MEDICAL BOARD OF CALIFORNIA
Executive Office

MEMBERS OF THE BOARD
Reginald Low, M.D., Chair
John Chin, M.D.
Sharon Levine, M.D.
Gerrie Schipske, R.N.P., J.D.

Enforcement Committee

July 29, 2010

Medical Board of California
Hearing Room
2005 Evergreen Street
Sacramento, CA 95815
916-2632389

Action may be taken on any item listed on the agenda.

AGENDA

2:45 p.m. – 3:45 p.m.
(or until the conclusion of business)

ALL TIMES ARE APPROXIMATE AND SUBJECT TO CHANGE
If a quorum of the Board is present, members of the Board who are not members of the Committee may attend only as observers.

1. Call to Order / Roll Call

2. Approval of Minutes

3. Public Comment on Items not on the Agenda
   Note: The Board may not discuss or take action on any matter raised during this public comment section, except to decide whether to place the matter on the agenda of a future meeting. [Government Code Sections 11125 and 11125.7(a)]

4. Review/Approval of Enforcement Committee Vision Statement – Dr. Low and Ms. Sweet

5. Progress Report of Expert Reviewer Training – Ms. Sweet

6. Presentation of an Overview of Enforcement Programs, Components and Processes – Ms. Cady

7. PACE update – Dr. Norcross
   A. 2007 Audit
   B. Implementation of Audit Recommendations
   C. Program Status Report
   D. Discussion of Equivalent Programs

8. Agenda Items for November 3-4, 2010 Meeting in Long Beach, CA

9. Adjournment

The mission of the Medical Board of California is to protect healthcare consumers through the proper licensing and regulation of physicians and surgeons and certain allied healthcare professions and through the vigorous, objective enforcement of the Medical Practice Act, and to promote access to quality medical care through the Board's licensing and regulatory functions.

Meetings of the Medical Board of California are open to the public except when specifically noticed otherwise in accordance with the Open Meetings Act. The audience will be given appropriate opportunities to comment on any issue presented in open session before the Board, but the President may apportion available time among those who wish to speak.

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For additional information call (916) 263-2389.

NOTICE: The meeting is accessible to the physically disabled. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Cheryl Thompson at (916) 263-2389 or CThompson@dca.ca.gov or send a written request to Ms. Thompson. Providing your request at least five (5) business days before the meeting will help ensure availability of the requested accommodation.

STATE AND CONSUMER SERVICES AGENCY - *Department of Consumer Affairs* Arnold Schwarzenegger, *Governor*

MEDICAL BOARD OF CALIFORNIA
Executive Office

ENFORCEMENT COMMITTEE
Sheraton Gateway Los Angeles
Los Angeles, CA
April 29, 2010

MINUTES

Agenda Item 1: Call to Order
The Enforcement Committee of the Medical Board of California was called to order by the Chair, Reginald Low, M.D. A quorum was present and due notice having been mailed to all interested parties, the meeting was called to order at 10:00 a.m.

Members Present:
Reginald Low, M.D.
John Chin, M.D.
Sharon Levine, M.D.
Gerrie Schipske, R.N.P., J.D.

Members Absent:
None

Staff and Guest s Present:
Hilma Balaian, Kaiser Permanente
Susan Cady, Staff Service Manager II
Yvonne Choong, California Medical Association
Zennie Coughlin, Kaiser Permanente
Julie D'Angelo Fellmeth, Center for Public Interest Law
Karen Ehrlich, Midwifery Advisory Council
Stan Furmanski, M.D.
Kurt Heppler, Department of Consumer Affairs Staff Counsel
Ross Locke, MBC, Business Services
Kelly Maldanado, Legislative Analyst
Janet Salmonson, M.D., Board Member
Debbie Pellegrini, Chief of Licensing
Laura Sweet, Deputy Chief of Enforcement
Renee Threadgill, Chief of Enforcement

Agenda Item 2: Public Comments on Items not on the Agenda
Dr. Stan Furmanski stated that physicians sometimes are asked to go through the PACE program in San Diego. The Board has no budget for the PACE program; it does not cost the board money to send someone to PACE; the board can start or stop its participation with the PACE program at any time; it would not cost anything to stop sending physicians to PACE. Dr. Furmanski said the reason

why he is here is because when a doctor is sent to PACE, they have to pay a lot of money, sometimes twice. The Board says to pay PACE whatever they want. Dr. Furmanski said it costs $350.00 to fill out a one-page application. A physician is then asked to pay $6550.00, and what you get is four booklets, supposedly in the physician's specialty and one "CCS," which is not printed. Dr. Furmanski said it sounds pricey and expensive to him. He said there is a whistleblower who has come forward with information about the PACE program and has furnished the committee with a list of internal documents from PACE showing the actual costs for the booklets. Dr. Furmanski said he is going to turn over these materials. It shows that PACE pays $50.00, not $6000.00, for each booklet. It pays between $50.00 and $125.00 for booklets which end up costing the doctors thousands of dollars. If the doctors balk at paying the $6000.00 for Phase 1, they are told their license may be impaired if they don't "so-called complete the PACE program." Dr. Furmanski said if you manage to make it through Phase 1, there's Phase 2, which costs another $4000-$7000.00. In his specialty, it's another $7000.00; which is in addition to the $6000.00. Dr. Furmanski said the reason he is here is to present the whistleblower material. This is detailed material which has been withheld from the Board. It shows the costs are minimal. The books are ordered via mail. PACE does not create the questions or the booklets itself. They resort to using cheap, out-of-state, pre-printed booklets. This is proven with the invoices. The documents he has are the confidential contracts between PACE and the source of the booklets. Dr. Furmanski said there are hundreds of unhappy doctors. Dr. Furmanski requested that the committee place this on the July agenda to consider the wisdom of administratively not sending any more doctors to PACE until the legal aspects are shaken out. Dr. Furmanski reported that a class action claim has been filed with the claims board for more than one hundred doctors. The reason is that each doctor who goes through PACE may be able to file a claim that they did not received their $6500.00 worth. The board could buy the books for $50.00-$100.00. There is also a list of other allegations, including that PACE fails to complete training before they test , which is in violation of Business &Professions Code Section 2228.

Dr. Low expressed appreciation for Dr. Furmanski's comments and stated this would be added to the agenda for the next meeting.

There were no additional public comments.

Agenda Item 3: Overview and Discussion of the Function and Purpose of the Enforcement Committee

Dr. Low introduced the members of the committee: Dr. Chin, Dr. Levine, and Ms. Schipske. He also introduced staff members: Susan Cady, Laura Sweet and Renee Threadgill.

Dr. Low said the committee was formed at the request of the Chief of Enforcement, Renee Threadgill. The function of the committee is to be a resource to the enforcement program and to enhance the program, as we are always trying to make it better. In terms of being a resource, the committee can be an advisory body to the enforcement program. The committee can assist enforcement with the direction and focus of the program, and finally, the committee can be a valuable resource to the other board members and the public as to how the enforcement program works. Dr. Low commented that it is interesting how few physicians and lay people understand the whole process of the enforcement program.

Dr. Low asked other committee members for comment and input as to what the committee should be doing.

Dr. Chin agrees with the need to support Chief Threadgill and the enforcement program and is happy to be part of the committee. Dr. Levine said she agrees that for most of the profession and public, the work of enforcement, as a part of the Medical Board's mission, is really a black box. Anything that can be done to enhance understanding of the critical role the Medical Board plays in this, and how it relates to consumer protection, would be helpful.

There was no public comment.

Dr. Low requested prepare a written summary of the committee's vision and purpose for the July Medical Board meeting.

Agenda Item 4: Evolution of Expert Reviewer Training Program and Discussion of Future Enhancements

Laura Sweet, Deputy Chief of Enforcement gave a presentation about the expert reviewer program. Ms. Sweet described the program as being a critical component to the enforcement program since almost all cases relies on an expert opinion. Ms. Sweet outlined the changes the expert program has undergone the past 17 years. Changes include numerous revisions of the guidelines; varying the training presentations; reducing the minimum number of years of practice to become an expert and increasing the pay. From the enforcement program's perspective, Ms. Sweet stated the biggest enhancement has been the database staff utilizes to go on line to search for an expert.

Ms. Sweet explained that investigators are expected to gather all of the necessary information upon which an expert will rely to render an opinion. This is fact driven and case specific and can include unique forms of evidence. The expert is then asked to digest what can often be voluminous amounts of information and reduce it to a succinctly written opinion as to whether or not the standard of care has been breached.

Ms. Sweet said that common problems with opinions include the expert straying from the instructions they are provided; failing to listen to the audio recordings of interviews; and undertaking too cursory a review of the records. All of these can result in disastrous consequences if the case goes to a hearing. Experts understandably often struggle with the definition of a simple departure from the standard of care versus an extreme departure. Experts often prepare beautiful opinions, but at the time of having to testify, being inexperienced in this arena, are deemed less credible than the respondent's expert.

Ms. Sweet described attempted remedies to these problems: revision of the guidelines; requiring investigators to meet with new experts to deliver the guidelines and discuss expectations; and using district medical consultants to help remediate problem opinions.

Ms. Sweet stated that the face-to-face training is the most desirable way to convey expectations to experts and explain the process; however lack of staff resources has precluded this from being done consistently. Ms. Sweet said that staff has contemplated the feasibility of providing an expert with a

"trial" case, so their skill can be assessed prior to engaging him or her for a "real" case, but the board is not financially able to compensate for this. This would also burden already overextended staff. Ms. Sweet also suggested that ideally, there needs to be an additional training mechanism in place for experts who are going to testify. Few cases actually go to hearing, so it's not realistic to train all experts for the court room; however it is critical if an expert is going to have to testify.

Ms. Sweet asked for the committee's input in seeking a solution in getting experts trained to provide a quality produce in a timely manner so we are able to fulfill our mission of protecting the medical consumers of the State of California.

Dr. Low said it's clear that each component of the enforcement program is very important: the investigators, the Attorney General's office, as well as the experts. There can be no weak links. Dr. Low said there is a tremendous variability in each of the components, and it is his goal to reduce the variability amongst each. It is his thought that perhaps the face-to-face orientation of experts can be re-established. This would create a higher bar by requiring they attend programs that could be provided up and down the state. The training could take place at medical schools or hospitals, where there would be minimal charges and potentially some kind of interactive system for audience response. Core information that experts should know can be presented. Dr. Low said he believes this training could be imparted in less than a day. It should be required training, so we can develop consistency up and down the state as well as among disciplines. The expert reviewer program has a lot of opportunity for improvement. Dr. Low asked for the discussion to be summarized, as well as the public comments, and that we go forward and put this on the agenda for the next meeting.

There were no public comments.

Agenda Item 5: Update on Administrative Law Judge Decisions
Renee Threadgill, Chief of Enforcement, stated that Dr. Salmonson asked that this topic be reviewed. Ms. Threadgill said she is providing information to the enforcement committee regarding the board retaining authority to adopt or non-adopt the proposed disciplinary decisions rendered by an Administrative Law Judge (ALJ). There was concern at one time that legislation would eliminate the Board's role in overseeing the disciplinary decision process. While this issue has been discussed by Senate staff, this proposal has not been placed in legislation. This subject, in conjunction with restructure and the reduction of the number of board members, was discussed at several previous meetings of the board, including the full board, the Division of Medical Quality and Enforcement Committee Meetings. After deliberations on 2-1-07, members of the Board voted to support the retention of authority to adopt or non-adopt ALJ decisions. Restructure (combining the two divisions) and reduction of the number of board members was accomplished. In addition, the executive director was delegated the authority to adopt stipulated settlements for license surrenders and default decisions. Ms. Threadgill explained that all proposed decisions and stipulations still require adoption by the Board. There is currently no legislation pending to eliminate the Board's role in the disciplinary decision process, therefore no action is needed by the Board at this time.

There was no public comment.

Agenda Item 6: Discussion of Plan for Training of Board Members on Enforcement Programs and Processes

Susan Cady, Staff Services Manager II, stated staff had discussed the opportunity to provide Board Members with training that focused on the enforcement program and the variety of work performed by staff within the program. Ms. Cady said she prepared a list of training modules or topics that could be presented and referred members to their Agenda Item number 6. Ms. Cady said this list was not designed to be all-inclusive, but instead was developed to provide a starting point for the committee members and give them some idea of the range of topics that could be presented. Ms. Cady said she envisioned some segments could be presented as stand-alone topics and some could be grouped into multiple presentations.

Ms. Cady said the list is organized by order of priority. She recommends the training begin with a general overview of the entire enforcement program, with a brief description of all of the various units, which would include the staffing levels and areas of responsibility. Ms. Cady then wished to highlight the probation unit, which has undergone a significant reorganization within the last two years. The monitoring of physicians on probation has been transferred from peace officer investigators to non-sworn inspectors. Ms. Cady said she believes it is important to start with this unit, because they are responsible for taking the direction given by the board in the decisions on disciplinary cases and ensuring that the physicians are complying with the ordered terms and conditions.

Ms. Cady said there have been a couple of recent cases which have raised concerns about the effectiveness of some terms being ordered, such as a practice monitor. Difficulties have been identified with some physicians being able to comply with this term and she would like to promote a discussion on whether there are alternatives to this requirement or whether additional training may be needed for the physicians who have taken on the role of a practice monitor. Ms. Cady also wished to suggest a module on some of the other terms and conditions that can be somewhat problematic to define for the physician on probation or to ensure the physician is complying with the term.

Ms. Cady said after the probation unit, she suggests a number of modules that focus on the work performed in the Central Complaint Unit and by the field investigative staff. There are several modules that take a complaint from the beginning through field investigation, so members can get a better sense of the work involved in a single case that may or may not go on to formal discipline. Ms. Cady also suggested several modules that could focus on specific types of investigations, such as hospital discipline reports, unlicensed practice, physician impairment and medical marijuana that can be difficult or time consuming to complete.

Ms. Cady said she included several modules which focus on the work performed in the Discipline Coordination Unit (DCU). Members are probably familiar with DCU staff as they send proposed decisions to members to vote and staff the panel meetings, but Board members may not be familiar with the range of other duties they perform.

Ms. Cady concluded by reiterating the list was not exhaustive but to give an idea of the range of topics that could be presented. She solicited ideas for other training topics the members might find helpful or of interest.

Dr. Low said it's clear the enforcement program has done a very good job of trying to better educate everybody. These modules are evidence of trying to get there. Dr. Low said having modules doesn't ensure that people actually digest them well, and maybe some face-to-face meetings are necessary and important.

There was no public comment.

Dr. Low suggested we distill this down to something reasonable to undertake. Dr. Low suggested we need the same level of education for practice monitors that we do for experts. Dr. Low said for the next meeting, we could focus on one area, and try to beef up that area and implement something that is practical, up and down the state. Dr. Low asked how many practice monitors we have at any one time. Ms. Cady said she believes there are about 150 physicians on probation who require a practice monitor. Dr. Low suggested there could be a few meetings up and down the state to bring everybody on the same page, to make sure they understand the responsibilities and that they have the appropriate qualifications.

Dr. Chin asked if the modules were for people in the units or for the board members. Ms. Cady said the modules were designed for Board members and to facilitate discussions. Dr. Chin said he would be very interested in this and having a better understanding of what happens in the different units. He would value that education.

Dr. Low said maybe we need to relook at our Board member orientation program. Dr. Low said he thinks this is an important committee. It gives us a chance to review systems and make improvements.

There was no public comment.

Agenda Item 7: Agenda Items for July 29-30 Meeting in Sacramento
No additional items were identified for the next agenda other than those described above.

There being no further business, the meeting was adjourned at 10:32 a.m.

Prospective Enforcement Committee Vision Statements

Option #1

The vision of the Enforcement Committee is to supplement (or enhance) the Medical Board's mission of protecting health care consumers by acting as an expert resource and advisory body to members of the Medical Board and its enforcement program, by identifying program improvement opportunities, and by educating board members and the public on enforcement processes .

Option #2

The Enforcement Committee will act as an expert resource and advisory body to members of the Medical Board and its enforcement program by educating board members and the public on enforcement processes and by identifying program improvements in order to enhance protection of health care consumers.

Option #3

In furtherance of the Medical Board's mission of protecting health care consumers and in the spirit of transparency, the vision of the enforcement committee is to act as an expert resource and advisory body for the enforcement program, to identify and implement program improvements, and to educate the public and other board members on how the enforcement program operates.

SAN DIEGO: AUDIT & MANAGEMENT ADVISORY SERVICES
0919

June 13, 2007

WILLIAM NORCROSS, MD
PACE Program Director
8204

Subject: *Physician Assessment and Clinical Education Program (PACE)*
Audit & Management Advisory Services Project #2007-16

The final audit report for Physician Assessment and Clinical Education Program (PACE), Audit Report #2007-18, is attached. We would like to thank all members of PACE and the Department of Family and Preventive Medicine for their cooperation during the audit.

Because we were able to reach agreement regarding corrective actions to be taken in response to the audit recommendations, a formal response to the report is not requested.

The findings included in this report will be added to our follow-up system. While management corrective actions have been included in the audit report, we may determine that additional audit procedures to validate the actions agreed to or implemented are warranted. We will contact you to schedule a review of the corrective actions, and will advise you when the findings are closed.

UC wide policy requires that all draft audit reports, both printed (copied on tan paper for ease of identification) and electronic, be destroyed after the final report is issued. Because draft reports can contain sensitive information, please either return any remaining draft documents to AMAS personnel or destroy them.

Stephanie Burke
Director
Audit & Management Advisory Services

Attachment

cc: M. D'Amour
R. Espiritu
T. Ganiats
G. Matthews
J. Milner-Mares
P. Reed
D. Sakai

AUDIT & MANAGEMENT ADVISORY SERVICES

University of California
San Diego

Physician Assessment and Clinical Education Program (PACE)
June, 2007

Performed by:

Laurie Ward, Auditor
Terri Buchanan, Manager

Approved by:

Stephanie Burke, Director

Project Number: 2007-16

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I. Background

Audit & Management Advisory Services (AMAS) conducted an audit of the UCSD Physician Assessment and Clinical Education Program (PACE), a division of the Department of Family and Preventive Medicine (F&PM), in accordance with the 2006/07 audit plan. This report summarizes the results of our review.

PACE was established in 1996. The program's stated mission is "to improve the quality of healthcare throughout the nation by offering assessment and remediation services to medical professionals." PACE provides assessment and continuing education programs to physicians and other health care professionals who are required to seek additional training to maintain their professional licenses; and specialized services to institutions on a contract basis. To date, services have been provided to the California State Department of Corrections and to several hospitals and medical boards in and outside of California. The strategic business plan anticipates the expansion of program services to additional states.

PACE offers the following custom clinical education courses:

- *Anger Management*: A course designed to help those physicians who have contributed to a disruptive work environment by way of inappropriate expression of anger.
- *Professional Boundaries*: A program designed to help those physicians who have had a complaint or grievance filed against them for sexual harassment or misconduct in the workplace, or who otherwise behave in an interpersonally insensitive manner.
- *Physician-Patient Communication*: A workshop designed to improve healthcare communication skills of physicians.
- *Medical Record Keeping:* A program designed to help the physicians create the highest quality clinical documentation, code and bill more accurately and improve the strength of the medical record as a legal document.
- *Physician Prescribing:* A program designed to improve the participant's prescribing behavior by providing education on the legal, biomedical, pharmacologic and clinical aspects of prescribing drugs, particularly controlled substances.

In addition to and separate from the assessment programs, PACE offers a professional enhancement program (PEP). This program provides longitudinal assessment, education and improvement for physicians in practice.

As a division of F&PM, PACE receives administrative support and oversight of its business operations from the F&PM business office. PACE reported net revenue of $7,212 in fiscal year 2004/05 and net surplus of $225,151 in fiscal year 2005/06. The Program projects a budget surplus of $36,256 for fiscal year 2006/07.

PACE management contracted with the Adams & Adams Consulting & Training group in 2006 to assist them with creating a strategic business plan. As a result of the consulting engagement, a PACE Business Manager was hired in October 2006. Since joining the

Program, the Business Manager has been working closely with the Director and PACE management to establish a strong organizational structure, set goals, objectives and job responsibilities and establish a strong communication connection between all PACE program staff.

II. Audit Objectives, Scope, and Procedures

The objectives of this audit were to determine whether PACE business process controls provided reasonable assurance that the risk associated with providing contract services was minimized and general operations were effective, efficient and conducted in compliance with relevant University policies and procedures.

AMAS completed the following audit procedures to achieve the audit objectives:

- Interviewed PACE management and staff;
- Reviewed the PACE program documentation and website to gain an understanding of their business environment;
- Reviewed selected contracts and external documents in relation to good business practices and compliance with all applicable rules and regulations relevant to PACE programs and business operations;
- Communicated with UCOP General Council to discuss PACE program issues and to obtain an opinion on unrelated business income tax (UBIT) issues;
- Conducted interviews with selected individuals in the F&PM Business Office, campus and UCSD Medical Center staff concerning their role in the PACE business processes;
- Reviewed relevant University and UCSD campus policies; and,
- Analyzed a judgmental sample of faculty payments, cash receipts and deposits, travel vouchers, payment authorizations, purchase orders and express card transactions.

III. Conclusions

We concluded that PACE business process controls provided reasonable assurance that contract risk was minimized and general operations were effective, efficient and conducted in compliance with relevant University policies and procedures. PACE management and staff were knowledgeable about all aspects of the program and were committed to identifying opportunities for growth. Open collaboration has been established between PACE and the F&PM Business Office. In addition, PACE management has implemented changes to the financial structure of the organization by creating and reorganizing indexes, which has improved financial reporting and oversight.

We determined that contracting risk was mitigated through a comprehensive contract review process. Various University departments were asked to review PACE agreements including the F&PM Business Office, the School of Medicine (SOM) Contracting Office, UC General Counsel and UC Risk Management, as needed, to ensure that appropriate terms and conditions were included based on the type of service and the state laws in which services are provided.

AMAS consulted with UC General Counsel and UCSD General Accounting to determine whether PACE could be subject to unrelated business income tax (UBIT). According to the UBIT definition provided by the Internal Revenue Service, for most organizations, an activity is an unrelated business (and subject to unrelated business income tax) if it meets three requirements: (1) it is a trade or business; (2) it is regularly carried on, and; (3) it is not substantially related to furthering the exempt purpose of the organization. Based on advice from General Counsel and General Accounting, because PACE business activities are substantially related to the educational exempt purpose of the UCSD School of Medicine, the Program is not subject to UBIT.

We further concluded that process controls should be strengthened for cash handling and express card management, purchase approvals, and physical security of cash and equipment. Opportunities for process improvements are discussed in the remainder of this report.

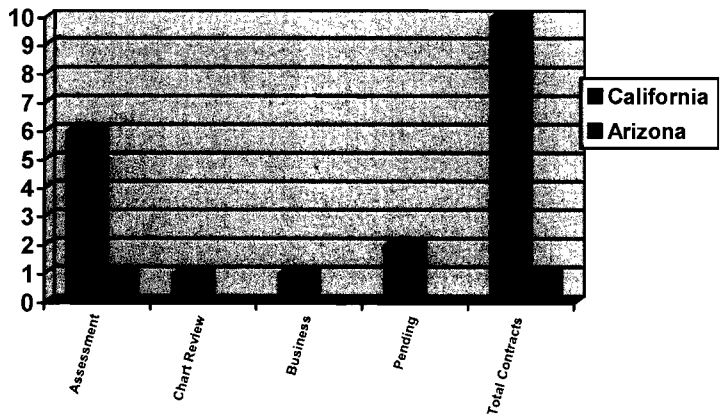
IV. Observations and Management Corrective Actions

A. PACE Program Growth

PACE management planned to expand program services nationally, which could increase the risk of legal liability if the laws related to PACE services in other states differ from California state law.

PACE program services are unique and provide a benefit to non-UC organizations and individuals. Because PACE services are designed to improve the performance of medical professionals, outcomes based on professional judgment could, at times, be challenged legally. As shown in the graph below, PACE has 11 active service contracts as of March 28, 2007 (two of which are pending further negotiation).

PACE Contracts by Type and Location



These contracts provide for physician and physician assistant assessments, chart reviews, and team programs to hospitals in California and Arizona and the

California state medical board, as well as one unique business contract for assessment and education services provided to the California State Department of Corrections. The majority of services are currently provided within the state of California. However, PACE plans to continue to expand the number of customers in locations outside of California.

The PACE external advisory committee meets monthly. The F&PM Department Business Officer is a member of this committee and she updates the F&PM Department Chair regarding PACE business activities. In addition, General Counsel's input is routinely sought for all contracts involving services provided out of California. However as the program expands to other states in which laws governing PACE services differ, additional legal assistance would most likely be required. It is important that senior Health Sciences management be aware of potential legal risk associated with expanded or modified program activities.

Management Corrective Action

F&PM and PACE managements will periodically provide program expansion plans to the Vice Chancellor of Health Sciences to ensure that senior management is aware of and concurs with potential benefits and risks associated with program change.

B. Cash Management

1. Cash Receipts – Separation of Duties

One individual was primarily responsible for completing cash management procedures. This condition is not compliant with UC Business and Finance Bulletin (BUS-49) requirements.

According to *UC Business and Finance Bulletin BUS-49, Cashiering and Responsibilities Guidelines* (BUS-49), cash receipts received by departments through the mail shall be documented, and any checks shall be endorsed with a "U.C. Regents" stamp immediately upon receipt. The policy also requires that all transfers of cash from one staff member to another shall be documented on forms specifically designed for that purpose.

Current cash handling procedures were performed by the PACE Financial Coordinator without secondary review. A log was not maintained to document the transfer of checks from the PACE receptionist or case managers to the Financial Coordinator. In addition, the Financial Coordinator received the deposits and reconciled receipts to Financial Link. The concentration of cash handling duties in one individual and the lack of accountability for cash transferred between staff represent cash processing control weaknesses, which could increase the risk of cash misappropriation.

Management Corrective Actions

PACE management has modified cash handling procedures to improve documentation and separation of key duties among existing employees by establishing the following additional procedures:

1. The front office staff member who receives mail or other deliveries is required to log all payments received by PACE.

2. Staff is required to initial the cash log to document any transfer of cash between different individuals.

3. Pace management has re-assigned accountability for reconciling deposits to the general ledger to the F&PM business office.

2. Cash Deposits – Safeguarding

The existing cash handling procedures were not compliant with BUS-49 requirements.

UC Policy for Handling Cash and Cash Equivalents BUS-49 requires the deposit of funds to a Main Cashiering station at least weekly or whenever collections exceed $500. Cash receipts held more than one day are required to be stored as follows:

- Up to $1,000 in a locking receptacle
- From $1,001 to $2,500 in a safe
- From $2,501 to $25,000 in a steel door safe, with a door thickness of not less than one inch and wall thickness of not less than ½ inch
- From $25,001 to $250,000 in a class TL-15 composite safe

PACE deposit records for December 2006 identified six deposits for a total of $126,363. The average amount of each deposit was $21,060. January 2007 deposit records identified eight deposits for a total of $218,232. Each January deposit averaged $27,279. This data suggested that daily receipts, including cash and credit card payments typically exceeded $500. The Financial Coordinator stated the majority of PACE receipts were credit card payments. Deposits were made (typically before 12:00 pm) whenever cash payments were received to avoid storing cash in the PACE business office. If additional payments were received after the mid-day deposit was made, they were held until the following day in a locked drawer, regardless of the amount of funds being stored.

The requirements of BUS-49 were established to ensure that University assets are protected, accurately processed, and properly reported.

Management Corrective Action

PACE management now requires that cash and credit card receipts be deposited daily with the Central Cashier's office whenever receipts total $500 or more.

C. Express Card Transactions – Separation of Duties

Express Card purchase documentation and reconciliation controls needed improvement.

University Express Card Policy requires that the Department Express Card Administrator, who in this case is the F&PM supervisor, must keep statement data and proof of reconciliation including all receipts, and packing slips on file for review. In addition, adequate separation of duties must be implemented.

AMAS was unable to review express card transactions at the F&PM Business Office because receipts were not available for purchases after January 2006. F&PM management realized that this was an issue after the prior fund manager left the department.

The PACE Express Card holder makes all purchases and maintains the receipts. She was advised by the F&PM fund management that she should keep the receipts at PACE, if all charges were to be allocated to the PACE administrative index, CFM2425. We noted that the Financial Coordinator maintained complete records. However, the F&PM fund manager did not complete the reconciliation of Express Card charges to Financial Link to ensure appropriate separation of duties was maintained.

Re-evaluation and clarification of the reconciliation process will ensure appropriate secondary review of Express Card purchases is being performed.

Management Corrective Action

Improved Express Card process controls have been implemented. The Express Card Administrator, who is currently employed by the F&PM Business Office, is responsible for obtaining and reviewing supporting documentation for all Express Card purchases to ensure that purchases are appropriate and are related to PACE business operations.

D. Purchase Orders – Approval Hierarchy

High value purchases did not receive appropriate approval in all cases.

AMAS reviewed a sample of five purchase orders (PO) processed by PACE and the F&PM Business Office. Of the five POs reviewed, two were high value and neither of them were approved by authorized PACE or F&PM personnel. In one case, staff from a different department approved the purchase. In the second case, the PO was not approved by PACE or F&PM personnel before it was submitted to Disbursements for payment. Because the PACE and F&PM business offices have experienced staff turnover, updates to high value PO approval hierarchies are required.
Formal purchase approval policies ensure that all high value purchases are appropriately reviewed and authorized.

Management Corrective Actions

Purchasing processes have been revised to require that high value purchase orders be approved by PACE management and the F&PM Business Office Supervisor.

PACE management will also document formal purchase approval procedures and ensure that the Financial Link PO approval hierarchy includes only authorized PACE personnel.

E. Physical Security – Computer Equipment Room

There was no backup sprinkler system located in the basement computer server room.

AMAS conducted a site visit of the PACE Information Systems and Research area, which was located in the basement of a converted apartment building. The computer equipment room was secure. However, because the space was not built to house computers and records, it was not equipped with typical environmental control devices, such as fire and/or flood detectors and alarms; or an air cooling system. Because it remains cool in the basement computer room, PACE information systems management stated that an air cooling system has not been necessary.

Minimum standards for UCSD computer server rooms recommend specific environmental controls to help ensure that these computer systems that store critical data are reasonably protected during power failures, fires, floods and other emergency situations.

Management Corrective Actions

PACE management has raised the file server off of the floor and now stores all backup data in a fireproof safe located in the same location that PACE research and information services currently resides. A second copy of PACE backup data will also be stored offsite in the F&PM business office.

PACE management will request that the SOM Information Technology Service Group assist with identifying other appropriate environmental controls necessary to mitigate the potential adverse affects of heat, fire or water damage in this area.