

COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

KATHERINE J. MARTINIS, CPA
Auditor-Controller
E-mail: kmartini@placer.ca.gov

ANDREW C. SISK, CPA
Assistant Auditor-Controller
E-mail: asisk@placer.ca.gov

May 18, 2010

Dr. Richard Burton, Director
Health and Human Services Department
379 Nevada Street
Auburn, CA 95603

Re: "VW" and "VO" Document Types Review

Dear Dr. Burton:

The Internal Audit Division of the Auditor-Controller's Office performed a review of "VW" (confidential document) and "VO" (voluminous document) document types generated by County Departments during the period from July 1, 2009 through December 31, 2009. Confidential "VW" documents are those that contain "personal information" as deemed by the California Civil Code Section 1798. "Personal information" means any information in any record about an individual that is maintained by an agency, including, but not limited to, his or her education, financial transactions, medical or employment history. Voluminous "VO" documents are limited exclusively to payment of Telecommunication Device Bills, (i.e. telephones, cell phones, pagers, Blackberries, etc.) normally with 51 pages or more of supporting documentation.

The purpose of this review was to determine whether adequate internal controls exist to provide reasonable assurance that document types "VW" and "VO" are used appropriately, payments are properly authorized, documentation is adequately retained and supports the payment, and sensitive information and voluminous supporting documentation are not being submitted to our office.

Based on our review, which consisted of a detailed review of selected documents and inquiries with the department personnel, we feel that internal controls over document types "VW" and "VO" are operating as designed with the exception of the items described below.

Invoice alterations

We noticed one instance in which the vendor reimbursement rate was changed (increased, handwritten over a hardcoded rate) without any explanation or authorizing initials/signature. According to the Accounting Policies and Procedures Manual, General Payment Guidelines "if an amount needs to be adjusted or corrected, a new invoice should be obtained from the vendor, except that, if the correction is a minor reduction in the amount, the department may

make the change, provided that the vendor is notified and the department notes this on the invoice, signs and dates it.”

We recommend the accounting and fiscal staff make a notation on the invoice of the reasons for minor invoice alterations as well as provide name and signature of official authorizing such changes.

Department Response:

We agree that a notation should be made whenever a change is made to an amount billed. However, in most instances, the changes made to VW documents are to comply with rates in a provider contract or agreed upon fee schedules. Documentation in the underlying systems support the actual amount paid and serves as the notation for the reason why a payment is being made at a level different than the amount billed. We feel that adherence to a contract or fee schedule is sufficient authorization and obtaining an official's signature on each invoice would delay the payment process.

With regards to the item found to be an exception in your review, a change was made based on a revised billing template that resulted in a minor payment increase. However, it was not evident why the change was made or how it was authorized. Staff will be instructed to make notes supporting the change in the event future invoice changes are warranted.

Inconsistent billing

We noticed one instance of inconsistent calculations of number of days billed by a vendor. The itemized invoice lists charges for 09/01/09 through 09/30/09 as 30 days (including first and last day), while 09/01/09 through 09/09/09 as 8 days (excluding either first or last.)

We recommend the accounting and fiscal staff carefully review invoices for accuracy and recalculate as necessary. In the case of this invoice, we recommend staff contact the service provider for clarification of their billing methods to ensure the County is not being erroneously charged.

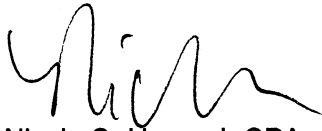
Department Response:

We agree with this recommendation and staff is instructed to verify the accuracy of invoices. In this case, the 8 day charge covering the period from 09/01/09 to 09/09/09 was correct because the client was discharged on 09/09/09. Standard medical billing practices provide that no payment is due related to the date of discharge. The 30 day charge covering the period from 09/01/09 to 09/30/09 was also correct because the client continued to receive care in the month of October and was not discharged on 09/30/09.

Additionally, a policy has been implemented that will ensure that providers of residential services clearly indicate on their invoice whether a client has been discharged in the service month, or is an on-going patient that will continue to receive care in the subsequent month.

The Department's responses to the recommendations identified in our review are included above. We did not audit the Department's responses and, accordingly, we express no opinion on them.

We appreciate the Department staff's courtesy and cooperation throughout the course of this review.

A handwritten signature in black ink, appearing to read "Nicole", with a stylized, flowing script.

Nicole C. Howard, CPA
Internal Audit Manager

cc: Graham Knaus, Administrative Services Director, HHS
Stan Hapak, Administrative & Fiscal Operations Manager, HHS
Katherine Martinis, Auditor-Controller
Placer County Audit Committee