

## HOSPITALS: CLINICAL TEACHING SUPPORT

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## HOSPITALS: CLINICAL TEACHING SUPPORT

I. INTRODUCTION

Clinical Teaching Support (CTS) is the term used for that portion of the State appropriation to the University which is allocated by the President to campuses with clinical teaching facilities in order to provide the facilities (hospitals and clinics) with funds necessary to obtain an appropriate number and diversity of patients for the Health Sciences clinical teaching programs. CTS is an essential resource for the maintenance of education programs at the University's extensive network of clinical teaching facilities serving the people of California. These clinical teaching facilities must provide excellent health care and seek to make such services available to prospective patients, regardless of their ability to pay. Thus this resource serves a dual purpose; in addition to the primary purpose of helping provide for education which the State needs, it also helps provide for essential patient care.

State appropriations for the Veterinary Medicine Clinical Teaching Facility and the neuropsychiatric institutes are sometimes referred to as CTS; however, the method of budgeting CTS resources for these facilities differs from the method used for budgeting CTS at other University clinical teaching facilities for human medicine. Notwithstanding, the policy and procedures presented in this chapter, which mainly apply to CTS at the human medicine teaching hospitals and clinics and at the dental clinics, may be utilized where appropriate as guidelines for CTS resources at all of the University's clinical teaching facilities.

On November 3, 1982, Vice President William B. Fretter approved the following CTS fiscal policies specifically for the dental clinics and neuropsychiatric institutes: (1) rather than being referred to as CTS, State appropriations allocated to the dental clinics shall be referred to as the Dental Teaching Fund and State appropriations allocated to the hospital portion of the neuropsychiatric institutes shall be referred to as the Mental Health Teaching Fund; (2) the Dental Teaching Fund shall be utilized at the dental clinics solely to offset teaching costs in ambulatory care, not for any of the other approved uses of CTS described below; and (3) the Mental Health Teaching Fund may be utilized for any of the approved uses of CTS described below.

II. UTILIZATION POLICY GUIDELINES

## A. GOALS

The utilization of CTS is intended to assist in accomplishing defined clinical teaching program goals which are consistent with University

## II. UTILIZATION POLICY GUIDELINES (Cont.)

### A. GOALS (Cont.)

policies and legislative stipulations on CTS appropriations. The goals, applied equally to all patients in University clinical teaching facilities irrespective of the source of payment for health services, are as follows:

#### 1. Patient Population

To assure the availability of sufficient patients, appropriate both in number and diversity of clinical problems, to implement broad and varied educational programs;

#### 2. High Quality, Cost Effective Patient Care

To assure a uniform high standard of patient care, both in terms of quality and cost-effectiveness;

#### 3. Innovative Patient Care

To assure availability of recent, innovative, and specialized advances in health care to all patients; and

#### 4. Supervised Patient Care

To assure appropriate faculty supervision for the health care of all patients.

### B. APPROVED USES

CTS may be used for the following purposes, which are consistent with one or more of the above clinical teaching program goals:

#### 1. Individual and Contractual Allowances

CTS may be utilized to make up the difference between the patient's bill for services, as determined by established charges, and the amount that will be paid toward the patient's bill from the patient's resources and/or from third-party sponsors.

For individual allowances, the amount to be paid by the patient is established by University financial screening procedures. For contractual allowances, the amount to be paid by the third-party sponsor is estimated on the basis of current reimbursement regulations. In some cases, individual payment may accompany a contractual allowance where the contract permits efforts to collect the residual from the patient's resources if the patient is financially screened and found to be capable of and liable for payment. Individual and contractual allowances are to be

distinguished from bad debts, which result from the patient's unwillingness to pay for services and for which CTS is not to be used.

2. Allowances for Disallowed Services

CTS may be utilized to finance allowances resulting when health care services provided to CTS-eligible patients are considered medically justified by the University staff but are disallowed for reimbursement by third-party sponsors. Prospective guidelines and periodic review of the University staff decisions regarding medical justification will be established by University health care utilization review advisory committees discussed in paragraph II.E., below.

3. Allowances for New Programs

CTS may be utilized for a limited period of time to finance the individual or contractual allowances resulting when charges for new patient care programs and procedures, which are necessary to the clinical teaching program, are disallowed or under-reimbursed by third-party sponsors (e.g., charges for neonatal intensive care before such services become fully covered by third-party sponsors).

4. Allowances for Extramural Specialized Services

CTS may be utilized to finance the individual or contractual allowances resulting when special patient care services (e.g., hemodialysis or therapeutic irradiation) are provided to patients at non-University clinical facilities under contract because the service is unavailable at the University-operated clinical facility. In this instance, the patient remains a University responsibility, is subject to University financial screening procedures, and is necessary to the clinical teaching program.

5. Allowances for Special Patient Care Programs

In the case of some special patient care programs, clinical teaching facility charges to patients may need to be established at less than cost in order to obtain a sufficient number and diversity of patients to meet clinical teaching program requirements. In such instances, CTS may be utilized to finance the differences between costs and charges. Such utilization may include the financing of a portion of "package care plans" for specific programs (e.g., obstetrics). This recommendation is not intended to endorse the utilization of CTS to support a general policy of establishing charges at less than cost.

II. UTILIZATION POLICY GUIDELINES (Cont.)

B. APPROVED USES (Cont.)

6. Support of Teaching Costs in Ambulatory Care

In addition to financing individual and contractual allowances on patient bills for ambulatory care (e.g., clinic or emergency service), CTS may be utilized to finance the identifiable clinical teaching facility costs incurred on such ambulatory care services attributable to the presence of students. The cost of delivering high-quality supervised ambulatory care is significantly increased in the clinical teaching setting as the presence of students decreases the number of patients that can be seen per hour.

7. Support of Contractual Services

It is recognized that the effective provision of patient care services in a clinical teaching facility requires administrative, as well as, patient care and teaching efforts by the faculty. In some cases, it is appropriate that administrative and patient care faculty services be compensated on a fixed charge contractual arrangement between the clinical teaching facility and a school, rather than relying upon the fee-for-service arrangement usual to professional care service. Such contractual arrangements are customary for physician faculty in clinical teaching facility service units, such as the clinical laboratory, emergency center or clinic, and for other faculty in health professions, such as dentists, pharmacists, medical physicists, and microbiologists. As a result of these contractual arrangements, the clinical teaching facility service charge to patients includes an amount to recover the costs of faculty compensation for administration and/or patient care services. In order for these contractual compensation arrangements between the clinical teaching facility and the school to qualify for such CTS usage they must meet the following tests:

- a) the service unit involved must be an essential part of the clinical teaching program,
- b) the same clinical teaching facility charge must be applied equally to all classes of patients, and
- c) the faculty services covered by the contractual compensation arrangement must represent a major effort, on behalf of the clinical teaching facility, in patient care and/or in the continuing management of a clinical teaching facility service unit, and, if not provided by the faculty, would have to be obtained by the clinical teaching facility by hiring non-faculty professionals.

Such contractual arrangement between a clinical teaching facility and faculty should not be made on the basis of the percentage of gross or net income generated by the service unit involved in the clinical teaching facility. All such contractual arrangements must be approved by the chancellor and reported annually to the President.

C. PURPOSES FOR WHICH CTS MAY NOT BE USED

CTS may not be used for the following purposes:

1. Fees for Service

CTS shall not be utilized for payment of professional fees for services rendered (directly or indirectly) to or on behalf of University employees.

2. Research Support

CTS shall not be utilized for the support of research. (This does not preclude the involvement of a CTS-supported patient in an approved research program.)

3. Extramural Patient Care Facilities

CTS shall not be utilized for specialized services provided at non-University clinical facilities, when responsibility for comprehensive and continuing care of the patient is fully assumed by that facility (e.g., government hospitals, nursing homes, private hospitals).

4. Extramural Teaching Facilities

CTS shall not be utilized for patient care at non-University clinical facilities even when such facilities participate in selected University clinical teaching programs. Fiscal agreements underwriting the cost of such affiliated teaching programs often require individualized considerations and should be separately funded. (This was the subject of the report submitted to the Legislature by the University on March 1, 1977, which emphasized the importance of non-University clinical facilities to the University's clinical teaching program and the need for additional State funds to support these affiliations.)

5. Intramural Non-Teaching Facilities

CTS shall not be utilized for patient care at University-operated clinical facilities where such care is unrelated to any identifiable teaching program.

## II. UTILIZATION POLICY GUIDELINES (Cont.)

### \* D. REPORTING AND AUDIT REQUIREMENTS

A uniform format for reporting annually the CTS utilization to campus and Office of the President administrators, so that all five teaching hospitals can provide the information required, appears in Appendix I, Report of Clinical Teaching Support Utilization, and Appendix II, Estimate of Clinical Teaching Support Utilized for Faculty Contractual Services, of this chapter. The reporting format for CTS utilization that appears in Appendix I is the same format that is to be used as Schedule E in the annual (June 30) Hospital Statement of Operations. Such an annual uniform report format is essential to monitor accurately the use of CTS. The report serves as a guide for the allocation of CTS funds to the campuses.

\* The annual uniform report on CTS utilization prepared by the teaching hospital staff shall be audited every three years (see Appendix III<sup>1</sup>) by campus internal audit staff to verify the accuracy and reliability of the accounting data contained in the report. Generally, the scope of the campus audit should consist of a review of the supporting accounting and other financial data, e.g., CTS ledger accounting entries, subsystem reports, monthly hospital operating statements, and selected source documents, from which the amounts included in the annual uniform report were extracted. The verification of supporting data should be extensive enough to assure that utilization of CTS was in compliance with University policy. (See Appendix III-A for more details of the audit guidelines.)

### E. REVIEW REQUIREMENT

Individual, complex, and unforeseen local campus exigencies may lead to valid differences in interpretation of CTS utilization policy and to requests for consideration of new uses of CTS. Therefore, a continuing Universitywide Advisory Committee on CTS shall be established by the President, or the President's designee, to: (1) review usage of CTS as audited on a regular basis, (2) review proposed new or revised uses for CTS, and (3) review disputes related to CTS applications when requested by staff in the Office of the President. The majority of the membership on the Advisory Committee on CTS shall be Health Sciences faculty members; the rest of the membership shall be drawn from appropriate Office of the President and campus administrative and technical units, including the Health Sciences schools, and clinical teaching facilities.

In addition, each chancellor, or the chancellor's designee, shall establish a committee, advisory to the chancellor, or the chancellor's designee, to determine whether CTS usage by the clinical teaching facility conforms with CTS utilization policy (paragraphs II.A., B., and C., above). The majority of this campus committee shall be Health

<sup>1</sup>This supersedes the annual frequency stated in Appendix III-A.



Sciences faculty members; the rest of the membership shall be drawn from the chancellor's office and appropriate campus administrative and technical units, including the Health Sciences schools and clinical teaching facilities. Preferably, a member of the campus committee shall be a member of the Universitywide Advisory Committee on CTS.

III. ACCOUNTING PROCEDURES

A. PRESIDENT'S ALLOCATION

The President's allocation of CTS funds to each clinical teaching facility shall be recorded in the general ledger under the General Fund (19900 fund) and under either the Teaching Hospital's (budget function 42) or Academic Support (budget function 43) as appropriate.

B. RECORDING CTS UTILIZATION IN THE GENERAL LEDGER

- 1) Utilization of CTS funds on patient accounts (for Individual Allowances, Contractual Allowances, or Disallowed Services)--
  - a) After the patient's final bill is prepared, the amount of the bill that qualifies for CTS (portion not covered from the patient's own resources and/or third-party sponsors) shall be recorded as a 19900 fund expenditure with a corresponding credit to the Hospital's Other Operating Revenue--CTS account. The following entries should be made:

1) To Record the Patient Accounts Receivable

|                                 |              |
|---------------------------------|--------------|
| Dr. Patient Accounts Receivable | 112XXX-XXXXX |
| Cr. Hospital Revenue            | 263XXX-XXXXX |

2) To Reduce the Patient Accounts Receivable by the Amount of CTS Applied

|  |              |
|--|--------------|
| Dr. Revenue Deduction--contractual allowance | 263XXX-63000 |
| Dr. Revenue Deduction--teaching allowance    | 263XXX-63000 |
| Cr. Patient Accounts Receivable              | 112XXX-63000 |

III. ACCOUNTING PROCEDURES (Cont.)

B. RECORDING UTILIZATION (Cont.)

1) (Cont.)

a) (Cont.)

3) To Record CTS as a General Fund Expenditure

Dr. CTS Expenditure 42XXXX-19900

Cr. Hospital Other Operating 263XXX-63000  
Revenue--CTS

- b) When the patient's bill is finally settled, any change in the amount of CTS applied to the bill shall be recorded as an adjustment to CTS as discussed in a), above.
- c) At the end of each month, an estimate shall be made of the CTS funds that will be required for unbilled patient accounts. This estimate shall be in lump sum and shall not be applied to individual patient accounts, but shall be accrued as CTS usage for the month, i.e., reported as an expenditure of the 19900 fund, with a corresponding credit to the Hospital's Other Operating Revenue--CTS account. This accrual shall be reversed at the end of the following month when the new monthly CTS usage estimate for unbilled patient accounts is recorded.
- d) In addition to the accrual of CTS usage for unbilled patient accounts described in c), above, CTS usage (or a credit to CTS usage) may result from a final settlement on a cost report with a third-party sponsor, e.g., Medicare or Medi-Cal. If, after the close of a fiscal year and the settlement of a cost report, it is determined that contractual allowances charged against CTS have been over- or under-estimated in a prior fiscal year, the current CTS allocation may be utilized to fund the under-estimate, or shall be credited with the over-estimate of the contractual allowance for the prior fiscal year. This procedure, while having the disadvantage of recording CTS usage for a prior year against the current year CTS allocation, in the long run should result in a more accurate recordation of CTS usage for contractual allowances. In the interest of accurately matching revenue and expense in the fiscal year they were generated and incurred, every effort shall be made to accurately estimate contractual allowances so that adjustment in a subsequent fiscal year will be minimized. If the current year CTS allocation is to be utilized or credited for prior year adjustments to contractual allowances, the CTS allocation (19900 fund) shall be decreased or increased with a corresponding entry

made to the Hospital's Other Operating Revenue--CTS account. When possible, this accounting entry should be made in equal amounts throughout the fiscal year.

- 2) Utilization of CTS on other than patient accounts (for support of teaching costs in ambulatory care) shall be recorded monthly as an expenditure of the 19900 fund with a corresponding credit to the Hospital's Other Operating Revenue--CTS account. CTS offset to ambulatory care must be identified as part of the study or other analysis that determined those ambulatory care teaching costs attributable to the presence of students. The following entry should be made when CTS is used for ambulatory care teaching costs:

To Record CTS used for Ambulatory Expenses

|   |              |
|---|--------------|
| Dr. CTS Expenditure                           | 42XXXX-19900 |
| Cr. Hospital Other Operating Revenue<br>--CTS | 263XXX-63000 |

C. REPORTING CTS ON THE HOSPITAL STATEMENT OF OPERATIONS

Monthly reporting of CTS usage (revenue) in the Hospital Statement of Operations will be on the basis of 1/12th of the annual allocation. If the amount of CTS claimed during the month exceeds the 1/12 rate, the difference between the actual amount claimed and the amount recorded as CTS revenue shall be recorded in a Deferred Income account. If the monthly amount of CTS claimed is less than the 1/12th rate, the difference between the actual amount claimed and the amount recorded as CTS revenue shall be recorded as an Account Receivable.

D. FISCAL YEAR-END CLOSING PROCEDURES

The President's allocation of CTS and the subsequent application of CTS to accounts receivable or to offset ambulatory care teaching costs represent a double recording of revenue and expenditures in the consolidated University fiscal reports. As part of the fiscal year-end closing process, this double recording shall be eliminated by making accounting entries as follows:

|   |              |
|---|--------------|
| Dr. Hospital Other Operating Revenue<br>--CTS | 263XXX-63000 |
| Cr. Hospital Expenditure                      | 42XXXX-63000 |

For CTS utilized on patient accounts or for ambulatory care teaching costs during the fiscal year, the accounting entry shall debit the Hospital's Other Operating Revenue--CTS account and credit the Expenditure Recharge account in the 63XXX fund.

III. ACCOUNTING PROCEDURES (Cont.)

D. FISCAL YEAR-END CLOSING PROCEDURES (Cont.)

If there is an unexpended balance in the President's CTS allocation (19900 fund) account at fiscal year-end, the amount will lapse to budgetary savings. If the President's CTS allocation is overspent for the year, any over-expenditure not covered by a budget augmentation of State or other funds will be transferred to an expenditure account in the 63XXX fund and funded by a financial transfer from the Equity in Current Assets.

E. CLAIMING CTS APPROPRIATIONS

Each month, the campus accounting office shall prepare a claim requesting State appropriations for CTS usage. The claim shall be supported by a listing of those patients that have had CTS funds applied to their accounts. The first claim of each fiscal year shall be reduced by the amount of CTS funds carried forward by the accrued CTS utilization of the prior fiscal year. This reduction in the claim shall be shown at the bottom of the claim as a separate item. CTS will be drawn down during the fiscal year following the usual procedures for adjusting claims, but at a rate that exhausts the annual CTS allocation not less than 9 months of the fiscal year.

IV. REFERENCES

Subcommittee on Clinical Teaching Support, Report on Clinical Teaching Support: Part I--Recommendations on the utilization of Clinical Teaching Support, March 31, 1978 (accepted by President D. S. Saxon July 25, 1978).

Subcommittee on Clinical Teaching Support, Report on Clinical Teaching Support: Part II--Recommendations on the allocation of Clinical Teaching Support and the reporting and review of utilization, September 22, 1978 (accepted by President D. S. Saxon December 18, 1979).

Assistant Vice President W. B. Baker, Memorandum to (and as accepted by) Vice President W. B. Fretter on the changes in fiscal policies for the dental clinics and the neuropsychiatric institutes, October 25, 1982.

\*\* Vice President C. L. Hopper, M.D., Memorandum to University Controller J. A. Pastrone on the frequency of CTS uniform utilization report audit, September 17, 1992.

Accounting Manual chapters:

- H-214-7 Health Care Services: Professional Fees.
- H-214-75 Health Sciences Compensation Plans.
- H-576 Hospitals and Clinics.
- H-576-18 Hospitals: Cost Reimbursement by Third Party Sponsors.
- H-576-28 Hospitals: Financial Evaluation Standards.
- H-576-60 Hospitals: Patient Accounts Receivable.
- H-576-67 Hospitals: Reporting Requirements.

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Historical note: Original accounting Manual chapter first published 7/1/79. Earlier revisions: 7/1/82, 9/1/83, 12/1/86, 6/15/88, and 4/15/89. Present revision 12/1/92; analyst--John Turek.

APPENDIX I\*

UNIVERSITY OF CALIFORNIA  
Report of Clinical Teaching Support Utilization  
For the Year Ended June 30, 19\_\_  
(Dollars in Thousands)

|   | <u>Inpatient</u> | <u>Outpatient</u> <sup>(a)</sup> | <u>Total</u>            |
|---|------------------|----------------------------------|-------------------------|
| Annual CTS Allocation (State Funds)   |                  |                                  |                         |
| Less: Budgetary Savings Assigned by Chancellor  |                  |                                  | \$ _____                |
| Available CTS   |                  |                                  | _____                   |
| <u>Approved Uses of CTS:</u>  |                  |                                  |                         |
| 1. Individual Allowances  | \$ _____         | \$ _____                         | \$ _____                |
| 2. Contractual Allowances:  |                  |                                  |                         |
| Medicare  |                  |                                  |                         |
| Medi-Cal  |                  |                                  |                         |
| County  |                  |                                  |                         |
| Other   |                  |                                  |                         |
| Total Contractual Allowances  | _____            | _____                            | _____                   |
| 3. Disallowed Services:   |                  |                                  |                         |
| Medicare  |                  |                                  |                         |
| Medi-Cal  |                  |                                  |                         |
| County  |                  |                                  |                         |
| Other   |                  |                                  |                         |
| Total Disallowed Services   | _____            | _____                            | _____                   |
| 4. SUBTOTAL ITEMS 1-3   | _____            | _____                            | _____                   |
| 5. New Programs <sup>(b)</sup>  | _____            | _____                            | _____                   |
| 6. Extramural Specialized Services <sup>(b)</sup>   | _____            | _____                            | _____                   |
| 7. Special Patient Care Programs <sup>(b)</sup>   | _____            | _____                            | _____                   |
| 8. Teaching Cost in Ambulatory Care <sup>(b)</sup>  | _____            | _____                            | _____                   |
| 9. SUBTOTAL ITEMS 5-8   | _____            | _____                            | _____                   |
| 10. TOTAL CTS UTILIZED (STATE FUNDS)  | \$ _____         | \$ _____                         | \$ _____ <sup>(c)</sup> |
| 11. PERCENTAGE OF GOVERNMENT-SPONSORED GROSS PATIENT REVENUE<br>TO TOTAL GROSS PATIENT REVENUE <sup>(d)</sup> |                  |                                  | _____ %                 |

(a) Includes CTS used for both emergency service and clinic patients.

(b) CTS usage reported for these programs, services, and purposes should be further described in an attachment to this report.

(c) Total CTS Utilized must agree with Available CTS.

(d) Government-sponsored gross patient revenue includes revenue from Medicare, Medi-Cal, County and similar government-sponsored health care programs.

APPENDIX II

UNIVERSITY OF CALIFORNIA  
 Estimate of Clinical Teaching Support Utilized For Faculty Contractual Services  
 For the Year Ended June 30, 19\_\_\_\_

| HOSPITAL<br>DEPARTMENT | AMOUNT PAID BY<br>HOSPITAL FOR FACULTY<br>CONTRACTUAL<br>SERVICES | PERCENTAGE OF DEPARTMENTAL<br>REVENUE DERIVED FROM: |                |        | ALLOCATION OF FACULTY<br>CONTRACT SERVICE PAYMENT BY<br>PERCENT OF REVENUE    |                |
|------------------------|---|---|----------------|--------|---|----------------|
|                        |   | INPATIENTS  | OUTPATIENTS(a) | TOTAL  | INPATIENTS  | OUTPATIENTS(a) |
| 1. Clinical Lab.       | \$  | %   | %              | 100.0% | \$  | \$             |
| 2. Emergency Serv.     |   | XXXXXX  | 100.0 %        | 100.0% | XXXXXX  | XXXXXXXXXX     |
| 3. Clinics             |   | XXXXXX  | 100.0 %        | 100.0% |   |                |
| 4. Other (Specify):    |   | %   | %              | 100.0% |   |                |
| <b>TOTALS</b>          | \$ _____  |   |                |        | \$ _____  | \$ _____       |
|                        |   |   |                |        | MULTIPLIED BY THE AVERAGE PERCENTAGE OF REVENUE SUPPORTED BY CTS(b) x _____ % | x _____ %      |
|                        |   |   |                |        | ESTIMATED FACULTY CONTRACTUAL SERVICES PAYMENT SUPPORTED BY CTS(c) \$ _____   | \$ _____       |

(a) Includes both emergency service and clinics revenue.

(b) Source: Hospital and Clinics Financial Statements - Schedule C.

(c) These amounts of CTS are included throughout the several approved uses of CTS reported in Schedule I.

**\*APPENDIX III: FREQUENCY OF CTS UNIFORM UTILIZATION REPORT AUDIT**

UNIVERSITY OF CALIFORNIA

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President

CORNELIUS L. HOPPER, M.D.  
Vice President-Health Affairs

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(510) 987-9697  
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September 17, 1992

UNIVERSITY CONTROLLER PASTRONE

Dear Joe:

President Gardner has approved the recommendation, described in my letter to him of July 13, 1992 and reviewed in your letter to Senior Vice President Brady of August 17, 1992, that an audit of the CTS utilization report be performed every three years rather than annually.

By copy of this letter, I am informing interested staff at the Office of the President and members of the Advisory Committee on CTS of this CTS audit policy change. Please revise University Accounting Manual Chapter H-576-73 and inform appropriate staff at the campuses and teaching hospitals of this change in audit policy.

Sincerely,

A handwritten signature in cursive script that reads "Cornelius L. Hopper".

Cornelius L. Hopper, M.D.

cc: Senior Vice President Brady  
Vice President Baker  
Associate Vice President Hershman  
University Auditor Tuffnell  
Professor John F. Alksne  
Members of the Advisory Committee on CTS  
Coordinator Turek  
Assistant Budget Director Jansa



\*APPENDIX III-A: GUIDELINES FOR AUDIT OF CTS UNIFORM UTILIZATION REPORT

UNIVERSITY OF CALIFORNIA SYSTEMWIDE ADMINISTRATION

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SANTA BARBARA • SANTA CRUZ

Office of the Vice President--Financial  
and Business Management

BERKELEY, CALIFORNIA 94720

October 30, 1981

ADMINISTRATIVE AUDIT MANAGER BOWLER  
INTERNAL AUDIT DIRECTOR CORDON  
AUDIT MANAGER DONLEY  
CHIEF CAMPUS AUDITOR GARCIA  
COORDINATOR OF AUDIT SHARP

Enclosed is the audit program guideline for the audit of the CTS utilization report as promised in Norm Gross' letter of October 21, 1981. Since this will be an annual requirement, we will be sure to include it as a mandated audit in future years.

If you need additional guidance or have suggestions as to how to improve the audit program, do not hesitate to call.

Robert T. Tuffnell

Attachment

cc: University Auditor Gross  
Hospital and Clinics Specialist Jansa  
Hospital and Clinics Coordinator Turek

INTERNAL CORRESPONDENCE

\*APPENDIX III-A: (Cont.)

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UNIVERSITY OF CALIFORNIA  
SYSTEMWIDE INTERNAL AUDIT  
AUDIT PROGRAM GUIDELINES  
CTS UTILIZATION REPORT

A. SYSTEMWIDE POLICY/PROCEDURES REFERENCES

1. Accounting Manual Chapters

- H-214-7 Health Care Services: Professional Fees
- H-214-75 Health Sciences Compensation Plans
- H-576 Hospitals and Clinics
- H-576-18 Hospitals: Cost Reimbursement By Third Party Sponsors
- H-576-28 Hospitals: Financial Evaluation Standards
- H-576-60 Hospitals: Patient Accounts Receivable
- H-576-67 Hospitals: Reporting Requirements
- H-576-73 Hospitals: State Clinical Teaching Support

2. Other Pertinent References

Clinical Teaching Support. A report of the Subcommittee on Clinical Teaching Support to the Health Sciences Committee of the Academic Planning and Review Board of the University of California.

Part I. Recommendations on the Utilization of Clinical Teaching Support, March 31, 1978.

Part II. Further Recommendations on Clinical Teaching Support, (CTS) Funds including:

- a. Campus Administrative Control and Reporting of CTS Utilization;
- and
- b. Factors for Consideration by Systemwide Administration in allocating CTS Funds to the Campuses. September 22, 1978.

B. Background Information

The above referenced Report of the Subcommittee on Clinical Teaching Support (CTS) was approved as University Policy by President Saxon in his July 25, 1978 cover letter to that report. Under "Recommendations for Administrative Procedures to Implement the Policy", page 15 of the report, the subcommittee recommended that "...as uniform as possible as set of procedures for screening, accounting and auditing...be developed for systemwide application to the clinical teaching facilities." The subcommittee also recommended that "...while campus auditors should be responsible for auditing campus CTS transactions, the Systemwide Administration auditing office should be charged with reviewing compliance of each teaching facility with the policies contained in this report."

Other important background information is contained in referenced Accounting Manual Chapters and in the Report of the Subcommittee on Clinical Teaching Support.

As with previous Audit Program Guidelines developed by Systemwide Internal Audit, we anticipate some variation in audit approach from campus to campus. The scope of work and audit steps which follow are the minimum requirements necessary to fulfill our audit responsibilities with regard to the CTS utilization report.

C. Purpose of the Audit

To verify the accuracy and reliability of the accounting data contained in the CTS utilization report for the fiscal year under review.

D. Scope of the Audit

Generally, the scope of the audit should consist of a review of the supporting accounting and other financial data (i.e., CTS ledger account

\*APPENDIX III-A: (Cont.)

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entries, sub-system reports, monthly hospital operating statements, selected source documents, etc.) from which the amounts on the CTS utilization report (Schedule I) were extracted.

The verification of supporting data should be extensive enough to verify that utilization of CTS is in compliance with University policy. This should include selecting and testing from hospital sub-system reports, a representative sample of patient accounts (various sponsors) to which CTS has been applied.

E. Specific Audit Steps Requested

1. Verify that the total CTS allocation figure on Schedule I equals state funds allocated by the President. Differences should be explained.
2. Verify the arithmetic accuracy for both Schedule I and II.
3. Include a copy of both Schedule I and II of the CTS Report, as audited, as an attachment to your audit report.