

# AUDITOR-CONTROLLER/ TREASURER/TAX COLLECTOR



COUNTY OF SAN BERNARDINO

- 222 West Hospitality Lane, Fourth Floor  
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830
- 172 West Third Street, First Floor  
San Bernardino, CA 92415-0360 • (909) 387-8308 • Fax (909) 387-6716

**LARRY WALKER**  
Auditor-Controller/  
Treasurer/Tax Collector

November 21, 2013

Richard Pitts, Director  
Arrowhead Regional Medical Center  
400 North Pepper Avenue  
Colton, CA 92324-1819

**SUBJECT: REVIEW OF ARROWHEAD REGIONAL MEDICAL CENTER'S FIRST  
5-DENTAL PROGRAM REIMBURSEMENT CLAIM PROCESS**

## **Introductory Remarks**

In compliance with Article V, Section 6, of the San Bernardino County Charter, we have completed a review of the First 5-Dental Program reimbursement claim process at Arrowhead Regional Medical Center (ARMC). Our review was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing as established by the Institute of Internal Auditors.

## **Background**

In July 2012, First 5 San Bernardino (First 5) awarded ARMC a reimbursement basis grant for \$4,449,220 to manage the dental program for the 3-year period of July 1, 2012 through June 30, 2015. The primary purpose of the program is to offer dental services to children ages 5 years and younger. Each month ARMC is required to report to First 5 the actual expenditures for services rendered.

## **Objectives, Scope and Methodology**

We reviewed the monthly reimbursement claims submitted by ARMC staff for the First 5-Dental Program from July 1, 2012 through June 30, 2013.

The objective of our review was to determine that internal controls are in place and effective over the department's cost claim process.

We used several audit techniques to achieve the objective of the audit, which included, but were not limited to:

- Interviewing ARMC and First 5 staff
- Reviewing the underlying First 5 contract
- Reviewing monthly reimbursement claims submitted by ARMC
- Reviewing supporting documentation

### **Conclusion**

We determined that the department did not reconcile their claims to FAS to verify that the claims were paid before processing the reimbursement claims. We have listed our recommendations for improvement in the Finding and Recommendations section of this report.

We sent a draft report to the department on September 16, 2013 and discussed our observations with management on July 31, 2013. ARMC's responses to our recommendations are included in this report.

### **Finding and Recommendations**

#### **Finding: Internal controls over the First 5-Dental Program should be improved**

Section V, *Fiscal Provisions*, of the Department's contract agreement with First 5 San Bernardino states, "the Commission will disburse funds on a fee for service/reimbursement payment process."

Dentists submitted invoices that were paid by ARMC through FAS. The Accountant III entered the invoices into the Persimmony System to request reimbursement from First 5. The invoices were not verified as paid in FAS.

ARMC did not realize that payment should be verified in FAS prior to requesting reimbursement. The lack of payment verification increases the likelihood of invalid claims being submitted to First 5.

#### **Recommendations:**

We recommend that management develop, implement and monitor an internal control structure that provides adequate oversight over the reimbursement claims process for the dental grant program. Written procedures should be created, implemented and periodically verified by management to ensure compliance. The procedures must include a requirement that payments are confirmed in FAS before reimbursement is requested.

**Management's Response:**

Our recommendation is to use First Five expenses entered in Meditech system for billing purpose. ARMC will check amounts paid per FAS system to make sure all the invoices are paid in the current month or next month. ARMC will always be one month behind. We will provide reconciliation of amount paid each month. Since ARMC total expense for the whole year is always higher we can skip first month of billing and catch up later in June of each year. Hope this process will satisfy all the parties. ARMC will write Accounting policy and procedure for First Five.

**Auditor's Response:**

The terms of the contract agreement indicate that the First 5 Dental Program pays ARMC on a reimbursement basis. The Department's monthly billing practices are not on a reimbursement basis and therefore do not comply with the terms of the contract. The Meditech System is used to record the invoices from the service providers. Payments must be confirmed in FAS before reimbursement is requested.

Thank you very much for the cooperation extended by your staff during the course of this audit.

Respectfully submitted,

Larry Walker  
Auditor-Controller/Treasurer/Tax Collector  
San Bernardino County

By: \_\_\_\_\_

Denise Mejico  
Chief Deputy Auditor  
Internal Audits Section

LDW:DLM:PMG

Quarterly copies to:  
Board of Supervisors (5)  
County Executive Officer (2)  
Grand Jury (2)  
Auditor-Controller Audit Committee

Date Report Distributed: 11-21-13