


**UNIVERSITY OF CALIFORNIA, IRVINE
ADMINISTRATIVE AND BUSINESS SERVICES
INTERNAL AUDIT SERVICES**

**DEPARTMENT OF PSYCHIATRY AND HUMAN BEHAVIOR
SELECTED CASH HANDLING PROCESSES
Report No. 2010-204**

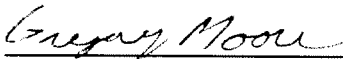
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IRVINE: INTERNAL AUDIT SERVICES

November 29, 2010

**BARRY F. CHAITIN, M.D.
PROFESSOR AND CHAIRMAN
PSYCHIATRY AND HUMAN BEHAVIOR**

**RE: Department of Psychiatry and Human Behavior
Report No. 2010-204**

Internal Audit Services has completed the review of selected cash handling processes of the Department of Psychiatry and Human Behavior and the final report is attached.

Please let us know if we can provide any additional support or assistance.



Bent Nielsen
Director
UC Irvine Internal Audit Services

Attachment

C: Rebecca Brusuelas
Ralph Clayman
Lesley Dowd
Audit Committee

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I. MANAGEMENT SUMMARY

In accordance with the Fiscal Year 2009-2010 audit plan, Internal Audit Services (IAS) reviewed the cash handling processes of the UC Irvine School of Medicine - Psychiatry and Human Behavior (PHB) Department. The review of cash handling processes was limited to the payment of University funds to human subjects as reimbursement for their participation in clinical trials and other research studies conducted by PHB Principal Investigators (PIs) and associates. Based on the audit work performed within the scope of the audit, some of the PHB internal controls need to be strengthened to ensure compliance with University policies and procedures. Specifically, we noted the following observations:

- **Medications Used in Research Studies** – Medication used in a research study was stored in the office safe along with cash, meal vouchers and other items. The bottle of capsules was extra (leftover) compounded study medication that had been shipped from another UC Pharmacy. (Observation 1);
- **Maintenance and Storage of Protected Health Information** - PHB stores some of their clinical and research documents in a commercial storage facility close to the UC Irvine Medical Center. Several documents in the storage unit contained Protected Health Information (PHI) and/or Personally Identifiable information (SSN and insurance cards), including confidential patient records, billing and human resource records, and insurance information. (Observation 2);
- **Cash Handling** – The system of internal controls relating to PHB cash payments to human subjects are weak. A review of three cash advances and two petty cash funds revealed a cash shortage of over \$10,000. In addition, the funds had not been timely reconciled and in some instances, the funds had been commingled with other University and/or personal funds. (Observation 3).

These issues are discussed in detail below.

II. BACKGROUND

IAS reviewed selected cash handling processes of the PHB. The review of cash handling processes was limited to the payment of University funds to human subjects as reimbursement for their participation in clinical trials and other research studies conducted by PHB PIs and associates.

To conduct their research, PHB PIs often need to enroll several human subjects, possessing certain pre-defined characteristics. As an inducement (and to provide reimbursement for costs incurred), PIs may compensate the study participants upon

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completion of specific tasks outlined in the study protocol. The amount of the payments, as well as additional information pertaining to the study protocol, is outlined in a consent form that must be signed by each study participant. PHB PIs utilize both University cash advances and University petty cash funds to pay study participants. Currently, four PHB PIs are conducting research studies in which payments to study participants are made. The total amount of payments to study participants paid in fiscal year 2009-2010 by PHB PIs was approximately \$100,000.

The primary mission of PHB is threefold: research, clinical care and education. In research endeavors, total PHB governmental grants and contracts for the 2008-2009 fiscal year was \$23 million. The department also received \$5 million in private grants and gifts. In clinical endeavors, the department trains 30 residents in general psychiatry and four advanced fellows in child psychiatry. Currently, there are 33 academic faculty, 23 academic researchers and 95 staff in the department.

III. OBJECTIVES AND SCOPE

The scope of the audit included a review of outstanding University cash advances and University petty cash funds assigned to PHB PIs. The review also included test work in cash management areas of physical security of funds, cash reconciliations, cash disbursements and documentation, separation of duties, and replenishment of funds. There were three outstanding PHB cash advances and two outstanding PHB petty cash funds. The total dollar amounts of the outstanding cash advances and petty cash funds, respectively, were \$9,460 and \$42,000.

The objectives of this review were as follows:

1. Determine whether outstanding University cash advances and petty cash funds can be accounted for and are reconciled by PHB employees in a timely manner;
2. Review and evaluate current cash handling processes for each of the five PHB locations;
3. Determine whether the means and method of communicating local and system-wide policies related to cash management inside PHB are adequate;
4. Determine whether systems of internal control over University funds assigned to PHB are in place and functioning in accordance with applicable local and system-wide policies;
5. Determine whether University cash advance and petty cash funds within PHB are properly safeguarded and access is limited to authorized personnel;

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6. Determine whether education and training is adequate to ensure roles, responsibilities, and accountability in the administration and management of cash advances and petty cash disbursements;
7. Determine whether prescribed processes for resolving instances of cash management discrepancies are adequate.

IV. CONCLUSION

During our review of PHB's cash management processes, IAS identified concerns in medication management procedures. Accountability and control procedures over study medications used in PHB research studies were not consistently maintained. In addition, concerns were identified regarding clinical and research record storage. PHB stores some of their clinical and research documentation in a commercial storage facility close to the medical center. However, the facility is not a UC designated contracted storage vendor and does not meet the standards required by UC policy and the Health Insurance and Portability Act (HIPAA).

In general, the system of internal controls surrounding PHB cash payments to human subjects are weak and do not ensure that University cash advance and petty cash funds are accounted for and reconciled in a timely manner. Accountability and a proper separation of duties over funds need to be maintained. Additional improvements are needed in the timely closeout of funds and the authorization and issuance of replacement funds. The transport, storage and security of funds also need to be improved. Cash handling education and training should also be provided to PHB cash handling employees.

These Observation details were discussed with management, who formulated action plans to address the issues. These details are presented below.

V. OBSERVATIONS AND MANAGEMENT ACTION PLANS

1. Medications Used in Research Studies

Observation

Control measures that ensure accountability over medications used in research studies need improvement. During a routine review of University funds kept in a locked safe in a PHB office in the Neuropsychiatric Center, we noted that a bottle of capsules was stored in the same safe along with other items.

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Upon further review, we determined that the medication was extra (leftover) compounded medication that had been shipped from another UC campus pharmacy directly to a PHB PI located in the Neuropsychiatric Center who was using the medication in a research study. The Hospital Pharmacy was not aware of the shipment.

UC Irvine Health Systems policy entitled, "Medication Management: Administration of Investigational Medications" requires that the distribution of all investigational drug products be coordinated and supervised by the Pharmacy. The Medical Center Investigation Drug Service (IDS) Study Medication Receipt and Storage procedures require that all study medications be delivered directly to the IDS Pharmacy and then distributed by the IDS Pharmacy to the research site. Study medications stored in research offices can only be stored for a short term (before being returned to the Pharmacy), and must be stored in a Pharmacy approved locked medications cabinet to which access is limited. On a long-term basis, all study medications must be stored in the IDS Pharmacy.

Failure to maintain accountability over medications used in PHB research studies may result in injury to patients, study participants and employees, and makes it easy for violations to occur.

During the audit, PHB transferred the medication to the IDS Pharmacy within the Neuropsychiatric Center. The Director of Pharmacy was also notified of the incident.

Management Action Plan

We will conform to policy by the following steps:

1. We will immediately notify all PIs conducting research involving medications that medications may only be stored in research offices in the appropriate locked medication cabinet for short term needs. We will also notify them that medications should not be stored with any other items such as petty cash, meal vouchers, etc.;
2. We will immediately notify all PIs it is required that all medications be delivered directly to the IDS Pharmacy and then distributed by the IDS Pharmacy to the research site;
3. All PIs and their staff will be trained in proper "Medication Management: Administration of Investigational Medications". We will contact IDS to provide the training.

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With the exception of the training, the Management Corrective Actions (MCAs) above were implemented in July 2010. The training will take place by February 1, 2011.

2. Maintenance and Storage of Protected Health Information

Observation

Control measures that ensure the security and privacy of health data, in accordance with the HIPAA and UC policy, need improvement.

PHB stores some of their clinical and research documents in a commercial storage facility near the medical center. Several documents in the storage unit contained PHI and/or Personally Identifiable information (SSN and insurance cards), including confidential patient records, billing and human resource records, and insurance information.

A review of the commercial storage facility used by PHB disclosed that the facility does not meet the standards required by Medical Center policy that pertains to the retention of documents created and maintained by UC Irvine Healthcare. Specifically, the vendor of the commercial storage facility is not the UC's designated and contracted storage vendor. In addition, UC has not established a Business Associate Agreement with the facility's vendor to ensure protection of the stored information.

The UC Irvine Healthcare General Administrative policy entitled, HIPAA, Record Retention states that, "If there is insufficient space to securely store records onsite, the records must be stored with the University's designated and contracted storage vendor." Failure to adhere to federal/state guidelines and UC policy in the proper retention and storage of health data may expose the Medical Center to regulatory violations.

Management Action Plan

We will conform to policy by the following steps:

1. All documentation stored with a non-UC designated storage vendor will be inventoried and cataloged;
2. In conjunction with the PI, any documentation that can be destroyed based on the "University's Records Disposition Schedule" will be disposed of properly;
3. All documentation that is required to be retained will be moved to the University's designated and contracted storage vendor;

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MCA 2 and 3 above have been completed. The documentation and inventory process will be completed by February 1, 2011.

3. Cash Shortages, Reconciliations and Unannounced Cash Counts

Observation

A review of three cash advances and two petty cash funds revealed a \$9,700 cash shortage in a petty cash fund and a \$591 cash shortage in a cash advance. IAS discussed the cash shortages with the PI and PHB administrative management and determined that they were unaware of the \$9,700 shortage prior to notification by IAS, and did not know when the shortages could have occurred. The PI stated that the fund that was short \$9,700, which was opened in 2001, had never been reconciled. The PI also stated that several fund managers had handled the fund since its inception and he was uncertain as to how to go about determining when the cash disappeared. IAS, the PI, and PHB administrative management were unable to account for the cash shortages. IAS reported the cash shortages to School of Medicine and PHB management for additional review and action as deemed necessary.

Further review of cash advances and petty cash funds disclosed that timely reconciliations and surprise verifications were either not being performed properly and in a timely manner, or were not being performed at all.

Failure to perform timely reconciliations and unannounced verifications of assigned cash advances and petty cash funds significantly weakens accountability over University funds and may result in cash losses.

UCI Policy and Procedure 701-03 Payments to Participants (Human Subjects) states that all cash advances and petty cash funds should be reconciled monthly, by study. 701-03 also states that all checking accounts [i.e., checking accounts established by PIs to store University funds] should be reconciled monthly.

In addition, Business and Financial Bulletin BUS-49 - Policy XIV.4 requires that an unannounced cash count and verification of petty cash funds for which cash handling employees are accountable shall be performed on a periodic basis, at least quarterly, by someone other than the fund custodian. Verification of cash balances must be documented. The results of the cash count are to be reported to the Central Accounting Office. Periodic, independent surprise verification of cash advances is also a good business practice to ensure accountability over University funds.

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Management Action Plan

We will conform to policy by the following steps:

1. The PBH business office will require PI's staff to begin reconciling on a monthly basis all cash advances and petty cash funds. The reconciliation will not be performed by the cash handler;
2. We will immediately assign a business office staff person to perform unannounced verifications of funds;
3. Documentation of reconciliations will be signed and dated by a manager and kept on file in the business office;
4. We will determine, by contacting the Controller, who provides cash handling training, and all cash handlers will be trained in proper cash handling procedures;
5. Department personnel will work with the School of Medicine Dean's office to resolve the cash shortage of \$9,700 and account for the funds.

With the exception of the cash shortage and training, the MCAs above were implemented in July 2010. The cash shortage resolution and training of all cash handlers will take place by February 1, 2011.

4. Commingling of Cash Funds

Observation

Cash handling measures that ensure the integrity of assigned University funds need improvement. PHB PIs and their assistants have commingled their cash advance or petty cash funds with other University funds, and/or with their personal funds. In addition, unauthorized cash "loans" have been established between two separate petty cash funds.

The following circumstances were observed:

1. One PHB PI has overlapped two separate University cash advances. The overlapping occurs when PIs request and receive a second University cash advance, before they close out an outstanding cash advance. To obtain School of Medicine administration approval for the second cash advance, a waiver may be submitted by the PI to School of Medicine administration requesting exemption from policy. In one of the research units reviewed, a PI has

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repeatedly requested a policy waiver from School of Medicine administration, thereby allowing an overlap of cash advances to occur over several years;

2. Cash advance funds from two different PIs working in the same research unit were commingled into one cash fund in order to facilitate the closeout of both cash advances;
3. A research specialist and a senior administrative analyst, both of whom work for the same PI on different studies, established a \$1,000 cash loan between the petty cash fund managed by the research specialist and the petty cash fund managed by the senior administrative analyst.

Failure to maintain the integrity of separately assigned University funds, or assigned University funds and an employee's own personal funds significantly reduces accountability over University funds and may result in a cash loss.

Business and Financial Bulletin BUS-49 - Policy II.A states that the campus [i.e., research unit] is responsible for establishing procedures for cash and cash equivalents that identify:

1. Which individuals receive cash and cash equivalents and for what purpose;
2. Where cash or cash equivalents are at all times; and
3. What transpired from the beginning to the conclusion of a cash handling process.

Management Action Plan

We will conform to policy by the following steps:

1. Not allowing overlapping cash advances as the norm, but instead only as exceptions;
2. Require chair approval for any overlapping cash advance requests;
3. Each PI will have their own cash handler assigned to manage cash advances / petty cash funds. One individual will not maintain cash advances for multiple PIs;
4. All PIs cash advances will be kept in separate, locked receptacles if sharing one safe;

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5. Immediately notify PIs and their staff that funds may not be commingled between two or more PIs;
6. Immediately notify PIs that checks issued for cash advances or petty cash funds, may not be deposited into their own personal non-University bank account, but may either be cashed and stored in the appropriate locked receptacles within their research unit or may be deposited in a University bank account set-up with proper signatories;
7. We will determine, by contacting the Controller, who provides cash handling training and all cash handlers will be trained in proper cash handling procedures, as well as transportation of funds.

With the exception of the training, the MCAs above were implemented in August 2010. The training of all cash handlers will take place by February 1, 2011.

5. Close out Procedures for Human Subject Cash Advances

Observation

Processes that ensure PHB PIs close out their outstanding University cash advances and submit the proper accounting records to the PHB business office within the allotted maximum four-month time period need improvement. Verification of three separate, outstanding University cash advances assigned to PHB PIs disclosed that all three were outstanding more than four months beyond their origination date.

Failure to close out University cash advances in a timely manner can significantly increase the number of human subject cash advances outstanding at any one time. In addition, accountability over University funds is reduced when cash advances remain outstanding indefinitely and may also result in a cash loss.

UCI Policy and Procedure 701-03 Payments to Participants Human Subjects states that University cash advance funds can be used over the length of time the cash advance will be needed, to a maximum of four months.

Management Action Plan

We will conform to policy by the following steps:

1. Implement escalation in notification of department hierarchy for cash advances not closed out in a timely manner. Currently the business office financial analyst monitors the length of cash advances and notifies the PIs and their staff when it is time to close out a cash advance. We will immediately

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begin notifying the Chief Administrative Officer (CAO) within one week if a cash handler has not submitted the close out documentation/cash for a cash advance when it is due. If a second week goes by, the chair will be notified;

2. No additional cash advances for other studies will be issued to any PI who has an open cash advance that is past due;
3. We will determine, by contacting the Controller, who provides cash handling training and all cash handlers will be trained in proper cash handling procedures.

With the exception of the training, the MCAs above were implemented in July 2010. The training of all cash handlers will take place by February 1, 2011.

6. Transport of Funds

Observation

The transport of University cash advances and petty cash funds by PHB personnel is not performed in the manner prescribed by UC policy, and may put University employees and assets at risk.

1. In one instance, the campus research site is a long distance from the Main Cashiering Office (MCO). Usually, the financial manager drives her owned vehicle and parks some distance from the MCO. The manager then walks outdoors and alone, to transport cash to and from the MCO and her car. In addition, this manager often transports University funds from the main research site to a secondary research site.
2. One of the PIs, whose research site is located close to the medical center cashes the check and takes some or all of the proceeds as cash. The PI then transports the cash proceeds back to the PI's research site.

In addition to the aforementioned examples, there may be other situations in which PHB employees transport University funds in a manner that is contrary to policy. A failure to transport University funds in accordance with UC policy may result in significant injury to University employees and/or a loss of University funds.

Business and Financial Bulletin BUS-49 Policy IX. 16 and 17 state that, transporting deposits between cashiering sites will be accomplished in a secure manner in order to protect the financial assets and individuals involved in transport. Cash handing departments will transport cash and cash equivalents to [from] a Main Cashiering Station using the following methods:

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1. By secure armored car service;
2. By employees, in dual custody, transporting (walking or driving) the [funds] to [from] the MCO. If the [funds] are in excess of \$2,500, employees should be escorted by a campus security or police officer.

Management Action Plan

We will conform to policy by the following steps:

1. Immediately notify the affected PIs and their staff of proper transportation of cash and cash equivalent methods based on BUS-49 Policy IX;
2. We will determine, by contacting the Controller, who provides cash handling training and all cash handlers will be trained in proper cash handling procedures, as well as transportation of funds.

With the exception of the training, the MCAs above were implemented in July 2010. The training of all cash handlers will take place by February 1, 2011.

7. Delegation and Separation of Cash Handling Duties

Observation

Control procedures that ensure an adequate separation of duties is maintained over PHB cash handling processes needs improvement. Observations of cash handling processes within PHB research units revealed the following concerns:

1. In all of the observed PHB research units, the PIs have delegated all cash handling responsibilities to an assistant. As a result, the PIs do not oversee any University funds assigned to them. However, four of the five observed cash advances and petty cash funds were issued in the PI's name. Under University policy, the PI is ultimately responsible for maintaining accountability over University funds used in his/her research;
2. In all of the observed research units, the same individual who handles University funds also prepares the accounting records for the receipt and issuance of the funds;
3. In all of the observed research units in which cash reconciliations are attempted, the individual who handles cash and records cash transactions is also responsible for reconciling available cash and outstanding cash receipts to the cash advance or petty cash fund amount;

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4. In one of the research units, more than one individual is permitted to handle cash and to access University funds stored in the safe.

Failure to maintain adequate separation of duties and delegation over University cash advance and petty cash funds may result in a diversion of University funds and/or a cash loss.

Business and Financial Bulletin BUS-49 Policy II.B states that, The Business Unit head is responsible for establishing procedures that ensure that no single individual is responsible for collection, handling, depositing and accounting for cash received by that unit. At least two qualified individuals must be assigned to carry out key duties of the cash handling process.”

Management Action Plan

We will conform to policy by the following steps:

1. Each PI group maintaining cash advances must provide the business office with a list of employees responsible for cash handling, receipts and issuance of funds, and reconciling responsibilities. The business office will verify there is an adequate separation of duties;
2. We will immediately assign a business office staff person to perform unannounced verifications of funds and evaluate that proper separation of duties are in place;
3. We will determine, by contacting the Controller, who provides cash handling training and all cash handlers will be trained in proper cash handling procedures;
4. We will immediately begin issuing all cash advances to the cash handlers.

MCA 2 and 4 above were implemented in July 2010. The remaining MCAs will be completed by February 1, 2011.

8. Non-University Bank Accounts

Observation

University policies established to ensure that non-University bank accounts are accessible by both the PI and a second University employee need to be followed.

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Some PHB PIs have opened personal, non-University bank accounts in their own name to store funds. However, contrary to policy, these personal bank accounts do not have either the PHB chairperson or administrator as a co-signer (with the PI) on the account.

A review was completed of two non-University bank accounts, each established by a separate PHB PI. Both bank accounts were established several years ago. The review disclosed the following results:

1. The PI of one of the non-University bank accounts continues to have a former PHB employee as the current co-signer on the account. The employee had previously performed cash handling duties for the PI;
2. The PI of the other non-University bank account does not have any co-signer on the account.

Failure to have the proper co-signers on a non-University bank account circumvents transparency of the account and may contribute to a possible diversion of University funds, and/or a cash loss.

UCI Policy and Procedure 701-03, Payments to Participants (Human Subjects) states that for each study, a non-interest-bearing checking account should be opened in the name of the PI and the department chair or administrator.

Management Action Plan

We will conform to policy by the following steps:

1. Require all PIs who have opened a personal bank account to hold cash advance funds add the CAO as a co-signer to the account;
2. Immediately require the removal of any non-PHB employees as a co-signer on a personal bank account holding University funds;
3. Once it is determined if the bank/credit union has adequate controls in place between an individual's personal banking account and their University account, we will follow the steps necessary to ensure the University account cannot be accessed by a PIs spouse or other signatory on their personal account. If the bank/credit union does not have such controls in place, the PI will be required to move the University account to another banking institution;
4. We will determine, by contacting the Controller, who provides cash handling training and all cash handlers will be trained in proper cash handling procedures.

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The completion date for the MCAs above is February 1, 2011.

9. Payments to Study Participants

Observation

Processes utilized by PHB PIs to track payments made to study participants with University funds need improvement. There are two types of payments made to study participants, payments in cash and payments by check.

Cash Payments

In general, receipts are issued when the study participant is present and he/she is going to be paid in cash. The receipt forms are completed by the PI's assistant. After the receipt form is signed by the study participant (and he/she is paid), one receipt copy is provided to the participant, and one is retained by the PI. Later, when the PI's cash advance is being closed out, or the PI's petty cash fund is reimbursed, the copies of the signed receipts retained by the PI provide supporting documentation.

However, there is a lack of consistency among PHB research units in the receipt forms they utilize. Some of the research units utilize receipt forms that are pre-numbered. However, these research units neither issue the pre-numbered receipts sequentially, nor track the numbers of the receipts that have been issued. Another research unit prepares receipt forms that are not pre-numbered. These receipt forms are also difficult to track.

Check Payments

One of the research units mails out reimbursement checks to study participants. With reimbursements by check, receipt forms are not used at all. Instead, the check number becomes the method of tracking payments to study participants.

In all methods of reimbursement noted above, the research units' failure to issue pre-numbered receipts sequentially to study participants, track the number of each receipt that has been issued, and periodically reconcile sequentially issued receipts to cash balances may hinder a timely, accurate and independent accounting of University cash advance and petty cash funds.

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1. Require all PIs and their staff to use pre-numbered receipt forms and notify them that the receipts should be issued in sequential order;
2. Require all PIs and their staff to maintain a receipt log in order to track the issued receipts;
3. All reimbursements issued by check will also require an accompanying pre-numbered receipt which will be issued to study participants and updated in the receipt log;
4. We will immediately assign a business office staff person to perform unannounced verifications of funds and reconcile sequentially issued receipts to cash advances and petty cash funds;
5. We will determine, by contacting the Controller, who provides cash handling training and all cash handlers will be trained in proper cash handling procedures.

With the exception of the training, the MCAs above were implemented in August 2010. The training of all cash handlers will take place by February 1, 2011.

10. Physical Security of University Funds

Observation

In some PHB research units, security procedures implemented to safeguard University funds are not always in compliance with University policy and good business practice. Observations of some physical security controls within PHB research units revealed the following concerns:

1. Two research units located near the campus store University funds in a non-fire proof rated lockbox that can be easily picked up and carried by one individual;
2. In one research unit it was observed that the key to the safe was usually kept in the safe lock. Although the safe also requires a code to be entered before the safe door can be opened, it is not a good business practice to leave the safe key in the safe lock;

In addition, two PIs in this research unit have their own cash advance funds. Funds from each cash advance are stored in a separate envelope in the safe compartment. Neither PI has been provided with a separate lockable compartment to which only he/she has access. As a result, it is difficult for

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this research unit to maintain separation of, and separate physical security for, the two cash advance funds stored in the safe;

3. In another research unit a wall-mounted lockable receptacle only requires one key for entry. As a result, one staff member, alone, usually accesses the University funds stored in the wall-mounted unit. In addition, the staff member who handles the funds sometimes keeps the key to the wall unit at home. There is no back-up key available;
4. IAS reviewed storage of duplicate safe keys and the process for changing keys and combination to lockable receptacles for three of the five research units. The following results were obtained:
 - a. One of the three research units indicated they had not changed their lock in the last three years. In addition, it was not known if the lock had ever been changed. In the past there was no log available documenting any changes that may have been made. For the other two research units, it could not be determined when/if the combinations and/or locks had been changed. It also could not be determined if a log was maintained to record the dates of combinations and/or lock changes;
 - b. One of the three research units did not have a duplicate key for their safe. The other two research units had back-up keys and combinations (as applicable to each research unit). However, it could not be determined whether the duplicate keys/combinations were retrieved under dual control, as required by UC policy;
5. None of the observed lockboxes and safes have either manual or automatic alarm systems;
6. Contrary to UC policy, unrelated items are sometimes stored in lockable receptacles within PHB research units. Observations of the contents of one research unit's department safe included pre-numbered meal tickets, several packages of cigarettes, and keys.

Business and Financial Bulletin BUS-49 Policy IX.11 states that, a safe's combination must be changed whenever a person who knows the combination leaves the employ of a cash handling unit. In addition, the combination must be changed at least once a year. Documentation must be maintained showing the date and the reason for the combination changes.

In addition, Business and Financial Bulletin BUS-49 Policy IX.12 states that, each cashier/cash handler must be provided with a separate lockable compartment in

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the safe to which only that cash handler has access. Duplicate keys must be safely stored away from the safe and be retrieved only under dual control.

Management Action Plan

We will conform to policy by the following steps:

1. Immediately notify PIs and their staff of appropriate lockable receptacles for the maximum amount of cash and cash equivalents required by BUS-49 Policy IX;
2. Immediately notify all cash handlers that keys may not be stored in the safe's locking mechanism and that all safe locks must be kept locked at all times when not accessing funds;
3. Immediately notify all cash handlers that funds for different PIs must be kept in separate lockable receptacles;
4. Immediately notify cash handlers that keys to safes may not be kept at home;
5. Require all cash handlers to change the key/combination to all lockable receptacles immediately. We will also require the immediate use of logs to track when keys/combinations are changed;
6. Immediately notify all PIs and cash handlers of BUS-49 Policy IX.11 and BUS-49 Policy IX.12 requirements;
7. Determine, by contacting the Controller, who provides cash handling training and all cash handlers will be trained in proper cash handling procedures;
8. Immediately notify PIs of proper storage procedures for both cash/cash equivalents.

With the exceptions of the training and key/combination lock changes, the MCAs above were implemented in August 2010. The training of all cash handlers and key/combination lock changes will take place by February 1, 2011.