



CITY OF SAN ANTONIO

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January 8, 2015

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SUBJECT: Follow-Up Audit Report of San Antonio Metropolitan Health District Laboratory Operations

Mayor and Council Members:

We are pleased to send you the final report of the Follow-Up Audit of San Antonio Metropolitan Health District Laboratory Operations. This audit began in August 2014 and concluded with an exit meeting with department management in November 2014. Management's verbatim response is included in Appendix C of the report. The San Antonio Metropolitan Health District management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

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CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Follow-Up Audit of San Antonio Metropolitan Health District
Laboratory Operations

Project No. AU14-F07

January 8, 2015

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted a follow-up audit of the recommendations made in the *Audit of the San Antonio Metropolitan Health District (Metro Health) - Lab Operations* dated August 20, 2013. The objective for this follow-up audit is:

Are prior audit recommendations successfully implemented and working as intended?

We determined that Metro Health has made progress implementing management action plans to address the prior audit recommendations. However, some improvement is still needed. In total, there were six recommendations made to Metro Health. Metro Health has successfully implemented five action plans, and one action plan involving the implementation of new information technology projects is still in progress.

Metro Health management's verbatim response is provided in Appendix C on page 8.

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Background

In August of 2013, the Office of the City Auditor completed an audit of the San Antonio Metropolitan Health District (Metro Health) Laboratory Operations. The objective of that audit was:

Are the laboratories operating in compliance with appropriate rules and regulations?

That audit found that the laboratories comply with State and Federal regulations for the lab functions related to: Water Bacteriology, Milk and Dairy, Immunology, Microbiology, and Syphilis Serology. The laboratories also had effective controls in place to ensure compliance with safety standards and to ensure timely receipt and appropriate processing and reporting of test samples. However, the report noted several areas from an administrative perspective where improvement was needed. These areas included cash handling, submission of medical services claims, accurate billing for Milk and Dairy tests, inventory, purchasing, and IT system security.

Audit Scope and Methodology

The audit scope was limited to the recommendations and corrective action plans made in the original report for the period from October 2013 to July 2014, with current processes as applicable.

We interviewed staff, observed inventory and cash control processes, reviewed standard operating procedures, and tested transactions using judgmental samples. Testing criteria included City Ordinances, Medicaid and Medicare fee schedules, administrative directives and internal standard operating procedures.

We relied on computer-processed data in the City's SAP accounting system to reconcile claims paid and validate cash deposits. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included comparing Explanation of Benefit letters and copies of checks to SAP transactions. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

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.

Prior Audit Recommendations and Status

A. Revenue collected for lab services

Prior Recommendation

The Director should implement end-of-day procedures for safeguarding cash and establish internal controls to comply with the City's AD 8.1 *Cash Handling*.

Status: Implemented

Metro Health has developed Standard Operating Procedures for cash handlers, and created compensating controls for situations in which requirements of AD 8.1 *Cash Handling* cannot be met. For example, even though cash handlers at the clinics share a single cash register, they each log in under their own ID for every transaction. Cash drawers and registers are counted and balanced by two people at the end of each day, sometimes at mid-day as well, depending on the amount of cash received. There are two cash handlers at each clinic, with backups available for lunch breaks and absences. At the main fiscal cashier's window, a single employee generally handles the window, with backups available for lunch breaks and absences, but a supervisor double-checks the end-of-day tallies, receipts (which are pre-numbered), and cash counts. Safes are inventoried on a regular basis and pin combinations used to open the safes are changed anytime an employee discontinues working as a cash handler.

B. Billing for Medicaid/Medicare eligible services

Prior Recommendation

The Department Director should establish and implement a process to ensure Medicaid/Medicare eligible services are billed accurately and within the required time frame. Rejected claims should be corrected and resubmitted timely.

Status: Implemented

Metro Health has implemented a process for submitting, tracking, and resubmitting/appealing claims for Medicaid eligible services. However, Metro Health had not yet started submitting claims for services rendered to those with Medicare, Medicare/Medicaid dual insurance, or CHIP (Children's Health Insurance Program). Metro Health was under the impression that Medicare and the other insurers would not reimburse it for the types of services it offered (STD testing and Tuberculosis testing and medical treatment). However, Metro Health now believes that at least some of these services are reimbursable and is currently identifying potential Medicare and dual Medicare/Medicaid claims from the past year (Metro Health has 365 days from the date of service to submit them to Medicare). Metro Health began submitting those claims on October 9, 2014.

C. Billing for laboratory tests

Prior Recommendation

The Director should establish and implement a process to review lab sample counts for accuracy before sending to the Fiscal Division for billing.

Status: Implemented

The Department implemented a peer review process in which one technologist tabulates the Milk and Dairy test counts and a second technologist also tabulates the test counts. Any differences in counts are resolved with both technologists' agreement on the tabulation reported. Final tabulations are sent to the Fiscal Operations Division for processing. We tested a judgmental sample of two months' tests and found no exceptions.

D. Physical inventories of consumables

Prior Recommendation

The Director should establish a standard process for conducting inventories and work with the Fiscal Division to update the list of lab consumables to ensure that the inventory value is accurately reported at the end of each year.

Status: Implemented

Inventory sheets were created for each program area in the laboratory. Inventory sheets are given to the program leads in each area on a monthly basis and tabulated. The sheets are returned to the laboratory inventory custodian and consolidated. Only "consumable" inventories are reported to Fiscal on a quarterly basis. According to the Consumables Inventory Policy, the inventory custodian will perform random audits to ensure that the reported information is complete and accurate.

E. Lab purchases

Prior Recommendation

The Director should ensure contracts are created for vendors that they anticipate purchasing goods/services totaling \$3,000 or more as required by AD 1.6 *Purchasing*.

Status: Implemented

Metro Health, in conjunction with the Purchasing Division of Finance, has analyzed its purchase history. Three larger contracts have been established for

items that are not widely available or for which Metro Health has strict requirements. Purchasing is in the process of establishing one or more contracts for the remaining items that are available from multiple vendors.

F. Lab's information management system

Prior Recommendation

The Director should strengthen security and access controls for the information management system and ensure compliance with the City's administrative directives implemented by the Information Technology Services Department (ITSD).

Status: Partially Implemented

The new laboratory information management system (StarLIMS by Abbott) is currently being implemented. It went live during the first week of September 2014, but had not been certified and accepted at the time of fieldwork. The service level agreement and system security plan are still in the draft stage.

We noted that two other information technology initiatives were also being introduced at Metro Health that would affect the laboratory operations processes:

- An electronic medical records system was being expanded to include patient billing (Netsmart).
- Electronic claims processing was being added to billing protocols (Availity).

Updated Recommendation

The Director of Metro Health should:

- Continue working with ITSD to complete the implementation and acceptance of the StarLIMS system, as well as the additional functionality for Netsmart, and Availity.
- Ensure that these information technologies have appropriate security and access controls and comply with City administrative directives and ITSD policies.
- Finalize all related Standard Operating Procedures, Service Level Agreements, and System Security Plans.

Appendix A – Recommendation Status Summary

No.	Original Report Recommendation	Current Status
1	A. The Director should implement end of day procedures for safeguarding cash and establish internal controls to comply with the City's AD 8.1 <i>Cash Handling</i> .	Implemented
2	B. The Department Director should establish and implement a process to ensure Medicaid/Medicare eligible services are billed accurately and within the required time frame. Rejected claims should be corrected and resubmitted timely.	Implemented
3	C. The Director should establish and implement a process to review lab sample counts for accuracy before sending to the Fiscal Division for billing.	Implemented
4	D. The Director should establish a standard process for conducting inventories and work with the Fiscal Division to update the list of lab consumables to ensure that the inventory value is accurately reported at the end of each year.	Implemented
5	E. The Director should ensure contracts are created for vendors that they anticipate purchasing goods/services totaling \$3,000 or more as required by AD 1.6 <i>Purchasing</i> .	Implemented
6	F. The Director should strengthen security and access controls for the information management system and ensure compliance with the City's administrative directives implemented by the Information Technology Services Department.	Partially Implemented

Appendix B – Staff Acknowledgement

Mark Bigler, CPA-Utah, CISA, CFE, Audit Manager
Susan Van Hoozer, CIA, CISA, Auditor in Charge
Michael Hurlbut, CISA, Auditor

Appendix C – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

November 21, 2014

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Acknowledgment and Corrective Action Plan for Follow-Up Audit of San Antonio Metropolitan Health District Laboratory Operations.

- Fully Agree (provide detailed comments)
- Agree Except For (provide detailed comments)
- Do Not Agree (provide detailed comments)

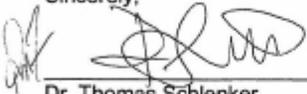
San Antonio Metropolitan Health District (Metro Health) has reviewed the audit report and has developed the Corrective Action Plans below for the "Partially Implemented" recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
F	<p>Lab's information management system</p> <p>The Director of Metro Health should:</p> <ul style="list-style-type: none"> Continue working with ITSD to complete the implementation and acceptance of the StarLIMS system, as well as the additional functionality for Netsmart, and Availity. Ensure that these information technologies have appropriate security and access controls and comply with City administrative directives and ITSD policies. Finalize all related Standard Operating Procedures, Service Level Agreements, and System Security Plans. 	7	Accept	A.Hollett / BRM, M.Wade / Lab Manager, P.Fenstermacher / Dir. Of Operations	TBD

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p>Action plan: SAMHD will continue with the implementation of Starlims which includes debugging minor issues and certifying the system with CLIA. (In-progress: estimated completion is 1/30/2015)</p> <p>Once Starlims is fully operational decommissioning of LABDAQ will commence. Access to LABDAQ is limited and the system will only be used to store data of previous lab results for the required retention period. Completion of this task is dependent on an evaluation of the data stored to assess the potential for extracting the data from the LABDAQ system and creating an alternative storage solution. (Completion: TBD)</p> <p>Starlims was built within the ITSD Secure Data Center and exceeds required security protocols. SAMHD procedures are already in place and documented for access control. Access is based on the rule of least privilege. (Completed)</p> <p>Maintenance and Support agreements are reviewed annually with the vendor. (Abbott/Completed)</p> <p>A Service Level Agreement is being implemented with ITSD which delineates how the system will be supported. (In-progress: TBD)</p>				

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,



 Dr. Thomas Schlenker
 Director
 San Antonio Metropolitan Health District

11-25-14

 Date



 Erik Walsh
 Deputy City Manager
 City Manager's Office

11/25/14

 Date