESPONSE

We concur. SHC will revise pharmacy procedures to include periodic pharmacy inventory reconciliations, removal of expiring stock, and inventory location changes, as well as accurate and timely updates to the inventory tracking system.

Completion date: March 31, 2019

5. ATHLETIC TRAINING PROGRAM

OBSERVATION

Oversight of the campus athletic training program needed improvement to comply with EO 943, *Policy on University Health Services*.

Specifically, we found that:

- There was no designated physician responsible for medical oversight of the athletic training program.
- The policies and procedures manual governing athletic training and medicine was not written until May 2018, and due to the lack of a designated physician, the campus could not comply with a requirement for policy review and approval by this individual.

- The athletic training department could not provide evidence that there were written protocols describing the scope of service for each health care provider in athletics and the safeguarding of student medical records prior to the creation of the manual.
- The athletics department was developing, but had not put into practice, a quality assurance program.

Adherence to the systemwide regulations concerning athletic medicine can strengthen the quality of care provided, reduce confusion for program staff, and help to ensure that changes to policies and procedures abide by proper medical practices.

RECOMMENDATION

We recommend that the campus:

- a. Designate a physician to assume the responsibility for medical oversight over the athletic training program, including reviewing and approving changes to policies and procedures and ensuring inclusion of required policies on scopes of service and safeguarding of student medical records.
- b. Continue to develop and implement a quality assurance program for the athletics department.

MANAGEMENT RESPONSE

We concur. The campus will:

- a. Designate a physician to assume the responsibility for medical oversight over the athletic training program, including reviewing and approving changes to policies and procedures and ensuring inclusion of required policies on scopes of service and safeguarding of student medical records.
- b. Continue to develop and implement a quality assurance program for the athletics department.

Completion date: March 31, 2019

6. FACILITY SECURITY

OBSERVATION

The SHC did not maintain physical security policies in accordance with EO 943, *Policy on University Health Services*.

We reviewed policies and observed operations in both the SHC clinic and the pharmacy, and we found that:

- The SHC had not implemented written policies for the control of access to the facility, as required in EO 943.
- The SHC director or clinic administrators approved key and access card assignments, but the process was informal, and no documented authorizations were retained.
- The campus pharmacy was not locked at all times.

Strict enforcement of physical access controls at health facilities can help to reduce the risk of theft.

RECOMMENDATION

We recommend that the campus:

- a. Develop and implement written policies for facility access control.
- b. Ensure that the SHC director and clinic administrators formally approve key and access cards, and maintain documented authorizations.
- c. Lock the pharmacy at all times.

MANAGEMENT RESPONSE

We concur. The campus will work with SHC to:

- a. Develop and implement written policies for SHC facility access control.
- b. Ensure that the SHC director and clinic administrators formally approve key and access cards, and maintain documented authorizations.
- c. Lock the pharmacy at all times.

Completion date: March 31, 2019

GENERAL INFORMATION

BACKGROUND

The primary health entity on each California State University (CSU) campus is the student health center. EO 943, *Policy on University Health Services*, outlines the health services that campuses may provide, funding sources for these services, and the conditions for adding additional services or increasing fees. The EO also addresses qualifications of health care providers, operational expectations for pharmacies, facility safety and cleanliness, medical records management, accreditation, and oversight responsibilities. Although the EO focuses primarily on the scope and activities of the SHCs, it includes sections that are applicable to other campus programs providing student health care, such as intercollegiate athletics and intramural sports. In 2015, the systemwide office for Academic and Student Affairs issued AA-2015-08, which provides additional clarification to requirements in EO 943, including oversight expectations for health-related services provided in conjunction with academic degrees, and guidelines for use of government agency programs.

Health services are funded in part by two mandatory student fees: a health services fee covering basic health services and a health facilities fee to support the health center facility. Each SHC may provide augmented services and either impose a fee-for-service for each augmented service rendered or a fee that allows unlimited use of all augmented services provided by the SHC. It can also elect to not impose additional fees provided that provision of the augmented services in the fee budget does not affect delivery of the required basic services. These fees are described in EO 1102, *California State University Fee Policy*, and can be changed only after a student referendum or a consultation that allows meaningful input and feedback from appropriate campus constituents. The California State University, Chico (CSU Chico) campus increased its student health services fee in the Spring 2018 semester after conducting both an alternative consultation process and a student referendum. The proposed fee increase will be phased in over five years, beginning with the Fall 2018 term.

Each campus SHC and its pharmacy must obtain accreditation every three years from a nationally recognized and independent review agency, such as the Accreditation Association for Ambulatory Health Care (AAAHC). In addition, pharmacies are subject to periodic inspections by the California State Board of Pharmacy.

At the Office of the Chancellor, the student academic support department in the Academic and Student Affairs division is responsible for monitoring systemwide SHC activities and ensuring that campus SHCs comply with CSU management and regulatory policies. In addition, a systemwide SHS advisory committee meets at least twice per year to provide recommendations to the chancellor regarding revisions to applicable EOs. The committee also identifies and implements corrective measures for issues identified in the systemwide survey and accreditation report reviews.

A majority of CSU campuses have implemented systems and applications that facilitate a transition to electronic medical records (EMR), including some vendor applications designed specifically for university health services. Regulation over these emerging technologies include Health Insurance Portability and Accountability Act of 1996 (HIPAA), which establishes national standards for electronic health care transactions, and the Health Information Technology for Economic and Clinical Health Act, which addresses the privacy and security

concerns associated with the electronic transmission of health information. Although this audit assesses the security of medical records, it does not address HIPAA in depth, which generally is reviewed as a separate audit.

At CSU Chico, the SHS umbrella includes the SHC, the counseling and wellness center, the Campus Alcohol and Drug Education Center (CADEC), and Safe Place, a specialized outreach service for victims of sexual violence and stalking. Oversight and responsibility of these services is under the interim assistant vice president of student affairs, who reports to the vice president of student affairs. The campus SHAC, primarily composed of students, ensures that SHS align with the needs of campus students. The SHC provides eligible students with primary care, ambulatory care, lab testing, X-rays, prescription and over-the-counter medications, and augmented services, which include elective immunizations and elective physical examinations. The SHC has been accredited by the AAAHC, and the pharmacy is licensed by the California State Board of Pharmacy. The SHC uses Point and Click as its EMR system, which interfaces with other application systems, including ProPharm, the pharmacy system that facilitates prescriptions written by the SHC.

SCOPE

We visited the CSU Chico campus from July 16, 2018, through August 16, 2018. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in place and operative. The audit focused on procedures in effect from July 1, 2016, through August 16, 2018.

Specifically, we reviewed and tested:

- Campus administration of the SHC, including clear reporting lines and defined responsibilities, risk assessment, and current policies and procedures.
- SHC accreditation status and management responsiveness to recommendations made by the accreditation team.
- Procedures to confirm credentials and qualifications of clinical staff and other employees providing patient care.
- The definition and provision of basic and augmented health services in the SHC, including approval and eligibility for services.
- Health education programs for the student population.
- Administration of athletics medicine, including proper designation of responsible parties.
- Administration of pharmacy operations, including licensing and permit requirements, pharmacy formulary, dispensing, inventory, and physical security practices at the SHC and other areas on campus.
- On a limited basis, medical records management, including practices to ensure security and confidentiality.
- Measures to ensure the security of student health facilities.
- Fiscal administration, including the establishment of and subsequent changes to the mandatory health services fee, the appropriateness of the reserves generated by this fee,

methods to set and justify fees for augmented services, budgets and financial records, and revenue and expenditure transactions in health fee trust accounts.

- On a limited basis, services provided and invoiced as part of the governmental health program Family PACT.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

Our testing and methodology was designed to provide a review of key operational, administrative, and financial controls and included walkthroughs of the SHC, pharmacy, and athletics sports medicine program, as well as testing of a limited number of medical staff credentials, and revenue and expenditure transactions. Our review focused primarily on the SHC health center and athletics sports medicine program. Our review did not include the counseling and wellness center, CADEC or Safe Place.

CRITERIA

Our audit was based upon standards as set forth in federal and state regulations; BOT policies; Office of the Chancellor policies, letters, and directives; campus procedures; and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- EO 803, *Immunization Requirements*
- EO 877, *Designation of Health Care Components for Purposes of the Health Care Portability and Accountability Act of 1996 (HIPAA)*
- EO 943, *Policy on University Health Services*
- EO 1000, *Delegation of Fiscal Authority and Responsibility*
- EO 1069, *Risk Management and Public Safety*
- EO 1102, *CSU Student Fee Policy*
- ICSUAM §2002, *Budget Oversight*
- ICSUAM §3130.01, *Accounts Receivable Management*
- ICSUAM §8000, *Information Security*
- AA-2015-08, *Clarifications to EO 943*
- Code of Federal Regulations §164.308, *Administrative Safeguards*
- Government Code §13402 and §13403
- California Penal Code §11160 and §11161
- State Administrative Manual §8776, *Accounts Receivable*
- AAAHC Accreditation Standards
- CSU Chico SHC *Policies and Procedures*
- CSU Chico *Athletic Training Policies and Procedures Manual*

AUDIT TEAM

Audit Manager: Ann Hough
Internal Auditor: Allen Tung