JEFFERY S. BURGH
AUDITOR-CONTROLLER

COUNTY OF VENTURA
800 SOUTH VICTORIA AVE.
VENTURA, CA 93009-1540

ASSISTANT
AUDITOR-CONTROLLER
JOANNE McDONALD

CHIEF DEPUTIES
BARBARA BEATTY
AMY HERRON
JILL WARD
MICHELLE YAMAGUCHI

COUNTY OF VENTURA, CALIFORNIA

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2021

Compiled by:
Jill K. Ward, Deputy Director, Auditor-Controller
County of Ventura, California

COUNTY AUDITOR'S OFFICE
VENTURA CO. CAL.

COUNTY OF VENTURA, CALIFORNIA

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2021

I. FINANCIAL STATEMENT FINDINGS

Finding 2021-001

System Procedures Related to Patient Accounts and Patient Credits

Department's Management Response:

A. Health Care Agency (HCA) management agrees with the recommendation to review its current policies and procedures related to testing of software applications that may require Test Encounters.

B. HCA management agrees the Medical System should review the secondary payor electronic posting to address any systemic/technical matters related to the Medical System's Electronic Medical Records System (Cerner) and the need to ensure credit balances are sufficiently accounted for and reflected in the balance sheet.

View of Responsible Officials and Corrective Action:

A. Test Encounters: HCA management has reviewed its current policies and procedures related to the testing of its software applications and creating test encounters only when no other viable options exist. HCA's approach continues to substantially reduce the use and impact of test patients in Cerner's production environment. Additional controls have been added to prevent any further contamination of financial or quality systems and reports. As of June 30, 2022, less than $30,000 in test account balances were included in gross accounts receivable. The estimated net accounts receivable impact would be less than $5,000. As a result of increased enforcement and education, the number of encounters and dollar value continues to decline.

   Written policies put in place October 25, 2019 govern the use of test patients in a production environment including:

   - Test Patient Definition
   - Limits and Required Approvals for New Test Patients
   - Naming Test Patients
   - Use of Test Patients
   - Clean Up After Use of Test Patients
   - Audit and Control

   An additional safeguard was implemented prior to September 20, 2021 that prevents any Test Encounter with charges from being billed to a payor. An automated flag routes these claims to a designated manager for review and timely correction.

B. Credit Balances: During fiscal year (FY) 2020-21, with assistance from external experts, Revenue Cycle leadership established and strengthened effective controls to correct Cerner's duplicate contractual posting and monitor any potential "fall outs". A program (aka script) is run each day, including weekends, to review the secondary payor electronic postings and any correct ay duplicate posting. Total credit balances have been reduced more than 70% since November 2019.

Name of Responsible Persons:

A. Bach Nguyen, HCA Chief Information Officer

B. Peter Bueschen, HCA Revenue Integrity Director and Molly Teron, HCA Patient Financial Services Director will be responsible for monitoring credit balances within the accounts receivable system.

   Mike Taylor, HCA Chief Financial Officer and Ursula Sutherland, HCA Assistant Chief Financial Officer will be responsible for ensuring credit balances are properly reflected on the balance sheet.

   Bach Nguyen, HCA Chief Information Officer will be responsible for monitoring Cerner's progress in remedying duplicate contractual postings (impacting several hospital clients).

Implementation Date:

A. October 31, 2022, related to policies and procedures
B. October 1, 2020, related to identifying and correcting new credit balances

Finding 2021-002

Third Party Settlements and Reserves

Department's Management Response:

HCA management agrees with the recommendation that the Medical System strengthen policies, procedures and internal controls to ensure proper analysis of contractual reserve calculations and estimates are recorded in accordance with generally accepted accounting principles.

View of Responsible Officials and Corrective Action:

As an ordinary course of business, the Medical System submits a reconciliation report to the State of California Department of Healthcare Services (DHCS) Audits and Investigations Unit for each of its sixteen Federally Qualified Healthcare Clinics (FQHCs). Ideally, these reports would be audited by DHCS in a timely manner and one reconciliation report for each of the clinics would be audited each year (16 audits annually). However, in November 2021, several months after June 30, 2021 financial statements were finalized by HCA Finance staff, three years of reconciliations (48 audits) were released by DHCS.

From these reconciliations, current management learned that the FY 2016-17 payments from Medi-Cal Managed Care had been underreported, in error, when filed in 2018. Current management has reviewed subsequent, open cost reporting periods to confirm estimated balances due to and/or from the State, for each clinic, are accurate.

Management recognizes the complexity of the annual reconciliation process for all sixteen clinics. To help manage this process, a Chief Financial Officer (CFO) dedicated to the Ambulatory Division and highly experienced with the annual reconciliation process for clinics was hired in April 2022.

With respect to the hospitals and the clinics, HCA management will more clearly indicate the amount of each reserve by funding source, basis and methodology for estimation. Policy and procedures will include a retrospective review of revenue recorded in prior years to test and validate existing receivables and payables. Settlement receivables and liabilities will be adjusted as soon as they are reasonably verifiable.

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Name of Responsible Persons:
Tim Hawkins, HCA – Ambulatory Care Chief Finance Officer, will be responsible for Federally Qualified Healthcare Center (FQHC) Prospective Payment System (PPS) reconciliation reporting requirements, associated balance sheet reserves and receivables.

Ursula Sutherland, HCA Assistant Chief Finance Officer, will be responsible for Medical Center cost reports and associated balance sheet reserves and receivables

Implementation Date:
September 30, 2022

Finding 2021-003

Internal Controls Over the Changes of Rates in the Charge Description Master

Department's Management Response:
HCA management agrees with the need to review policies and procedures to ensure changes and updates to the Charge Description Master are authorized and implemented timely.

View of Responsible Officials and Corrective Action:
Annual "across the board" Charge Description Master (CDM) updates are typically submitted as part of the annual budget process and are not approved by Board of Supervisors until mid to late June. HCA management has determined this did not allow sufficient time to adequately test and load CDM updates prior to July 1st. To mitigate this risk, beginning with FY 2022-23 annual CDM update, management has elected to wait until the beginning of the second quarter (October 1, 2022) to load the annual CDM update. Management believes this will allow sufficient time for testing the annual CDM update, loading and verifying the accuracy.

There are two major types of changes to the CDM:

1. An overall rate change typically made annually to many line items, simultaneously. For example: an annual "across the board" increase of 5%. As part of the annual budget process, any annual "across the board increase" is submitted to the Board of Supervisors for approval.

2. CDM maintenance. This includes additions, changes, and deletions to specific and very limited items; these are maintained through a Chargemaster Change Form which is distributed by Information Technology (IT) Informatics once a request for CDM Maintenance has been made. CDM maintenance and updates are approved throughout the year by the Chief Financial Officer and summarized in the mid-year board letter presented to the Board of Supervisors.

Name of Responsible Persons:
Peter Bueschen, Revenue Integrity Director and Bach Nguyen, HCA Chief Information Officer are responsible for ensuring annual CDM update is loaded timely and accurately.

Peter Bueschen, Revenue Integrity Director and Mike Taylor, HCA Chief Financial Officer are responsible for ensuring CDM updates have proper authorization.

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Implementation Date:
June 30, 2022, related to revised procedures
July 1, 2020, related to documented approval for rate changes

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II. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2021-004

Program: Crime Victim Assistance
CFDA No.: 16.575
Federal Grantor: U.S. Department of Justice
Passed-through: California Governor's Office of Emergency Services
Award No. and Year: Various
Compliance Requirements: Subrecipient Monitoring
Type of Finding: Significant Deficiency in Internal Control and Instance of Non-Compliance

Department's Management Response:

A. The District Attorney's Office (DAO) management agrees with the recommendations that it provide notice to subrecipients of a subaward and other required information pursuant to 2 CFR Section 200.332(a).

B. DAO management agrees that a subrecipient's risk assessment needs to be completed and documentation retained in accordance with 2 CFR Section 200.332(b).

View of Responsible Officials and Corrective Action:

A. Director of Fiscal and Administrative Services believes that the requirements of 2 CFR Section 200.332(a) were substantially met by providing the subrecipient a copy of the County's award notification. The award notification includes the required information, such as: federal award identification number, DUNS number, CFDA number and name, notice that it is not a research and development grant, and an approved budget that identifies approved expenditures and the indirect cost rate. To further comply with Section 200.332(a) in the future, the DAO will issue a letter to each subrecipient that includes the required information, in addition to a copy of the award notification. This is a repeat finding from the prior year and the DAO successfully implemented a corrective action plan immediately following the prior year's finding. The DAO immediately issued letters to subrecipients to meet the requirements of 2 CFR Section 200.332(a). Unfortunately, however, because the prior year's finding was not identified until the middle of the 2021 grant cycle and the notification to the subrecipient was not at the time of award, this continues to be a finding.

   Director of Fiscal and Administrative Services implemented a Corrective Action Plan on June 22, 2021, with a written policy that includes new protocols for subrecipient monitoring. The written policy addresses the following:

   - Timely notification to subrecipients of subaward status.
   - Issuing subrecipients a letter notifying subrecipient of required information consistent with 2 CFR Section 200.332(a), as well providing reference to 2 CFR Part 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

B. Director of Fiscal and Administrative Services and the Grant Manager agree that a risk assessment of subrecipients must be performed. This finding was previously identified in 2021. Director of

Fiscal and Administrative Services implemented a Corrective Action Plan on June 22, 2021, with a written policy that includes new protocols for subrecipient monitoring. The written policy addresses the following:

- Requirement for Grants Manager to complete subrecipient risk assessment and retain risk assessment checklist.
- Requirement for each subrecipient to answer subrecipient risk assessment and submit to DAO for retention.

The Corrective Action Plan was implemented on June 22, 2021. Unfortunately, by June 2021, it was the middle of the grant cycle. Despite performing a risk assessment of subrecipients in June 2021, this was identified as a repeat finding.

Name of Responsible Persons:
Stuart Gardner, Director of Fiscal and Administrative Services
Anne Jensen, Grants Manager

Implementation Date:
A. Completed June 22, 2021 and reaffirmed on June 30, 2022
B. Completed June 22, 2021 and reaffirmed on June 30, 2022

Finding 2021-005

Program: Airport Improvement Program
CFDA No.: 20.106
Federal Grantor: U.S. Department of Transportation
Award No. and Year: Various
Compliance Requirements: Reporting
Type of Finding: Significant Deficiency in Internal Control

Department's Management Response:
Department of Airport (DOA) management agrees that the County should modify and/or strengthen our current policies and procedures to ensure that all required reporting has secondary review and approval prior to submission.

View of Responsible Officials and Corrective Action:
The plan of correction will include a secondary review and approval of FAA Forms 5100-126 and 5100-127 of the Certified Activity Tracking System (CATS).

The County will update the CATS review package to include a new form which will include an approval line as follows:

- A separate line for the name and title of the person reviewing the CATS reporting package
- A separate line for the signature and date of that individual

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Name of Responsible Persons:
Jamal Ghazaleh, Accounting Manager, Department of Airports

Implementation Date:
June 30, 2022

Finding 2021-006

Program: WIC Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA No.: 10.557
Federal Grantor: U.S. Department of Agriculture
Passed Through: California Department of Public Health
Award No. and Year: 2020-2021
Compliance Requirements: Procurement and Suspension and Debarment
Type of Finding: Significant Deficiency in Internal Control and Instance of Non-Compliance

Department's Management Response:
HCA Public Health management concurs with the findings.

View of Responsible Officials and Corrective Action:
Plan of correction will include the review of:

- Title 2 CFR Section 200.303(a), Internal Controls, states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.
- Title 2 CFR Section 200.214 of the Uniform Guidance states that the County must comply with 2 CFR Part 180, which implements Executive Orders 12549 and 12689. The regulations in 2 CFR Part 180 restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Department will ensure for FY 2022-23, that:

The County will adhere to procurement policy to verify the entity is not suspended or debarred or otherwise excluded from participating in the transaction prior to entering the contract. WIC Program Director will review Federal Uniform Guidance and will consult SAM.gov in addition to specific credential provider websites and maintain documentation of such prior to entering into future contracts.

Name of Responsible Persons:
Laura Flores, RD, CLEC, WIC Program Director

Implementation Date:
September 30, 2022

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Finding 2021-007

Program: MediCal Cluster
CFDA No.: 93.778
Federal Grantor: U.S. Department of Health and Human Services
Passed-through: California Department of Health Care Services
Award No. and Year: CFL 20-21

Compliance Requirements: Reporting
Type of Finding: Significant Deficiency in Internal Control

Department's Management Response:
HCA Public Health management concurs with the finding.

View of Responsible Officials and Corrective Action:
Plan of correction will include the review of:

Title 2 CFR Section 200.303(a), Internal Controls, states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in Federal Government" issued by Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Department will ensure for fiscal year 2022-23, that:

> The County's HCA – Public Health will adhere to the County's Administrative Policy Manual, Financial Management Chapter VII (A), Policy No. Chapter VII (A) -13 Internal Control Policy. Public Health management will review with the staff the Administrative Policy Manual and Title 2 CFR Section 200.303(a) and will ensure that future Quarterly Expense Claims are reviewed and approved prior to submittal.

Name of Responsible Persons:
Omar Arreola, Accounting Manager I
Sylvia Rodriguez, Accounting Manager I

Implementation Date:
September 30, 2022