

Internal Control in a Hospital Association

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Abstract

The objective of the research is to propose a systematization model regarding internal controls, guaranteeing the realization of operational and financial processes in the Hospital Association, in order to establish a system linked to internal control according to the financial area of collections. A theoretical framework was determined according to the definitions, principles, characteristics, importance, objectives and components of internal control and then focused on the institution. The methodology incorporated a type of documentary, non-experimental, descriptive research, on which tools such as the observation sheet, financial analysis, interviews were included to later obtain results in which it was concluded that the most serious problem was in the unpaid accounts of the Ecuadorian Institute of Social Security. It was concluded that corrective actions should be implemented based on a proposal made and it is recommended to follow these corrective actions through a more pertinent definition and delimitation of functions, or the medium-term survival of the hospital association would be put at risk. Keywords: management, audit, procedures.

Keywords: *internal control, hospital, association of hospitals.*

INTRODUCTION

The work carried out is of great importance in the decisions of all the management departments of the company, so in this research we will focus on "Internal Control in a Hospital Association", due to the applicability of internal resources in a hospital, which serve to inform the different departments of the superior entity of possible defects and irregularities, and verify their functioning by ensuring that these departments are able to take corrective action in a timely manner. A large number of clinics and hospitals do not have an audit department for the implementation of institutional control at a specific level, which creates weakness and, if not discovered in time, will generate various problems in economic and organizational matters with difficulties in their correction. For companies in the sector: clinics and hospitals, in order to achieve their internal control goals, it is necessary to establish a department that can verify the performance and performance. If the operational issue is to be improved, hospitals must have an internal audit department within their organizational structure to control the accounting business, since these associations are in the stage of technological improvement, which is due to the importance and requirements of the large population of the department. Given that the economic budgets implemented by these entities in a period of time are in the millions, it is necessary to implement an internal audit department to verify the faithful compliance

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of the control system with accounting records generated by the operations carried out by the institutions. In our country, the proportion of companies that have not been internally audited is very high, they are usually SMEs and large companies led by owners or relatives of that person, which makes it difficult to have impartiality to analytically manage the operational department of the company.

METHODOLOGY

The inductive technique was used to analyze the internal management within the hospital association, deciding the processes managed by the guilty staff. The different findings provided insight into weaknesses that need to be corrected within assortment processes. This analysis was obtained through the analysis techniques of interview, observation, and financial analysis, which served to determine, analyze, and warn of a response to the matter

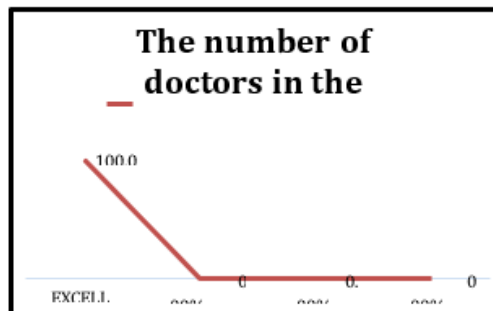
The goal of observation is to gather empirical information about the truth of facts as they occur in the natural environment. Through the identification of the activities that are managed in the company and the effectiveness of the controls currently applied. With this system, information was collected for the planning of standards, policies and associated instruments that will enable the association to implement appropriate control

Financial Analysis The respective financial analysis of the analyzed period of the years 2018 and 2019, 2020 was carried out through a study of the lack of internal control, and influence on the profitability of the hospital association.

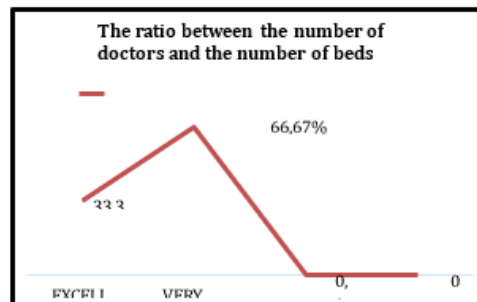
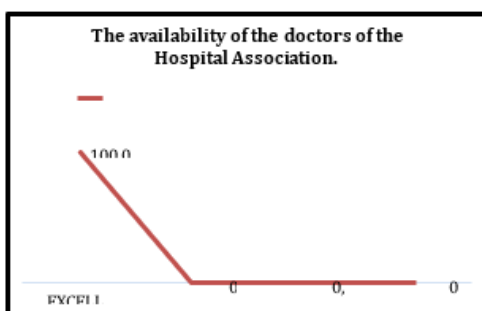
RESULTS AND DISCUSSION

The results of surveys carried out with doctors who showed their perception anonymously as agents of the hospital association.

Medical Workforce Management

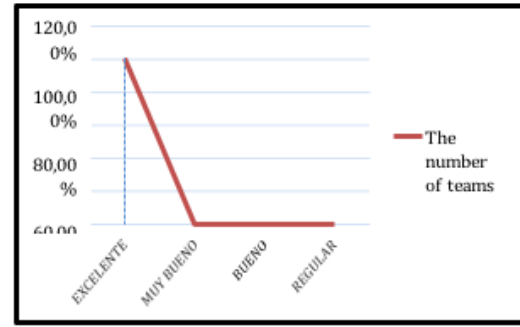
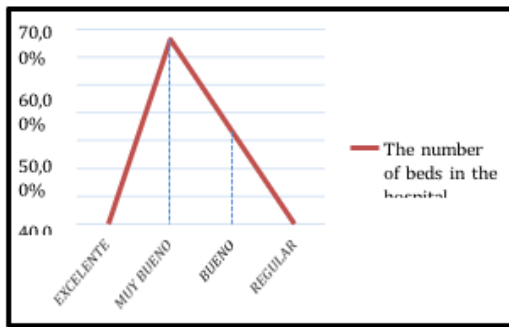


Number of Doctors in Hospital Association



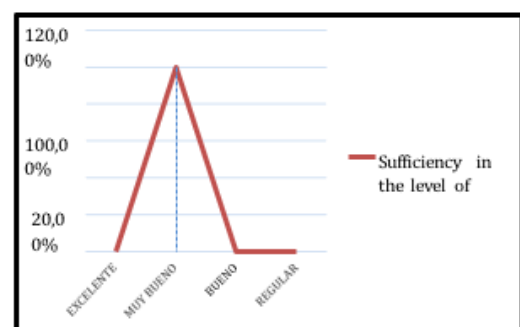
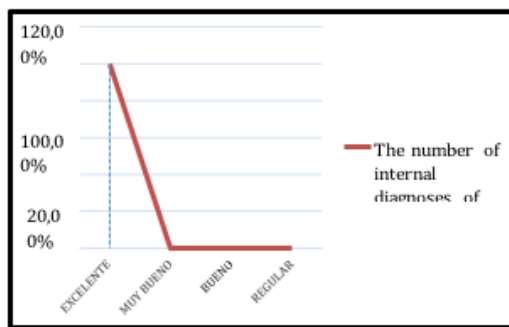
Availability of doctors Ratio of the number of doctors to the number of beds

HOSPITAL SIZE



Number of beds Number of teams

Number of internal diagnoses



DISCUSSION

The evaluation of internal control is a critical process within the hospital management of a business environment that aims to ensure the effectiveness and efficiency of the controls established to mitigate risks and safeguard the organization's assets. Here are some key steps that were employed in the internal control assessment:

Identification of Objectives and Risks:

Control objectives and risks associated with key business processes were defined.

Understanding the Control Environment:

It assessed the environment in which the organization operates, including culture, organizational structure, and policies.

Evaluation of the Design of Internal Control:

The effectiveness of the design of internal controls in their ability to prevent or detect errors or fraud was reviewed.

Implementation and Operation of Controls:

Verify if the designed controls are being implemented and operated as planned.

Information and Communication Assessment:

It examines how information related to internal control is communicated and documented and how it is shared within the organization.

Continuous Monitoring:

It assesses the organization's ability to continuously monitor the effectiveness of internal controls and make adjustments as needed.

Documentation and Evidence:

Document key processes and procedures and conduct tests to ensure they are being properly followed.

Results Report:

Prepares detailed reports on the findings and recommendations arising from the internal control assessment.

Corrective Actions:

Identifies and recommends corrective actions to address weaknesses or deficiencies in internal controls.

Periodic Re-Evaluation:

Conducts periodic evaluations to ensure that internal controls evolve with changes in the organization and its environment.

The evaluation of internal control can be carried out internally by the organization's staff or through external audits. It is essential to ensure financial integrity, efficient resource management, and operational risk mitigation.

1) Among the 5 components of the internal control of the hospital association:

Environment:

It does not have an up-to-date organizational structure, internal regulations in the TDM, or code of ethics, this is because there is no person in charge of carrying out these tasks.

Control

There are no manuals of functions, policies, procedures, they do not carry out a correct management of accounts receivable, which makes the risks to which the hospital association is exposed high, because the staff does not know which functions and procedures they must carry out according to the responsibility.

Risk

A correct record of the merchandise is not kept, of the accounts receivable, which is causing losses, which we are going to show in the financial statements.

Information

The hospital association does not register information and records in a timely manner, which generates duplication in accounting records, poor inventory management.

Tracking

It is evident that the association does not carry out evaluations of personnel, because it does not have instruments.

It was concluded that the association in the internal control components failed to fulfill its mission, significantly affecting its profitability and stability over time.

2) In the survey carried out to the medical staff in the section "Management of Medical Personnel" it has a dimension of social involvement and seeks to provide a timely medical response to patients; However, an improvement in care occurs in the face of proportionality

adequate number of doctors with respect to the volume of patients who arrive as users. 25% of doctors responded that the number of doctors was not enough to cover all the demand of health users, while 75% thought that the situation does not depend so much on the number of professionals, but on the time of care, which is sometimes extended according to the needs of each patient.

In the section the size of the hospital association is based on the number of beds that this medical entity has and the investment it currently has regarding the number of beds and the physical space for the care of the various health users. 92% of the doctors surveyed believe that the number of beds should increase due to the demand of recent months regarding care for COVID-19 cases, which have occupied emergency rooms on a large scale and shifts directed to this type of patient are usually referred to other hospital entities in other nearby cities. 8% of the doctors surveyed believe that the increase in the number of beds could jeopardize the timely payment of both medical and technical staff.

In the experience section of the technical staff, it has a great impact on the perception of optimal attention to the internal control management. As a result, 17% of the

Doctors surveyed are dissatisfied with the people hired and their treatment of users, which is usually not adequate. They point out that the problem in general is usually due to poor management of the recruitment area in the hospital association. 83% of the doctors surveyed, in turn, state that the problem is due to a shortage of this type of professionals who work in the medical area with shifts of more than 8 hours a day and that long working hours tend to affect the irritability of technical staff and their treatment of the client.

3) The study carried out on the Hospital Association shows us that it does not have documents that allow it to carry out its operations legally and without stipulation of problems linked to its primary health functions.

However, we found no evidence of the use of an internal control manual to carry out each of the corresponding activities of areas of the hospital association. For this reason, an internal control proposal is presented to help improve each of the financial and administrative collection processes carried out by this organization.

It denotes the use of the information provided by the hospital association linked to the various positions and functions carried out by each of the entity's officials. Likewise, the proven study linked to the review of the perception of both officials and health users with respect to the points of greatest demand for control to prevent the hospital association from finding itself in a greater gap with respect to the problems previously analyzed due to poor collection management with respect to each of the accounts of the accounting balance sheet and with respect to the figures that provide medium-term stability and long-term of their functions.

The purpose is to ensure that reporting and compliance objectives are established for the financial area through good management of the patient collections area of the IESS, other insurers. Optimal function to achieve the objectives are derived from various financial best practices, state laws, and regulations can be developed to meet the specific needs of the hospital association's functions and resources.

The control of all variables is given through the understanding of the hospital association as a group of people with a common goal of improving the quality of health of patients and providing confidence through timely, agile, pertinent and effective quality management.

Analysis of Financial Statements

FINANCIAL PERFORMANCE INDICATORS	FORMULA	YEAR		
		2018	2019	2020
LEVERAGE LEVEL	TOTAL, LIABILITIES	14%	17%	12%
LEVEL OF OWN RESOURCES	TOTAL, LIABILITIES/TOTAL LIABILITIES + EQUITY	15%	12%	11%
SOLIDITY (\$)	TOTAL, ACTIVE/TOTAL	US\$1.18	US\$1.14	US\$1.12

	LIABILITIES			
SOLVENCY (\$)	TOTAL, CURRENT ASSETS /TOTAL CURRENT LIABILITIES	US\$1.18	US\$1.14	MX\$0.93
ACID TEST (\$)	TOTAL, CURRENT ASSETS - INVENTORY - PREPAID EXPENSES / TOTAL CURRENT LIABILITIES	-US\$1.18	MX\$1.08	US\$0.91
OPERATIONAL CAPABILITY				
WORKING CAPITAL (\$)	TOTAL, CURRENT ASSETS - TOTAL CURRENT LIABILITIES	\$2,352, 19	MX\$2,395.3 5	-\$911.07
WORKING CAPITAL (%)	TOTAL, CURRENT ASSETS - TOTAL LIABILITIES	15,03%	12%	-8%
	CURRENT/TOTAL CURRENT ASSETS			
LEVERAGE CAPTURE (\$)	TOTAL, LIABILITIES/TOTAL EQUITY	MX\$5.65	MX\$7.32	US\$8.30
INVESTMENT ATTRACTION (\$)	TOTAL, ASSETS/TOTAL EQUITY	US\$6.65	MX\$8.32	US\$9.30
ACCOUNT ROTATION BY CASH OUT (times)	NET SALES/GROSS PROFIT	2,0	1,0	1,0
AVERAGE CREDIT PERIOD (days)	360/ACCOUNTS RECEIVABLE TURNOVER	179	360	360
ACCOUNTS PAYABLE TURNOVER (times)	COST OF SALES/ (RELATED ACCOUNTS PAYABLE + UNRELATED ACCOUNTS PAYABLE)	2,8	0,0	0,0
AVERAGE PERIOD PAID (days)	360/ACCOUNTS PAYABLE TURNOVER	127	0	0
GROSS PROFITABILITY (%)	GROSS PROFIT/NET SALES	49,6%	100,0%	100,0%
OPERATING PROFITABILITY (%)	RESULTS OF OPERATING ACTIVITIES/NET SALES	-4,2%	1,3%	-0,1%
NET PROFITABILITY (%)	NET INCOME FOR THE YEAR/NET SALES	-4,2%	1,0%	-0,1%
ROA (%)	NET INCOME FOR THE YEAR/TOTAL ASSETS	-17,4%	2,6%	-0,2%
ROE (%)	NET INCOME FOR THE YEAR/TOTAL EQUITY	-116,0%	21,4%	-1,9%

In terms of analytical thinking, within the hospital association the things with the best impact at intervals the state of the Association's monetary position, the account with the best connection was the account of money and money equivalents, a Nursing Associate item that grew by one hundred and eighty in 2019 compared to 2018, along the path of the business of having more service providers and more patients, compared to 2020, which decreased by 50% compared to 2019 due to the pandemic with the restrictions,

patients canceled their appointments, and it was not possible to meet the objective of attending to COVID patients in order to protect the health of employees.

The Accounts receivable account decreased by 26% in 2019 compared to 2018, due to the fact that outstanding payments were collected by SOAT, compared to 2020 which decreased by 32% in relation to 2019, due to the fact that there were no payments that were cancelled, with \$5789.84 still pending receivable.

As for Current Liabilities, the things that have had variations are: the decrease in the account payable in 2020 by 42% compared to 2019, due to the fact that it was not possible to meet all payments due to the pandemic, and priority was given to paying workers.

Meanwhile, in Equity, the loss in 2018 for \$2775 was notorious,⁴⁹ which, in 2019 had a slight improvement with a profit of \$43.26 compared to 2018, while for 2020 the loss in relation to 2019 was 61.26%, due to the pandemic.

In 2018 the hospital association had Net Sales of \$64,660.79 million dollars, while in 2019 it billed \$52,364.49 million dollars, representing a decrease of \$12296.30, which corresponds to 19% in relation to 2018, even so, for 2020 it generated a loss of \$8264.91 dollars related to 2019.

On the other hand, its Cost of Sales in 2018 was \$32,594.53 while in 2019 and 2020 it does not present costs of sales in its financial statements.

In the structure indicator, it will be discovered that the hospital association has a total liability of \$13,294.31 greenbacks at the end of the 2018 fiscal year, which indicates that eighty-five is backed by third parties and day V corresponds to its Equity; That is, it manages a conservative leverage, an equivalent that has been increasing over the years and so it was absolutely potential to investigate that in the amount of the commercial company in 2019 its total liabilities were \$17,523.56, 88% financed by third parties and 12% with shareholder resources, for 2020 its total liabilities were \$12,324.74 financed with 89% by third parties and 11% with own resources.

In the payment capacity indicator, it can be observed that the hospital association has solvency, liquidity to face its payments, in front of third parties, which guarantees that it will be able to apply for loans to invest.

The working capital of \$2352.19 is relatively high, due to the line of business.

Return on Equity, ROE being the most accurate indicator in which it shows the return obtained by shareholders on invested funds, the return on shares was in negative -116.0% for the year 2018, which indicates that no returns on investment are being generated, only losses in the association, for the year 2019 there was a slight increase of 21.4%, while for 2020 it is negative again at -1.9%.

Return on Assets ROA, the indicator is at -17.4% in 2018, for 2019 it is positive, with 2.6% and for 2020 it is negative at -0.2%, being able to show that no return on assets is being generated.

CONCLUSIONS

- The potential risks associated with the hospital association found were the risks of lack of liquidity due to the delinquency of the IESS, the lack of an internal management manual for the financial collection space, the lack of global recognition of the functions and procedures of each method, the duplication of data due to the scarcity of internal audit, the scarcity of areas for each patient and therefore the growing indebtedness of the hospital association.

- The analysis of the operational and financial scenario of the hospital association showed that, despite having power in the performance of its daily activities, the lack of management in the operational and financial space is wasting information resources, capital and human talent due to the lack of rigor in the procedures and functions of each of the hospital association's officials.
- The internal control proposal was the instrument chosen to allow the visualization of an adequate internal control in the financial processes of the collection area according to the results of the investigation, which demonstrated, according to the accounts, a critical problem given that the hospital association was not complying with its short-term obligations such as the payment of salaries and wages on time due to the existing delay in the payments of the debts generated by the patients of the Ecuadorian Institute of Social Security.

RECOMMENDATIONS

- The recommendations described about the lack of liquidity in the proposal should be applied promptly in order to improve the management of the officials and delimit their functions and protocols in the financial area of collections of the Hospital Association.
- We recommend training front-line agents in customer service in order to improve the image of the entity, so as not to waste information resources by optimally managing each of the requirements that patients have regarding the attributions for being affiliated to the social security of the Ecuadorian Institute of Social Security.
- A vision of medium-term growth should be applied due to the overdemand that the hospital association has in order to also acquire a greater number of patients and not refer them, in the future this can improve the problem of the existing deficit regarding the payment of obligations because the follow-up of what is recommended in the proposal of an audit within the established deadlines, To prevent patients from having greater problems with the care received.

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