

# AUDIT OF EMERGENCY MEDICINE OPERATIONS

## THE UNIVERSITY OF NEW MEXICO

Report 2019-02  
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THE UNIVERSITY OF  
NEW MEXICO.

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## ABBREVIATIONS

|                        |  |
|------------------------|--|
| ACGME .....            | Accreditation Council for Graduate Medical Education |
| EM.....                | Emergency Medicine Department                        |
| EMS .....              | Emergency Medical Services                           |
| EMSA .....             | Emergency Medical Services Academy                   |
| HSC.....               | Health Sciences Center                               |
| IA .....               | Internal Audit                                       |
| PCard.....             | Purchasing Card                                      |
| SOM.....               | School of Medicine                                   |
| SRMC .....             | Sandoval Regional Medical Center                     |
| SRS .....              | Safety and Risk Services Department                  |
| UAP .....              | University Administrative Policies                   |
| UNM / University ..... | University of New Mexico                             |
| UNMH .....             | University of New Mexico Hospital                    |
| UNMMG.....             | UNM Medical Group, Inc.                              |

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## **EXECUTIVE SUMMARY**

The mission of the School of Medicine (SOM) Emergency Medicine (EM) Department is to provide outstanding emergency care to patients, to give the very best education possible to EM providers, and to prepare the next generation of EM leaders.

An audit of EM was selected for completion during the FY 2019 Internal Audit plan. The primary goals of the audit were to:

- Perform a financial analysis of the department
- Assess internal controls over business processes
- Determine compliance with UNM policies and procedures and specific department requirements

The following areas were evaluated and tested for compliance:

- Revenue Accruals
- Cash Disbursements, including Purchasing and Accounts Payable, and Purchasing Card (PCard) transactions
- Endowed Gifts
- Inventory Management
- Training and Credentialing

## **CONCLUSION:**

Based on audit procedures performed, the School of Medicine EM department has sound internal controls for its business processes and complies with UNM policies and procedures and departmental requirements pertaining to training and credentialing. IA did not identify reportable conditions involving internal control deficiencies or non-compliance with UNM policies and procedures or specific departmental requirements.

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## **INTRODUCTION**

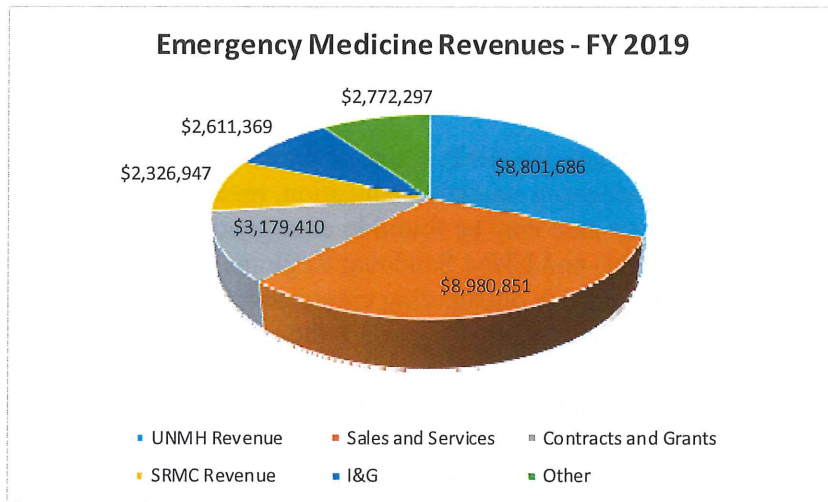
### **BACKGROUND**

The Department of Emergency Medicine (EM) is one of the 19 departments of the UNM School of Medicine. EM focuses on emergency medicine education, research, and clinical care, offering an array of programs. Emergency care may be found in emergency departments at the University of New Mexico Hospital (UNMH) and UNM Sandoval Regional Medical Center (SRMC). The mission of the Department is to provide outstanding emergency care to patients, to give the very best education possible to EM providers, and to prepare the next generation of EM leaders.

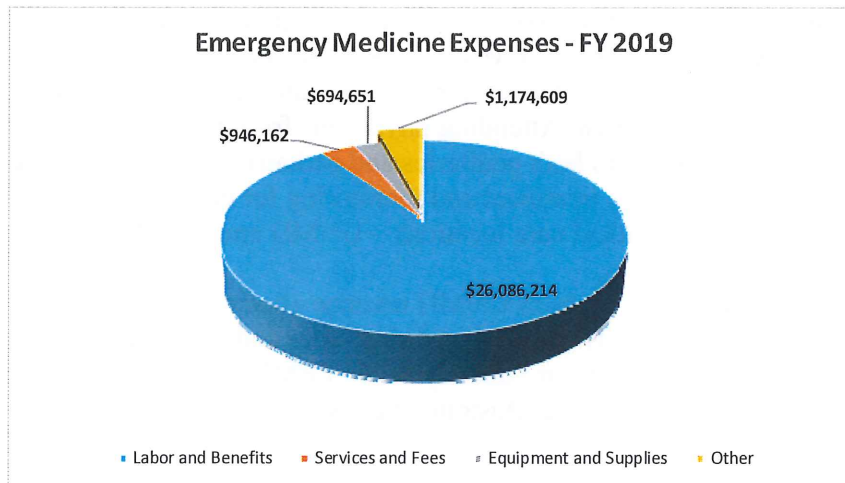
EM offers a three-year resident training program through the UNM School of Medicine, with 12 residents per year. It has Accreditation Council for Graduate Medical Education (ACGME)-accredited Fellowships in Pediatric Emergency Medicine and Emergency Medical Services, plus a Sports Medicine Fellowship through Family Medicine and a non-ACGME accredited Wilderness Fellowship. It also has a non-ACGME pre-residency fellowship in Critical Care and a resident training program for Physician Assistants.

EM has defined two divisions and one section within it which are the Pediatric Division, Critical Care Division, and the EMS and Disaster Medicine Section. The Division of Pediatric EM provides specialized, compassionate, family-centered pediatric emergency services for ill or injured children from birth to age 18. Attending physicians from the Division of Pediatric Emergency Medicine are trained in both pediatrics and pediatric emergency medicine. The Division of Critical Care provides treatment and monitoring for critically ill patients in New Mexico. There are two UNM critical care locations – UNMH and SRMC.

EM's funding sources are primarily from UNMH revenue allocations and revenue allocations from the UNM Medical Group, Inc. (UNMMG) for clinical sales and services. Expenses primarily consists of labor, which makes up approximately 91% of EM's total expenses. The Department's revenues and expenses for FY 2019 are illustrated below:



Source: Banner Accounting System



Source: Banner Accounting System

## PURPOSE AND OBJECTIVES

An audit of the School of Medicine Department of Emergency Medicine was selected as part of the annual audit work plan for FY 2019. The purpose of this audit was to review business processes, determine whether adequate internal controls are in place, and whether the department is complying with University policies and procedures as well as any department specific requirements.

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## INTRODUCTION

The objectives of this audit were to perform a financial analysis for FYs 2017–2019 and evaluate and test the following processes and transactions:

- Revenue Accruals
- Cash Disbursements, including Purchasing and Accounts Payable and Purchasing Card (PCard) transactions
- Endowed Gifts
- Inventory Management
- Training and Credentialing
- Inventory Management

The primary objective was to determine whether each process evaluated reflects sound internal controls, best practices, and compliance with University policies and procedures.

## SCOPE AND PROCEDURES PERFORMED

Our audit focused on the business operations, and included a financial analysis of revenues, expenses, and reserves for FYs 2017–2019. Procedures performed are as follows:

- **Interviews:** In order to gain an understanding of processes and controls, Internal Audit read written policies and procedures and interviewed management and staff.
- **Transaction Sample Selection and Compliance Testing:** To test internal controls and compliance with UNM policies and procedures for revenue accruals, purchasing and accounts payable and P-Card, we selected samples of transactions occurring during FY 2019. IA also performed compliance test work for endowment disbursements, training and credentialing requirements, and inventory management.

## OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

### FINANCIAL ANALYSIS AND TEST WORK

EM's revenues primarily consist of allocations from the UNM Medical Group, Inc. (UNMMG) for clinical sales and services and revenue allocations from UNMH, which make up 62% of EM's total funding. During FY 2019, EM's allocation from UNMMG clinical sales and services was \$8,980,851, or 31.3%, and UNMH revenue allocations were \$8,801,686, or 30.7%, of total funding, which is unrestricted funds available for EM use.

Expenses for EM Primarily consist of labor and benefits, which have consistently made up approximately 91% of the department's total expenses each year for FYs 2017 through 2019. The department's reserves at June 30, 2019 were \$1,560,101, which are available for FY 2020. Revenues, expenses, and reserves for FYs 2017 through 2019 is presented below.

| <b>Emergency Medicine Revenues and Expenses - FYs 2017 through 2019</b> |                      |                      |                      |
|---|----------------------|----------------------|----------------------|
| <b>Revenues</b>   | <b>FY 2019</b>       | <b>FY 2018</b>       | <b>FY 2017</b>       |
| UNMMG Clinical Sales and Services                                       | \$ 8,980,851         | \$ 8,554,338         | \$ 8,241,758         |
| UNMH Revenue  | 8,801,686            | 10,313,945           | 8,528,650            |
| Contracts and Grants  | 3,179,410            | 3,054,515            | 3,148,291            |
| I&G   | 2,611,369            | 2,266,559            | 2,424,488            |
| SRMC Revenue  | 2,326,947            | 2,456,150            | 3,546,665            |
| Transfer and Allocations  | 892,743              | 708,239              | (50,404)             |
| Other   | 1,879,553            | 240,626              | 147,982              |
| <b>Total Revenues</b>   | <b>\$ 28,672,559</b> | <b>\$ 27,594,371</b> | <b>\$ 25,987,429</b> |
| <b><u>Operating Expenses</u></b>  |                      |                      |                      |
| Labor   | \$ 21,805,403        | \$ 20,845,164        | \$ 19,860,576        |
| Benefits  | 4,280,811            | 4,144,420            | 3,916,740            |
| Services and Fees   | 946,162              | 784,138              | 699,113              |
| Equipment and Supplies  | 694,651              | 607,521              | 502,133              |
| Travel  | 321,042              | 282,883              | 330,671              |
| Other   | 853,567              | 770,605              | 783,534              |
| <b>Total Operating Expenses</b>   | <b>\$ 28,901,637</b> | <b>\$ 27,434,730</b> | <b>\$ 26,092,767</b> |
| <b>Revenues Over (Under) Expenses</b>                                   | <b>\$ (229,077)</b>  | <b>\$ 159,641</b>    | <b>\$ (105,337)</b>  |
| Reserves, beginning of year   | \$ 1,781,076         | \$ 1,681,832         | \$ 1,787,169         |
| Adjustments <sup>1</sup>  | \$ 8,102             | \$ (60,397)          | \$ -                 |
| <b>Reserves, end of year</b>  | <b>\$ 1,560,101</b>  | <b>\$ 1,781,076</b>  | <b>\$ 1,681,832</b>  |

<sup>1</sup> - Represents revenues over expenses for restricted funds, which is not closed to reserves. This net income must be backed out for reserves to roll from prior year.

Source: Banner Accounting System



UAP 7000: Budgets and Reserves, Section 5 states, *“The University has limited funds and department heads are responsible for ensuring the most effective, efficient use of those funds. Budgets are valuable tools for measuring performance because they reflect planned activities. Department heads should review their budgets regularly to identify positive and negative variances between expected expenditures and actual costs. These variances will help the department head determine if goals and objectives are being met and if unanticipated events are negatively impacting the department's ability to meet its goals and objectives.”*

Over a three-year period for FYs 2017 through 2019, EM exceeded its annual budgeted expenses in FY 2017 and FY 2019. During fiscal year ending June 30, 2019, EM had total revenues of \$28,672,560 and operating and non-operating expenses of \$28,901,637. This resulted in revenues exceeding expenses by \$229,077, and reserves decreasing from \$1,781,076 at June 30, 2018 to \$1,560,101 at June 30, 2019.

SOM and HSC Management have monthly meetings to discuss financial matters for all SOM departments. In the case of EM, SOM and HSC management were aware the department would finish FY 2019 with expenses exceeding revenues for the year. Available reserves for FY 2020 were utilized to cover expenses which exceeded the year's funding. In addition, management's review of SOM financial operations does not identify any financial operation concerns related to EM, and believes it will end FY 2020 with a net operating gain. IA determined EM has adequate budget processes and there is sufficient oversight for the budget and financial operation of the department.

### **Revenue Testing**

EM's primary revenue sources are from UNMMG clinical sales and services and allocations from UNMH and SRMC revenues. IA selected a sample of revenue accruals and tested for adequate support for the transfers and proper recording of revenue. IA determined EM receives and records revenue timely and appropriately. In addition, they retain documentation to support transfers and record revenue in appropriate account codes for accurate financial reporting purposes. No exceptions were noted during revenue testing.

### **PCard Test Work**

EM adheres to the University's PCard policies and procedures for the purchase of goods and services. The PCard may be used to procure approved materials, supplies, and non-capital equipment not exceeding \$10,000 with any vendor that is not restricted by the University. The card may also be used for allowable services also not exceeding \$10,000. The PCard can only be used for authorized items or services, for a valid business purpose, in compliance with PCard and purchasing policies and procedures. IA assessed internal controls over PCard disbursements, and performed test work to ensure compliance with UNM's PCard policies and procedures. No

exceptions were noted. EM has adequate internal controls and complies with UNM PCard policies and procedures.

### **Purchasing and Accounts Payable Test Work**

EM follows University Purchasing and Accounts Payable policies and procedures. Acceptable methods for purchasing goods and services include Purchase Orders issued by the UNM Purchasing Department, and the PCard.

IA assessed internal controls over purchasing and accounts payable disbursements, and performed test work to ensure compliance with UNM Purchasing and Accounts Payable policies and procedures. No exceptions were noted. EM has adequate internal controls and complies with UNM purchasing and accounts payable policies and procedures.

## **ENDOWMENTS**

Endowed funds include gifts totaling over \$10,000 that continue on in perpetuity. The spending allocation from the funds can only be spent in accordance with the donor's intent. EM receives endowed funds through an endowment spending distribution transferred from the UNM Foundation on an annual basis. EM's endowments are primarily intended for general operating expenses.

### **Compliance with Donor Intent**

The UNM Foundation provides donor intent information to EM. The Department is responsible for ensuring that disbursements from endowed spending accounts comply with donor intent. IA performed test work to ensure disbursements were in compliance with donor intent. No exceptions were noted. EM has adequate internal controls and complies with donor intent for endowment disbursements.

## **CREDENTIALING**

All physicians, allied health providers, doctors, and dentistry and other non-physician healthcare providers are required to have Medical Staff Membership per UNMH Medical Staff Bylaws. EM works with the Credentialing Verification Office to acquire all required documentation. The applicants' education, licensing, experience and board certification is verified. Once the credentialing application is reviewed and approved, the provider begins electronic medical record training and shadow shifts prior to working their first shift on their own.

IA reviewed a sample of emergency room physicians for compliance with credentialing requirements; no exceptions were noted. EM has adequate internal controls and complies with credentialing requirements.

## **INVENTORY MANAGEMENT**

IA completed review and verification of both equipment and chemical inventory at the EM Department.

### *Equipment Inventory*

Per University policy, Departments are required to perform an annual physical inventory. Each year, the office of Inventory Control distributes a listing of the department's equipment and computers to departments, as currently reflected on the University inventory. Departments are instructed to locate each item on the list, and attest to having located and inspected each item.

IA verified that the most current annual inventory was completed according to University policy. IA selected items from the list and verified their location at EM. No exceptions were noted; IA concluded that EM complies with University annual inventory requirements.

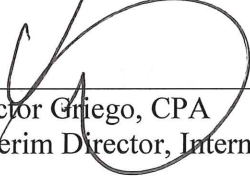
### *Chemical Inventory*

Per University Policy 6110, the Environmental Affairs Program of the Safety and Risk Services Department (SRS) oversees management of annual chemical inventory requirements. EM has two Principal Investigators (PIs) that have labs with chemicals. The Innovation, Discovery and Training Complex is a research facility that covers several areas of medicine, including EM. The Emergency Medical Services Academy (EMSA) is located there.

SRS verified that the most current annual inventory had been received from both PIs and the Innovation, Discovery and Training Complex. EM has adequate internal controls and complies with chemical inventory requirements, and no exceptions were noted.

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**APPROVALS**



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Victor Griego, CPA  
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Approved for Publication



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Chair, Audit and Compliance Committee