

**UNIVERSITY OF CALIFORNIA, SAN FRANCISCO
AUDIT SERVICES**

**Partners in Care - Hospital Auxiliary
Project #13-030**

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MANAGEMENT SUMMARY

Audit Services completed a review of the Mount Zion (Mt. Zion) operations of Partners in Care (PIC), a University of California, San Francisco (UCSF) Medical Center support group. PIC is a volunteer, 501(c)(3) non-profit organizations that resulted from the merger of two historic auxiliaries at the Mt. Zion Hospital and the UCSF Medical Center. Its mission is to fund programs that provide comfort and well-being to UCSF patients and their families. The PIC's Mt. Zion operations are comprised of the Ruth Ann Rosenberg Gift Shop (Gift Shop) a retail gift store serving UCSF employees and visitors; and the Friend to Friend Program and specialty shop (herein referred as Friend to Friend), which has operated inside of the Gift Shop.

Friend to Friend is a donation-based program where patients, who are receiving cancer treatment and care, are given merchandise at no cost. It also provides specialized services geared towards the cancer patient community, such as wig trimming, make-up application and prosthesis fitting. Friend to Friend was originally started with donations provided by the Mt. Zion Health Fund and is currently funded with a combination of proceeds from an annual fundraising event, grants and donations. Total gross income and operating expenses for Fiscal Year 2012 for the Gift Shop and Friend to Friend was \$559,331 and \$277,923, respectively.

The objectives of the audit were to review the financial and administrative policies and practices of the Gift Shop and Friend to Friend to ensure:

- Internal controls exist to provide reasonable assurance that operations are effective, revenue and expenses are accurately recorded, and assets are properly safeguarded;
- Financial management and reporting accurately reflects distinct operations and provide the Board and others with information on the financial viability of each operation;
- Compliance with the Support Group Guidelines; and
- Financial arrangements between UCSF and PIC Mt. Zion operations to support personnel and business operations are in line with University policy.

In conducting the review, Gift Shop personnel were interviewed and procedure manuals were reviewed to gain an understanding of the operations and the financial accounting and record keeping processes. Selected revenue and expenses as reported on the Gift Shop and Friend to Friend financial statements were validated to supporting documentation; and additionally, processes and controls over cash and inventory management were assessed. Lastly, compliance with University policies and procedures related to support groups were verified.

The audit identified the need to improve internal controls in the following areas: 1) oversight and monitoring of the Gift Shop and Friend to Friend operations; 2) cashiering; 3) travel and entertainment expenses; and 4) referrals for donated supplies and services. At the conclusion of the audit, it was mutually decided by both PIC and Gift Shop and Friend to Friend management to formally separate the Gift Shop and Friend to Friend program from the auxiliary and transfer the programs to UCSF. With the plans on making these operations part of the University, UCSF Medical Center management plans to address the internal control issues identified from this review by no later than June 30, 2013.

More detailed information can be found in the body of this report.

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I. BACKGROUND

Audit Services completed a review of the Mount Zion (Mt. Zion) operations of Partners in Care (PIC), a UCSF Medical Center support group. University Auxiliaries and Support Groups exist to support and promote UCSF and its mission and programs. The policies governing University Support Groups and Auxiliaries include University Regents Policy 5203: *Policy on Support Groups, Campus Foundations and Alumni Relations*, which includes Administrative Guidelines for Support Groups; and UCSF Policy 500-10 on University Support Groups.

PIC is a volunteer, 501(c)(3) non-profit organization that resulted from the merger of the two historic auxiliaries at the Mt. Zion Hospital and the UCSF Medical Center. Their mission is to fund programs that provide comfort and well-being to patients and their families and to serve as a complement to the provision of healthcare at UCSF. The PIC's Mt. Zion operations are comprised of the Ruth Ann Rosenberg Gift Shop (Gift Shop), a retail store, and the Friend to Friend Program (Friend to Friend) and specialty shop, which has operated inside of the Gift Shop for over 15 years.

Friend to Friend is a donation-based program where patients with social workers or provider referrals are given merchandise for cancer-related treatment and recovery at no cost. Patients are typically allotted one free allowable item per year that includes a wig, bra, prosthesis, hat or turban. Friend to Friend also provides specialized services geared towards the cancer patient community, such as wig trimming, make-up application and prosthesis fitting. The program was originally started with donations provided by the Mt. Zion Health Fund and initially operated out of its location on Sutter Street, until the Helen Diller Family Comprehensive Cancer Center opened, at which time the program relocated to the new facility inside the Mt. Zion Hospital Gift Shop. Friend to Friend is funded with a combination of proceeds from an annual fundraising event, grants, donations from patients and their families.

The Gift Shop is open to the public and stocks clothing, jewelry and specialty items like picture frames, glassware, decorative goods, as well as snacks and refreshments. It is staffed by a small number of part-time employees, volunteers (many are former UCSF patients and Friend to Friend patrons), a full-time accountant and a full-time manager, who is the only member of staff that is a UCSF employee.¹

Total gross income and operating expenses for Fiscal Year 2012 for the Gift Shop and Friend to Friend was \$559,331 and \$277,923 respectively.

II. PURPOSE AND SCOPE

The objectives of the audit were to review the activities and practices of the PIC Auxiliary Mt Zion operations in order to:

- Evaluate the internal controls to provide reasonable assurance that cash collections are accurately recorded and deposited in the PIC bank account.

¹ The Gift Shop Manager and the Accountant also serve as patient liaison, licensed prosthetic fitter and fundraiser.

- Ensure that financial management and reporting accurately reflects distinct operations and provide the Board and others with information on the financial viability of each operation.
- Assess the financial and administrative policies, procedures, and practices at the Gift Shop and Friend to Friend to ensure internal controls exist to provide reasonable assurance that operations are effective, revenue and expenses are accurately recorded, and assets are properly safeguarded and managed.
- Review the financial arrangements between UCSF and PIC Mt. Zion operations to support personnel and business operations.
- Ensure compliance with the Support Group Guidelines.

In conducting the review, the following procedures were performed:

- Cash receipts and deposit records were reviewed and reconciled to bank statements.
- Cashiering practices at the Mt. Zion operations were assessed to ensure they complied with University cash handling policy.
- Sales returns and voided transactions for the period under review were examined to determine if the transactions were authorized, properly accounted for and explained.
- Access controls to the Point-of Sale system were reviewed.
- Bank statements for all the bank accounts held by the Gift Shop were reviewed and a sample of transactions was selected and the validity of the transactions was determined.
- Performance and review of monthly bank reconciliations was validated.
- Gift donations received during Fiscal Year 2012 were traced to the donor letters and financial records to ensure they were properly recorded and were used for their intended purpose.
- Revenue and expenses for the Gift Shop and Friend to Friend were examined to determine the profitability of each operation.
- Selected revenue and expense activities were validated against support documentation to ensure the accuracy and completeness of financial reporting.
- Inventory management processes were evaluated to determine whether effective controls existed to ensure:
 - inventory is physically secured to prevent loss;
 - stock movements are monitored and inventory levels are appropriate in relation to sales activity;
 - proper segregation of duties for ordering, receiving and payment of merchandise exist; and
 - adequate inventory records are maintained and inventory adjustments are reviewed and explained;
- University Support Group policies were reviewed and compared with the Gift Shop and Friend to Friend policies and procedures and practices to determine compliance.

The scope of the review was limited to the specific procedures described above and related to activities for the PIC Mt. Zion Gift Shop and Friend to Friend. As such, work completed is not intended, nor can it be relied upon to identify all instances of potential

irregularities and control weaknesses within all PIC programs and functions. Fieldwork was completed in November 2012.

III. **CONCLUSION**

The Gift Shop and Friend to Friend provide a valuable service to patients and visitors and has built a reputation for their considerate and caring approach to patient needs, while developing personal and lasting relationships with their customers. The Manager of the store has created additional valuable resources to the patient community at the Cancer Center, which extends beyond the provision of garments and accessories; these include services such as wig cutting, customized makeup application and expert prosthesis fitting.

With a small organization such as the Gift Shop and Friend to Friend, it is extremely important that an effective internal control structure exists to ensure proper financial and operational management. In evaluating the control structure for the program, we found that the Gift Shop Manager and her limited full-time staff had established some internal controls. While the recognized actions were noteworthy, the audit did identify that in many areas reviewed, internal controls were not sufficient and needed to be improved. In 2009, when the two auxiliaries merged, a control assessment was not performed to determine areas in need of increased controls, nor was an effective control structure established to provide oversight, monitoring and assigned levels of authority and responsibility. Additionally, the Gift Shop and Friend to Friend management were not made aware of applicable internal control requirements in the University's Support Group policy.

From our review, we concluded that controls surrounding the cashiering operations were ineffective to ensure appropriate cash accountability and safeguarding of cash. Also, non-compliance with payment card industry (PCI) requirements has been identified by Medical Center Information Technology Services. In addition, the procedures for reviewing and approving travel and entertainment expenses are not sufficient to ensure that appropriate documentation exists to support the business need for expenses, nor do they ensure such activities are properly reviewed and approved.

IV. **OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS**

A. **PIC Governance and Oversight**

PIC has not established an effective oversight and internal control structure for the Mt. Zion Operations.

When the UCSF Medical Center and Mt. Zion Auxiliaries merged in 2009, work was not performed to: 1) obtain a comprehensive understanding of the respective activities and operations of the two entities; and 2) ensure that an effective internal control structure was established for the joint organization. Accordingly, PIC and the Gift Shop and Friend to Friend do not operate as a cohesive group with effective communication, oversight, monitoring, and controls. There is minimal contact except for the PIC Treasurer reviewing monthly and year-end financial reports for the Gift Shop and Friend to Friend. There is a lack of clarity in the respective roles, expectations, and processes between the two groups.

Without instituting an effective oversight and control framework that includes comprehensive written policies and procedures, there is increased risk that funds may not be properly managed and create inconsistencies on how processes are carried out by staff members within each of the programs.

Management Corrective Action

After consultation with UCSF, PIC plans to formally transfer the responsibility and management of the Gift Shop and Friend to Friend program to the University. UCSF will create a hospital cost center to account for revenue and expenses for the Gift Shop and Friend to Friend program. It is expected that the program will be transferred and UCSF will establish the new accounting and operation structure by June 30, 2013.

B. Cash Collection Controls

1. *Cashiering procedures were found to be deficient and non-compliant with University policy.*

UCSF Campus Administrative Policies Section 500-10, *University Support Groups*, requires that all support group operations which collect cash must comply with UC Business and Finance Bulletin BUS-49 (BUS-49) *Policy on Cash and Cash Equivalents Received*. The policy contains requirements related to cash collection and cash controls and specifically outlines internal control principles associated with accountability for cash, separation of duties, physical security and reconciliation of accounts.

The following specific areas of non-compliance with University Cashiering policy were identified in the review:

a. Accountability for Cash

Policy requires individual accountability of cash, including ensuring that each cashier be assigned with a unique identifier not accessible by or shared with other individuals, as well as access to an individual cash register drawer insert or other secure cash receptacle.²

Currently, there is no individual accountability of cash collected as there is only one cash register available in the store for ringing purchases and there are typically two cashiers on shift. Also, cashiering clerks have a shared sign-on ID to access the Point of Sale (POS) system.

Upon notification of this issue, the Gift Shop management began working to restructure their employee schedule to ensure only one

² BUS-49 Section VIIIA.2,A.2.1&A.2.2

employee will have cashiering responsibilities per shift and will be provided with individual sign-on IDs for their POS system.

b. Procedures for Handling Returned Goods and Voided Transactions

Policy requires that reductions of recorded cash accountability, e.g. voids and refunds, must be supported by all copies of the document involved, explained, and approved in writing by the cashier's supervisor at the time of occurrence where practical, but no later than the end of the day. At the time of this review, we found that no records are maintained for voids or refunds that would meet the policy requirement on record keeping.

c. Physical Security of Change Fund

Policy requires that the Gift Shop establish procedures to ensure that at all times cash is protected from loss. The Gift Shop stores their \$900 change fund in a lockable receptacle. However, the key to the locked receptacle is not stored in a secure location and thus, all employees have access to the change fund.

d. Background Checks

Policy requires that background, criminal, and employment checks, including fingerprinting, be performed on employees, who are working as cashiers. Additionally, Medical Center policy requires that any individual who volunteers at a gift shop has to be fingerprinted. According to the Gift Shop management, background checks and fingerprinting has not been completed on employees working as cashiers. In addition, records showed that 3 of 6 volunteers that work in the Gift Shop had not been fingerprinted as required by policy.

2. Payment Card Industry (PCI) requirements were not met.

The policy requires that all POS terminals and systems must be configured to prevent retention of the full magnetic strip, card validation code, Personal Identification Number (PIN), or PIN Block card holder data once a transaction has been authorized. If any account number, cardholders name, service code, or expiration date is retained, it must be encrypted and protected according to the standards outlined in PCI Data Security Standards.

Medical Center IT identified non-compliance with a number of PCI requirements and is currently working with the Gift Shop to correct these.

Management Corrective Actions

- a) Effective December 10, 2012, a weekly report of returns and voids is being run that is reviewed and signed-off by the Gift Shop manager. The weekly reports will be retained for a period of 12 months.
- b) When UCSF assumes responsibility for the Gift Shop and Friend to Friend program, which is expected to occur on June 30, 2013, procedures will be established to ensure compliance with the University's cashiering policies including those covering:
 - Individual accountability of cash collections;
 - Background checks and finger printing of cashiering staff; and
 - Payment Card Industry requirements

C. Internal Controls Over Revenue and Expenses

1. *Internal controls over travel and entertainment expenses need to be strengthened.*

The Gift Shop manager attends gift shows to purchase merchandise for the Gift Shop and Friend to Friend and develop relationships with vendors. During Fiscal Year 2012, the manager went to four gift shows; three in Las Vegas and one in Los Angeles. On one of the trips to Las Vegas, the manager invited and was accompanied by another individual who is an assistant buyer, to assist in selecting and purchasing merchandise for the shop. Airfare and meals for the assistant buyer were paid by the Gift Shop. Additionally, there were a number of other dining and entertainment-related expenses for local business dinners and employee morale-building events.

We identified the following internal control deficiencies from our review of the manager's expenses incurred in Fiscal Year 2012:

- Travel and entertainment reimbursements were not reviewed and approved by a PIC board member. The manager's expenses were reviewed and processed by the Gift Shop and Friend to Friend accountant who is a subordinate and reports to the manager. This does not provide sufficient independent review and oversight.
- In some instances, credit card transactions statement and/or receipts submitted to support meal and entertainment expenses showed a total amount but did not itemize food or beverages purchased. For example, there was \$1,103 in entertainment expenses that was not supported by an itemized receipt. Also, the business purpose of the expense and number of guests in attendance was not always stated.

Having proper controls and oversight in place for travel and entertainment activities and expenses provides assurances on the appropriate use of the Gift Shop funds.

Management Corrective Action

Effective June 30, 2013, procedures will be established to ensure travel expense reimbursements are prepared, processed, and approved in compliance with University policy.

2. Donations

Referral forms were not always filled-out completely or signed by a social worker for Friend to Friend donations made.

Friend to Friend is a donation-based program where patients with social workers or provider referrals are given merchandise for cancer-related treatment and recovery at no cost. Patients are typically allotted one free allowable item per year that includes a wig, bra, prosthesis, hat or turban.

Audit Services reviewed Friend to Friend donations made to patients for selected months in Fiscal Year 2012 and found that the authorization forms used for referral were not always completed in its entirety. In a number of cases the form was not signed by the referring social worker and in two cases there was not a form to support the donation transaction.

As noted by the Gift Shop and Friend to Friend manager, the same patients are often served multiple times during the course of their cancer treatment and on occasion, a referral form for each new transaction may not be used. Additionally, referrals are frequently received from a provider in Radiation Oncology who does not typically complete the form. As a practice, Friend to Friend seeks to make each of their customers as comfortable as possible given the sensitive nature of their operation, therefore if a completed form is not made available, they will still help the patient and retain whatever records are provided for the transaction.

Maintaining proper and complete documentation for all Friend to Friend donation activity ensures that donations are for legitimate purposes.

Management Corrective Action

- a) Effective November 9, 2012, the Gift Shop and Friend to Friend manager has requested the provider in Radiation Oncology to sign and date the referral forms for all patients.
- b) Effective December 10, 2012, copies of the referral forms are maintained to record and track patients with multiple visits.

D. Compliance with Support Group Guidelines

PIC operations are not in full compliance with the University's Support Group policy.

All University support groups and auxiliaries are required to adhere to any and all applicable policies as provided by the Regents and UCSF. The Support Group policy only allows a tax exempt organization such as PIC to have two checking accounts at a single financial institution. During the course of this review, we noted that PIC has two checking accounts with the same financial institution.

Management Corrective Action

The PIC Treasurer will identify a different banking institution to operate one of the checking accounts in order to comply with policy requirements. This is expected to be completed by March 31, 2013.

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