



# Audit Department

500 S Grand Central Pkwy Ste 5006 • PO Box 551120 • Las Vegas NV 89155-1120  
(702) 455-3269 • Fax (702) 455-3893

Angela M. Darragh, CPA, CFE, CISA, Director

March 31, 2014

Mr. Don Burnette  
Clark County Manager  
500 South Grand Central Parkway, 6<sup>th</sup> Floor  
Las Vegas, Nevada 89106

Dear Mr. Burnette:

Per a UMC management request, we performed an audit of Enterprise Physicals Billing at University Medicare Center of Southern Nevada. Our objective was to determine whether the procedures for the Enterprise physical billing process provided reasonable assurance that the cash equivalents were safeguarded against asset misappropriation, billing procedures were consistent, collection efforts were appropriate, and write offs were approved. We performed a review of contracts, internal controls regarding cash equivalents, billing procedures, and collection efforts. Also, we reviewed the write offs performed during calendar year 2013.

We identified several opportunities for improvement in the billing and collection of payments for physicals performed at the Enterprise location. We found collection efforts were not documented for past due accounts, a lack of policies and procedures, and invoices were not consistently generated. Additionally, we found expired contacts and contracts which were not approved. Lastly, we found that date and endorsement stamps were not used for deposited checks.

We conducted the performance audit in accordance with generally accepted government auditing standards. Those standards required that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

A draft report was provided to the Revenue Cycle Director, and her response is included.

Sincerely,

Angela M. Darragh, CPA  
Audit Director



AUDIT DEPARTMENT

# Audit Report

University Medical Center of  
Southern Nevada

Enterprise Physicals Billing

March 2014

Angela M. Darragh, CPA, CISA, CFE  
Audit Director

**AUDIT COMMITTEE:**

*Commissioner Steve Sisolak*

*Commissioner Chris Giunchigliani*

*Commissioner Lawrence Weekly*

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**BACKGROUND** UMC contracts with and performs physicals for various businesses and other government agencies in the Las Vegas area such as the Clark County Fire Department, the Las Vegas Metropolitan Police Department, the Clark County Department of Aviation, and the Golden Nugget Hotel and Casino. These types of physicals are performed at UMC's Enterprise Quick Care location. In 2013, there were 10,052 physicals and drug screens performed for a total amount billed of \$1,834,343. These physicals are performed at UMC's Enterprise and Laughlin's Quick Care locations, however, billing and collections are performed at the Enterprise location.

**OBJECTIVES, SCOPE, AND METHODOLOGY** Our objective was to determine whether the procedures for billing and collections for the physicals performed at the Enterprise location provide reasonable assurance that assets are safeguarded against misappropriation.

In order to accomplish our objectives, we reviewed policies and procedures for the billing and collection of payments for physicals. We selected a judgmental sample of 11 contracts and reviewed them for proper approval. We also selected 7 deposits, traced them to the general ledger and bank statements, ensured that checks were logged prior to deposit, and ensured that checks were deposited within 3 business days. We reviewed 33 judgmentally selected invoices to ensure they were processed monthly. We reviewed 10 accounts receivable balances to make sure they were correct. Also, we reviewed an additional 11 accounts receivable balances to ensure collection efforts were documented and appropriate refunds were administered. Finally, we verified that all (3) write offs during the calendar year 2013 were properly approved.

We conducted this performance 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.

**RESULTS IN BRIEF** We identified several opportunities for improvement in the billing and collection of payments for physicals performed at the Enterprise location. We found collection efforts were not documented for past due accounts, a lack of policies and procedures, and invoices were not

consistently generated. Additionally, we found expired contacts and contracts which were not approved. Lastly, we found that date and endorsement stamps were not used for deposited checks.

## DETAILED RESULTS

### Accounts Receivable Internal Control Weaknesses (HIGH)

We performed a review of the accounts receivable process and identified the following internal control weaknesses:

1. Based on our review of 10 accounts, we found seven instances (70%) where copies of invoices were not kept to support the accounts receivable amount due.
2. Out of three accounts where copies of invoices were kept, two (67%) of the invoices on file did not match the total amount due.
3. Collection attempts were not documented for three of seven accounts receivable balances (43%).
4. We found that none of the four accounts receivable credit balances reviewed were submitted to the Business Office for refund, even though they were 120 days old.

Tracking accounts receivable amounts and establishing collection efforts are a vital part of the revenue cycle. Accounts receivable can be converted quickly to cash via collections. During the time of our audit, we found that staff did not use an accounts receivable aging report. This made collection efforts difficult, since not all past due amounts were easily identifiable. Additionally, without invoices on file with accurate amounts of the past due accounts, collection efforts can be delayed and/or not occur.

### *Recommendation*

1. Obtain an Accounts Receivable Aging Report from the Information Technology department on a monthly basis and use the information to target collection efforts.
2. Formalize a collection process, document all collection efforts and resubmit all past due invoices to vendors for payment.

3. Research credit accounts for accuracy and submit refunds to bring the accounts to the appropriate balance.

**No Policies and Procedures for the Billing and Collection process of Physicals (MEDIUM)**

The Enterprise location does not have formalized procedures for billing and collection for provided physicals. Written policies and procedures outline the specific authority and responsibility of individuals, providing for accountability, segregation of duties, and monitoring. They also provide direction to employees and help maintain consistent operation and accountability for actions.

*Recommendation*

1. Establish and approve billing and collection policies and procedures for the Enterprise physicals.
2. Provide training to all employees responsible for adhering to the policies and procedures.
3. Ensure compliance with the approved policies and procedures.

**Invoices Not Created Timely (MEDIUM)**

We reviewed 33 invoices for the period of June through July 2013, and found 12 instances (36%) when invoices were not created in the month after services were performed. Of the 12 instances, invoices were created ranging from 37 to 92 days after the date of service.

Invoices need to be created and submitted to customers in a timely manner in order to receive prompt and accurate payment for services rendered.

*Recommendation*

1. Create and distribute all invoices monthly.

**Expired and Unsigned Contracts (MEDIUM)**

During our review of 11 out of 34 contracts for physicals, we identified the following:

- The Clark County Water Reclamation District contract was not signed. According to Clark County Fiscal Directive No. 6 inter-local contracts of \$25,000 or less must be approved by the Chief Executive Officer. The Colorado Belle contract expired in 2005, but services were provided as recently as July 2013.

Without properly approved and signed contracts, UMC could be providing services at rates not approved by the appropriate authority. Additionally, when contracts are allowed to expire, services could continue to be provided at unapproved rates.

*Recommendation*

1. Review and update all contracts identified as expired or not signed by the appropriate individual.

**Check Receipt Internal  
Control Deficiencies (LOW)**

We performed testing of seven checks received on three dates in June, August, and September 2013 to ensure checks were deposited within 3 business days. However, the testing was inconclusive because, in the 6 out of 7 checks we reviewed, we found that when a date stamp was used, the stamp documented the date the check was sent to the bank, rather than the date the check was received. According to the Cash Posting Process memo, dated July 20, 2007, the normal process for depositing checks would be to:

1. Open mail and create deposits.
2. Date stamp all checks and endorse.

Not following these policies could create an opportunity for misappropriation of funds.

*Recommendation*

1. Endorse and date stamp all checks on receipt.

APPENDICES

Appendix A: Management Response Letter

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INTEROFFICE MEMORANDUM

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**TO:** ANGELA DARRAGH, DIRECTOR, CLARK COUNTY, AUDIT DEPARTMENT  
**FROM:** VIRGINIA CARR, DIRECTOR, REVENUE CYCLE, UMC  
**SUBJECT:** MANAGEMENT RESPONSE TO ENTERPRISE PHYSICALS BILLING AUDIT  
**DATE:** MARCH 19, 2014

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We respectfully offer the following in response to the Clark County Audit Department's Enterprise Physicals Billing Audit.

**Initial finding:** Internal Control Weakness in the Physicals Billing accounts receivable process.

**Concur:** Accounts receivable management of this business line should re-designed collaboratively with Patient Accounting and managed using aging reports and system billing processes. The Ambulatory Division with work with Finance to develop by 6/30/2014.

**Initial Finding:** No formalized procedures for billing and collections for contracted physicals.

**Concur:** Policies and procedures will be implemented as part of the re-design of the billing and collection function by 6/30/2014.

**Initial Finding:** Untimely invoicing.

**Concur:** To be resolved with the redesign of the invoicing function by 6/30/2014.

**Initial finding:** Contracts not properly approved and current.

**Concur:** Ambulatory Division will coordinate with Materials Management contracting to complete a full review of all existing contracts for compliance and timeframes and document in a shared spreadsheet for all areas to view by 6/30/14. Future contracts will be processed in coordination with Materials Management contracting effective from date of this response.

**Initial finding:** Checks incorrectly date stamped.

**Concur:** Cash posting procedures for these accounts will be redesigned by 6/30/2014, checks should be routed to Patient accounting directly and follow standard cash posting procedures.

We would like to thank the Clark County Audit Department for identifying these areas of potential loss exposure and providing recommendations for continued improvement.