

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

**CASH HANDLING AT CLINICS  
UNIVERSITY HEAD AND NECK SURGEONS IRVINE CLINIC  
Report No. I2013-202B**

**February 26, 2013**

Prepared by:  
Mike Shead  
Senior Auditor

Reviewed by:  
Gregory Moore  
Health Sciences Audit Manager

Reviewed by:  
Mike Bathke  
Interim Director

February 26, 2013

**WILLIAM ARMSTRONG, M.D.  
DEPARTMENT CHAIR  
DEPARTMENT OF OTOLARYNGOLOGY**

**Re: University Head and Neck Surgeons Irvine Clinic Audit  
Report No. I2013-202B**

Internal Audit Services has completed the cash handling review of the University Head and Neck Surgeons Irvine Clinic and the final report is attached.

We extend our gratitude and appreciation to all personnel with whom we had contact while conducting our review. If you have any questions or require additional assistance, please do not hesitate to contact me.



Mike Bathke  
Interim Director  
UC Irvine Internal Audit Services

Attachment

C: Audit Committee  
Terry Belmont, Chief Executive Officer, UC Irvine Medical Center  
Ralph Clayman, Professor and Dean of the School of Medicine  
Alice Issai, Chief Operating Officer, UC Irvine Medical Center  
Ginger Osman, Assistant Dean, Finance and Chief Financial Officer  
Cathy Ta, Management Services Officer

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**I. BACKGROUND**

In accordance with the fiscal year (FY) 2012-2013 audit plan, Internal Audit Services (IAS) reviewed cash handling and charge capture processes in the University Head and Neck Surgeons Irvine Clinic (Irvine ENT Clinic).

The Irvine ENT Clinic was established in 2011 as a free-standing clinic in Irvine. The clinic is an extension of (and is organized under) the School of Medicine (SOM), Department of Otolaryngology/Head and Neck Surgery. The Irvine ENT clinic is overseen by the department chair. Several physicians who practice at the Irvine facility also see patients at the hospital-based ENT clinic. The ENT clinics are supported by the Otolaryngology business office, which provides billing, collection, and other administrative services. Currently, the Irvine ENT Clinic is staffed by one full time medical assistant. The on-site staff member is supported by the ENT business office billing manager, who frequently travels to the clinic. The Irvine ENT Clinic's mission is to provide the highest level of patient care, provide training for ENT residents, and conduct innovative research in Otolaryngology/Head and Neck Surgery.

**II. PURPOSE, SCOPE, AND OBJECTIVES**

The scope of the review focused on FY 2012-2013 business activities at the Irvine ENT Clinic. The primary purpose of the audit was to assess internal controls associated with cash collections, cash handing, and charge capture processes. In addition, internal controls were evaluated to assess their ability in preventing or detecting fraudulent financial transactions while ensuring the efficiency and effectiveness of business operations.

The following audit objectives were included as part of the audit:

1. A review of the clinic's pre-registration procedures;
2. A review of the clinic's patient check-in and verification procedures;
3. A review of the clinic's internal controls over co-payment collection and depositing processes;
4. A review of the processes by which the ENT business office bills third-party payers and patients, collects amounts owed, and posts collections; and
5. An assessment of selected information technology (IT) general controls.

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**III. CONCLUSION**

In general, the selected Irvine ENT Clinic processes reviewed appeared to be functioning as intended. However, an internal control concern relating to separation of duties was identified in the cash handling processes. Observation details were discussed with management, who formulated an action plan to address the issue. These details are presented below.

**IV. OBSERVATION AND MANAGEMENT ACTION PLAN**

**Cash Collection and Depositing Processes**

**Background**

The Irvine ENT Clinic collects payments from patients for professional fees. Deposits are made to the UC Irvine Medical Center Cashiers Office via armored carrier.

**Observation**

Adequate separation of duties is not maintained in the Irvine ENT Clinic's cash handling process. On a daily basis, the on-site administrative staff member verifies each patient's payment requirement, handles cash payments from all patients, and records patient payments in the QUEST system. The staff member is also required to prepare the deposit. As a result, the administrative staff member performs several incompatible duties. The staff member's supervisor, who also serves as the ENT business office billing manager, visits the clinic twice a day to verify the change funds and the funds for deposit. However, the supervisor spends the majority of her work day at the UC Irvine Medical Center.

University policy requires that no single individual be responsible for collecting, handling, depositing and accounting for cash received. Failure to maintain an adequate separation of duties in cash handling processes may result in a financial loss.

**Management Action Plan**

Department management has finalized the recruitment for a second medical assistant, who started at the Irvine ENT Clinic in February 2013. This additional employee should provide an adequate separation of duties for the satellite clinic.