

The logo for UCIrvine, featuring the text "UCIRVINE" in a large, black, serif font. The letters "U", "C", and "I" are significantly larger than the other letters, and the "R" and "V" are also larger than the "I" and "N".

UCIRVINE

The text "INTERNAL AUDIT SERVICES" in a black, serif font, positioned to the right of a vertical line.

INTERNAL  
AUDIT SERVICES

## Cash Collections – Copayments

*Internal Audit Report No. I2021-201*

October 12, 2021

***Prepared By***

William Simonian, Senior Auditor

***Reviewed By***

Niran Joshi, Associate Director

***Approved By***

Mike Bathke, Director

October 12, 2021

**STEFFANI MORALES  
CASHIER MANAGER  
CASHIERING, UCI HEALTH SYSTEM**

**RE: Cash Collections – Copayments  
Report No. I2021-201**

Internal Audit Services has completed the Cash Collections – Copayments review, 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.

Sincerely,



Mike Bathke  
Director

Attachment

C: Audit Committee  
Nancy Leparto, Assistant Controller - Controller's Services, UCI Health System  
Neil Myers, Controller – Controller's Services, UCI Health System

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## I. MANAGEMENT SUMMARY

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In accordance with the fiscal year (FY) 2020-2021 audit plan, Internal Audit Services (IAS) conducted a review of the Cash Collections – Copayments processes of cash-handling units located in, or associated with, UCI Health and the School of Medicine (SOM). Based on the audit work performed, some internal controls need improvement and should be strengthened to minimize risks, ensure compliance with UCI Health policies and procedures, and/or best business practices. Specifically, the following concerns were noted.

**Chain of Custody of Funds** – Funds were not properly verified and transferred in dual-custody. This issue is discussed in section V.1.

**Voided Payment Transactions** – Supervisory approval was not obtained when processing voided transactions. This observation is discussed in section V.2.

**Management Training and Oversight** – IAS noted concerns with the training of cash-handling department management who were unaware of certain cash-handling policies and procedures. This issue is discussed in section V.3.

**Separation of Duties** – There was a lack of separation of duties for cash-handling responsibilities that did not comply with cash collection policies and procedures. This observation is discussed in section V.4.

**Physical Security** – Cash-handling units did not have physical safeguards in place to mitigate risk of theft and other security risks. This issue is discussed in section V.5.

**Copayment Collections at Time of Service** – IAS noted concerns with patients refusing to pay their copayments during their office visit due to recurring billing issues. This observation is discussed in section V.6.

**Combination Safe Controls** – Two cash-handling units did not reset annually their combination safes as required by UCI Health policy. This issue is discussed in section V.7.

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## II. BACKGROUND

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For purposes of this audit, “cash handling units” refers to both cash handling departments and sub-cashiering stations located on-campus, off-campus, and at UCI Health. The cash handling departments typically collect cash or cash equivalents from patient copayments and other services provided and deposits these payments to either the Main Cashiering Station or a sub-cashiering station. If deposited to the sub-cashiering stations, these stations will then proceed to deposit these collections to the Main Cashiering Station (“Cashiering”) located at UCI Health. The principal

function of Cashiering is to prepare these collections for bank deposit and to prepare journal entries so that deposits can be reviewed and posted to the general ledger.

There are approximately 260 cash-handling units associated with UCI Health and the SOM. For calendar year 2019, total copayments collected amounted to approximately \$3.78 million comprised of \$3.29 million in credit card transactions, \$387,000 in cash, and \$108,000 in checks.

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### **III. PURPOSE, SCOPE, AND OBJECTIVES**

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The scope of this review focused on FY 2020-21 and was limited to a sample size of the following eleven cash-handling units:

- Emergency Department Registration
- FQHC Anaheim Family Medicine
- FQHC Santa Ana Family Medicine & Walk-In Care
- Gavin Herbert Eye Institute (GHEI)
- Gottschalk Medical Plaza – Dermatology
- Gottschalk Medical Plaza – Neurology (also Central Registration)
- Manchester – OB/GYN
- Pavilion 3 - Internal Medicine & Walk-In Care
- Pavilion 3 – Orthopedics
- Pavilion 3 - Urology
- Samueli Integrative Medicine

The purpose of this audit was to review and evaluate procedures of cash-handling units for copayment collections to determine whether sufficient cash collections/handling internal control measures are in place to ensure efficient and effective operations, while preventing or detecting inappropriate, non-compliant, and/or fraudulent transactions or misappropriation schemes.

The review included the following audit objectives:

1. Verify that all cash-handlers are properly and consistently trained on cash-handling processes, policies and procedures, and there is proper oversight by cash-handling unit management and Cashiering;
2. Verify that proper accountability, separation of duties, and transfer of accountability is maintained over funds for deposit and change funds and is in compliance with UC/UCI policies;
3. Ensure that copayments are collected at time of service, recorded accurately and timely in the period in which they are received, and are accurately reconciled and deposited in dual custody;

4. Verify that voided/refunded transactions are properly documented and receive supervisory approval;
5. Evaluate whether proper safeguards are in place to ensure the physical security of the cash-handling units, employees, and copayments collected; and
6. Verify that copayments received at cash handling units are properly hand-delivered/transported to Cashiering and then deposited to the bank in a timely manner.

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#### **IV. CONCLUSION**

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Many internal controls within the cash-handling units appear to be functioning satisfactorily. However, concerns were noted in the areas of chain of custody of funds, voided payment transactions, management training and oversight, separation of duties, physical security, copayment collections at time of service, and combination safe controls.

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

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#### **V. OBSERVATIONS AND MANAGEMENT ACTION PLANS**

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##### **1. Chain of Custody of Funds**

###### **Background**

When copayments from a cash-handling unit are reconciled at the end of the day and placed into money bags, these bags are either deposited in a unit's safe until the Brinks courier service arrives (for those units located off-campus from UCI Medical Center) or they are taken to Cashiering by the cash handling unit's employees known as Admit Workers (AW). This process of dropping the money bags into the unit's safe and/or hand delivering the bags to Cashiering should always be conducted in dual custody and documented as such. Furthermore, whenever these money bags change/transfer custody, these bag transfers should be documented as well.

In addition, the cash-handling units should conduct and document the transfer of custody of change funds in dual custody, in accordance with UCI policy and best business practice.

Maintaining proper chain of custody of funds prevents misappropriation of funds and allows for good fiduciary duty and stewardship among all cash-handling units.

## Observation

Of the eleven cash-handling units audited, the following seven units had a lack of controls in regards to chain of custody of funds:

- Emergency Department Registration
- FQHC Anaheim Family Medicine
- FQHC Santa Ana Family Medicine & Walk-In Care
- Gavin Herbert Eye Institute (GHEI)
- Pavilion 3 - Internal Medicine & Walk-In Care
- Pavilion 3 – Orthopedics
- Pavilion 3 – Urology

**Emergency Department Registration:** Since money bags at this unit are prepared and dropped in the safe after each copayment collection, it may not be practical to require the AWs to complete a chain of custody log after each copayment transaction. However, at the end of the day, when the manager removes all bags from the safe and places all of the bags into one main money bag, a chain of custody log should be completed at this time verifying all the money bags that were removed from the safe and placed into this main money bag. Having a witness (i.e., dual custody) observe this verification process would also be ideal. Then when the manager and witness hand deliver the money bags to Cashiering, a Cashiering employee should sign a chain of custody log along with the manager and witness, verifying the transfer of bags received.

Additionally, this unit's change fund log was not thoroughly completed with all required initials verifying the daily change fund amount. For instance, on some days, there was only one set of initials on the log verifying the change fund amount. This is not a good control, especially if the person verifying the change fund is also the sole person opening the change fund safe multiple times a day to hand out change. Management explained that supervisors and managers may not all work together on the same days to be able to have more than one individual verify the change fund amount. However, it might be a better control on those particular days for the supervisor/manager to count the change fund with a nonsupervisory employee, as long as the safe combination is not shared with this employee. Note that per policy (as discussed in observation V.7 below) the safe should only be opened in dual custody with authorized employees who know the safe combination.

**FQHC Anaheim Family Medicine:** In this unit, when the money bags are dropped in the safe to await arrival of the Brinks courier, a Brinks chain of custody log is not initialed by both the bag preparer and a witness who is supposed to verify that the money bag was dropped in the safe. The only initial on the log is from the Brinks courier when the courier arrives to pick up the money bags. Although the log does have the dates, money bag amounts, and money bag numbers written on the log, it cannot be confirmed who wrote this information on the log since there are no initials on the log aside from the couriers. Money

bags dropped in the safe without dual custody documentation is not in compliance with UCI cash-handling policies.

**FQHC Santa Ana Family Medicine & Walk-In Care:** Aside from the courier's initials when the courier arrives to pick up the money bags, the Brinks chain of custody log had only one initial from an AW, rather than initials from two AWs documenting that there was dual custody when the money bags were dropped in the safe.

**Gavin Herbert Eye Institute (GHEI):** IAS reviewed one month of Brinks chain of custody logs. IAS identified that of the 60 money bags that were dropped in the unit's safe, 27 (45%) had no AW initials on the log, 26 (43%) had only one AW's initials, and only seven (12%) had two AWs' initials on the log indicating that these seven bag drops were conducted in dual custody.

**Additional Recommendation for FQHC Anaheim and Santa Ana Family Medicine, and GHEI:** In addition to the observations noted above and as a best practice for units that require a Brinks courier to pick up bags, when these employees consistently remove bags from the safe prior to the arrival of the Brinks couriers to move the bags to a closer location (e.g., cash drawer) in order to expedite the pick-up process of the bags when the courier arrives, the safe opener and authorized witness should open the safe together and verify and document the bags removed from the safe in dual custody. Although this procedure may not be practical for a small clinic with limited staff, this best practice ensures chain of custody of the money bags are always retained until the courier arrives. Furthermore, this procedure might be even more important for a unit such as GHEI who also receives money bags from two other cash-handling units thereby having greater fiduciary responsibility and stewardship for units' funds other than just their own.

**Pavilion 3 - Internal Medicine, Urology and Orthopedics:** At the end of the day, money bags are dropped in the unit's safe, however, a chain of custody log is not completed and initialed at all by the AWs and therefore IAS cannot determine whether the bags are dropped in dual custody or not.

On the following morning, the money bags are removed from the safe by another AW and either taken directly to Cashiering or the bags are moved and kept in a cash drawer near the front office for a couple of hours until the AWs have a moment to take the bags to Cashiering. However, the AWs do not sign a chain of custody log during this removal of the bags from the safe and/or placing them in a drawer.

When the AWs take the money bags to Cashiering, a chain of custody log is not completed by the Cashiering employee while the AWs are present to confirm the money bags receipt. The chain of custody of money bags are not retained in several phases of this workflow.

**Pavilion 3 Orthopedics:** In addition to the observation noted above for Pavilion 3 Orthopedics, this unit could also strengthen their chain of custody controls over the change fund logs.

Currently, at the start of the day, an AW removes the change fund from the safe, properly reconciles and documents the fund in dual custody, and then distributes the money to each AW's cash drawer prior to their arrival. As each AW arrives to work, they each obtain the key to their cash drawer from the AW who initially distributed their change funds. However, when the AWs return to their desk to open their drawer, they do not document the change fund amount located in their drawers on a log and so there is no verification of the change fund amount in dual custody, as required per UCI cash handling policy.

In other circumstances, Orthopedic management stated that they may decide that the entire change fund remains in the safe, on a particular day, until each AW arrives to work, at which time the change is equally distributed to each AW in dual custody and documented as such.

Orthopedics should consistently use one process to count and distribute the change funds in dual custody, while documenting each occurrence when the change funds transfer in custody. They should not use two different processes for change fund distribution, which may lead to misappropriation of funds especially in circumstances where chain of custody change fund logs are not completed each time change funds transfer custody.

### **Management Action Plan**

Cashiering has been in discussions with Brinks to implement a "Compusafe" system for all cash-handling units, which is an intelligent smart safe system similar to that of an Automated Teller Machine (ATM). This system will track who deposits money in the safe by requiring each money bag handler to enter a unique identification number when making a deposit. Therefore, this system would eliminate the need to sign a change of custody log because instead of money bags being dropped/removed from a safe and then hand-delivered by the money bag preparers to Cashiering, these funds would now be deposited into the Compusafe machine and tracked by a user ID number for each money bag handler. Furthermore, the currency, coin and checks would remain in the Compusafe until a Brinks courier arrives to remove the Compusafe contents and deliver them directly to Bank of America, in which a change of custody would be maintained.

Since a witness will most likely still need to accompany the depositor (aka the money bag handler) when the deposit is transported to the Compusafe, management will decide on the proper change of custody documentation procedure for the witness. After the deposit is fed into the Compusafe, it will print a deposit receipt. The witness could write "witness" on the CompuSafe deposit receipt and sign it. This would ensure that two people were present when the deposit was transported and deposited into the Compusafe.

Due to the pandemic, the implementation for the Brinks Compusafe system was delayed. UCI Procurement & Contracting is currently in contract discussions with Brinks and the estimated implementation date for this system is unknown at this time.

In the interim, Cashiering does have cameras in their lobby recording all activity, including delivery of deposit bags. This includes cameras recording activities inside the Cashiering Room where bags are deposited in the Night Depository after hours. Additionally, at the start of each business day, two Cashier Employees retrieve all the money bag deposits dropped via the Night Depository while logging the bags and signing the log. This is currently being done for all money bags dropped off at Cashiering.

In case the Compusafe system is not implemented due to contract negotiation issues, Cashiering will implement chain of custody log documentation at Cashiering and ensure that all chain of custody/money bag transfer processes at the individual units are being documented appropriately during money bag drops and removals at the safes, which includes witness initialing as well. This procedure will be implemented by December 1, 2021, in the absence of the Compusafe system implementation.

Lastly, proper chain of custody of change funds will be enforced by Cashiering for the units that were non-compliant with proper change fund log documentation as stated above. This will be implemented by January 31, 2022.

Due date: December 1, 2021 and January 31, 2022

## **2. Voided Payment Transactions**

### **Background**

Per UC Policy for Cash and Cash Equivalents Received - Business & Finance Bulletin BUS-49 (BUS-49), all void and refund transactions must be supported by documentation explaining the reason for the transaction and must be approved in writing by a supervisor at the time of the occurrence, when practical, but no later than the end of the day. Additionally, all voided receipts must be retained and not given to the patient.

Failure to obtain adequate documentation and timely approval for voided transactions may hinder the detection of cash handling irregularities and result in financial loss. These policies provide good control measures minimizing the risk of misappropriation of funds and other types of financial loss.

## Observation

The following eight units did not obtain supervisory approval for voided transactions:

- Emergency Department Registration
- FQHC Anaheim Family Medicine
- FQHC Santa Ana Family Medicine & Walk-In Care
- Gavin Herbert Eye Institute (GHEI)
- Gottschalk Medical Plaza – Dermatology
- Pavilion 3 – Orthopedics
- Pavilion 3 - Urology
- Samueli Integrative Medicine

Although management from these units did indicate that they require documentation be retained as to why a voided transaction occurred, they also stated that voided transactions did not require supervisory approval and that AW approval was adequate. For all of these units, with the exception of Samueli Integrative Medicine, the sole approver of the voided transaction is the AW who initiated the voided transaction. Approval from only the initiator of the voided transaction provides opportunities for misappropriation of funds.

For Samueli Integrative Medicine, although management requires approval from two AWs for all voided transactions, one approver is the initiator of the void and the second approver is not required to be a supervisor. This procedure also does not comply with policy and provides opportunities for defalcation.

Although Emergency Department Registration management stated that AWs are required to provide copies of voided transactions to their supervisor, this occurs after the voided transaction has already been issued without supervisory approval. There is no certainty that the AWs will provide their supervisors with a copy of the voided transaction once the transaction is already complete. Furthermore, there is not much the supervisor can do once a voided transaction has been processed even if the voided receipt copy and documents are provided to the supervisor.

GHEI management explained that for larger voided transactions (i.e., self-pay voided transactions of thousands of dollars), they require the AWs to provide a copy of the voided transaction to the supervisor so the supervisor can ensure the void was done correctly. However, all voided transactions, regardless of dollar amount, are required to receive supervisory approval.

FQHC Anaheim Family Medicine, Pavilion 3 Orthopedics, and Gottschalk Medical Plaza - Dermatology management stated that they provide copies of the voided receipt to their patients. Per UC policy, voided receipts should only be retained within the unit, with possibly a copy sent to Cashiering, but should not be provided to the patients.

### **Management Action Plan**

Cashiering management will re-train and ensure all unit managers/supervisors are aware of the policy that all voided transactions require supervisory approval prior to the completion of the transaction. When voiding Epic payments, there is no prompt for a Supervisor/Manager approval. The Supervisor/Manager will verbally approve the void prior to the completion of the transaction and then document the approval by signing the voided Epic receipt once it prints. These voided transactions are automatically documented on the users Epic Close Out Report and copies of the void receipts with the Supervisor/Manager signature will be retained by the unit for six months. During annual audits and periodic monitoring of submitted closing cash drawer summary reports and/or Epic/Kuali reports from unit AWs, Cashiering Management will monitor voided transactions to ensure proper procedures for voided transactions are being adhered to and enforced accordingly. Training of supervisory/managerial staff and periodic monitoring of voided transactions will be implemented by March 31, 2022, in conjunction with the management action plan outlined in V.3 below.

Due date: March 31, 2022

### **3. Management Training and Oversight**

#### **Background**

Cash-handling unit management may not always be providing proper oversight and guidance to its employees due to their lack of training and knowledge in all of the daily cash collection and handling functions and policies and procedures. One reason for this may be that management may not be performing these daily cash-handling tasks as much as other employees in the unit who perform these tasks on a daily basis and may be better versed in these functions than management. However, if management expects to provide proper oversight and ensure that their direct reports know the proper cash handling policies and procedures, management themselves must have the proper knowledge and training in order to enforce policies and procedures and properly supervise their employees. Knowledge and training of cash handling responsibilities should be of significant importance for management since the tone coming from the top often dictates how effective and competent their employees are at their jobs.

#### **Observation**

The following eight units lacked management training/knowledge in key cash-handling functions and thereby lacked proper oversight:

- Emergency Department Registration
- FQHC Anaheim Family Medicine
- Gavin Herbert Eye Institute (GHEI)
- Gottschalk Medical Plaza – Dermatology

- Gottschalk Medical Plaza – Neurology (also Central Registration)
- Manchester – OB/GYN
- Pavilion 3 - Internal Medicine & Walk-In Care
- Pavilion 3 – Urology

Interviews conducted with cash-handling unit management identified that management was unaware of at least one or more of the following key daily cash collection tasks, policies, procedures, and/or reporting capabilities within Epic:

- Unaware of how to account for cash over/shorts during closing procedures;
- Unfamiliar with how to generate monthly analytic/dashboard reports showing copayments due and/or paid, copayment collection rates, and reasons why patients were not paying their copays at time of service;
- If management was familiar with generating these copayment reports mentioned above, they were not able to export these reports outside of Epic to send for analysis because they said they did not have report exporting access and needed to make a formal request to Information Systems for this type of access;
- During interviews, management needed AWs to explain certain cash collection processes to IAS as management either incorrectly explained the process and needed correction/clarification from the AWs or were entirely unaware of the processes;
- Unfamiliar with annual cash-handling training courses and annual Cashiering audits performed at the units;
- Unaware of receipt policy stating that receipt copies should be retained in the unit for six months; and
- As mentioned in observation V.2 above, management were unaware that voided transactions needed supervisor approval. In addition, as mentioned in observation V.7 below, management were unaware that combination safes needed to be reset annually. IAS only listed cash-handling units deficient in these areas in this observation if they needed further training in any of the other deficiencies listed above, since IAS already addressed voided transactions and combination safe deficiencies in observations V.2. and V.7.

Management may need more daily hands-on training, refresher courses, and other guidance to ensure they have the knowledge of the day-to-day collection activities, processes, and procedures in all of the cash-handling areas mentioned above. This training is essential for management to be able to provide their employees with the proper oversight and guidance needed to address and correct possible cash-handling errors, omissions, internal control weaknesses, noncompliance with policies and procedures, and other improvement opportunities.

### **Management Action Plan**

Cash-handling unit management are required to complete the Cash Collections & Deposits and the Payment Card Industry Data Security Standard (PCI DSS)

Security Awareness Computer Based Trainings (CBT) via UC Learning upon hire and annually after. These CBTs cover all the cash-handling duties and responsibilities bulleted above, and other cash collection functions as well. These Computer Based Trainings include hands-on and/or scenario-based training practices for certain cash handling scenarios, including opening procedures, patient transaction/cash handling processes, and closing procedures. In addition to the required CBTs, Cashiering management will conduct an annual training specifically for Managers, Supervisors, and/or Lead positions of cash handling units. In this training we will review the current policies and procedures and address issues where controls need to be corrected. This training session will be completed by March 31, 2022. As this will give Cashiering management sufficient time to formulate an effective training program, whether incorporating hands-on scenario-based training or other effective training methods, for supervisors and managers. Cashiering will monitor and provide oversight as needed during their annual audits and on a case-by-case basis and periodically during the year.

Due date: March 31, 2022

#### 4. Separation of Duties

##### **Background**

Proper separation of duties represents a key control for ensuring accountability over cash transactions and is considered sound business practice. Furthermore, BUS-49 states that unit management is responsible for establishing procedures that ensure that no single individual is responsible for collection, handling, depositing, and accounting for cash received. At least two qualified individuals must be assigned to carry out key duties of all cash handling process.

##### **Observation**

All eleven of the following cash-handling units reviewed lacked separation of duties for various functions of the cash collections processes:

- Emergency Department Registration
- FQHC Anaheim Family Medicine
- FQHC Santa Ana Family Medicine & Walk-In Care
- Gavin Herbert Eye Institute (GHEI)
- Gottschalk Medical Plaza – Dermatology
- Gottschalk Medical Plaza – Neurology (also Central Registration)
- Manchester – OB/GYN
- Pavilion 3 - Internal Medicine & Walk-In Care
- Pavilion 3 – Orthopedics
- Pavilion 3 - Urology
- Samueli Integrative Medicine

Although all eleven units above have multiple AWs working in the units, each AW is allowed to handle multiple cash functions simultaneously such as collecting/handling copayments, processing and posting these copays into Epic, issuing receipts/voids to the patients, verifying/reconciling copayments that they collected, placing these copays in the money bag and sealing it without any other verification or approval from a witness or supervisor.

These units drop in the safe and/or take these money bags to Cashiering in dual custody. However, prior to this step, there is no verification or reconciliation conducted by another AW/supervisor to ensure that the AW's written amount collected on the front of the money bag, the cash drawer batch report, receipts, and the actual funds inside of the bag all reconcile.

While allowing the same individual to have access to both the payments received and the related records of those payments reduces accountability and creates a greater opportunity for misappropriation of funds, nothing came to IAS's attention during this audit to indicate such actions, and our audit procedures disclosed no evidence of misappropriations in these cash-handling units. Furthermore, due to the limited staffing resources of these units, to separate appropriately the duties for each payment collection/processing task may not be feasible. In these cases, specific management oversight and monitoring of the payment processing functions could provide compensating controls to improve accountability.

### **Management Action Plan**

Once a user logs into Epic, each action performed by that user is documented within the system. Each Cash Handler is solely responsible for all payments he/she collects and posts in Epic. Each cash handling employee is required to have their own locking cash drawer to secure their change fund and payments during the business day. At the end of the day, each user is responsible for closing their Epic Cash Drawer and preparing their daily deposit, which is to be delivered to the Cashier's office. No other person ever has access to this user's cash drawer, which makes the user solely accountable for each payment collected and posted in Epic. The Cash Handling Unit Management assumes the risk of lack of separation of duties during some cash-handling functions, such as closing drawer procedures, due to limited staffing/supervisory resources, if the process above is not followed. Cashiering Management will improve and strengthen management's knowledge and the training they receive in cash-handling policies and procedures, as mentioned above in observation V.3, so unit management can provide better oversight of their employees in areas that are lacking in separation of duties. As mentioned in V.3, this training will be completed by March 31, 2022. Cashiering will monitor and provide oversight during their annual audits and randomly or on a case-by-case basis during the year.

Due date: March 31, 2022

## 5. Physical Security

### **Background**

Good physical security and safeguarding of funds are important components of the cash-handling units because they can mitigate risk of theft and minimize opportunities for defalcation. These cash-handling units receive cash copayments that may sometimes remain in the safes overnight and they maintain change funds that remain with the units on a daily and nightly basis. These circumstances provide opportunities for individuals, either outside of the organization or within, to commit theft and misuse funds for other purposes.

The fraud triangle is a framework commonly used in auditing to explain the reasoning behind an individual's decision to commit fraud. It outlines three elements that are typically present when an individual commits fraud – opportunity, rationalization, and motivation/incentive. Thus, when physical security controls are weak, this can provide the right opportunity, rationale, and incentive for a rogue individual to commit theft and fraud.

### **Observation**

The following four units could strengthen their physical security controls:

- Gottschalk Medical Plaza – Dermatology
- Manchester – OB/GYN
- Pavilion 3 – Orthopedics
- Samueli Integrative Medicine

**Gottschalk Plaza - Dermatology:** Management reported that there are no cameras in this unit. There is a camera outside of the elevators facing the unit but management and the UCI Campus Police Department were unable to confirm during this audit whether it was working.

**Manchester OB/GYN:** At the end of the day, each AW at this unit places their change fund into the same locked drawer to which they each have a key. All of the change funds remain in this locked drawer overnight. Even though this drawer remains locked, since each AW has a key to this same drawer, it poses a risk for defalcation especially since there are no surveillance cameras in this unit. This unit used to have a safe, but due to lack of space the safe was removed. This location also does not have any panic buttons near the desks to press in case of emergency.

**Pavilion 3 Orthopedics:** A surveillance camera that was installed a few years ago appears to be inoperable thereby providing very little protection other than possibly acting as a deterrent in the same way a fake/dummy camera would if a potential criminal thought it was an actual working camera.

**Samueli Integrative Medicine:** Per management, there are no surveillance cameras or panic buttons at this location.

### **Management Action Plan**

Cashiering Management will conduct an assessment for each unit mentioned above to determine whether the physical security needs of these units require additional enhancements/improvements. Cashiering may consult with the UCI Public Safety Office and other applicable departments as necessary. These physical security risk assessments will be completed by March 31, 2022.

Due date: March 31, 2022

## **6. Copayment Collections at Time of Service**

### **Background**

Best practices suggest that staff exercise proactive collection efforts to collect copayments from patients at time of service rather than billing them later, which increases organizational administrative costs, increases aging of accounts receivable, and subsequently decreases collectability of these aged accounts. Copayments are typically nominal amounts. Units should make every effort to collect these payments during the patient's office visit instead of dealing with the burden of hiring a collection agency or having to write off these amounts to bad debt.

### **Observation**

Both Gottschalk Plaza - Dermatology and Gottschalk Plaza - Neurology management indicated that patients often refuse to pay copayments during their office visits. Their refusal to pay during their office visit stems from the complaint that they still end up receiving a copayment bill after their visit and may end up double paying. Management stated that many patients prefer either paying their copayment on the My Chart application portal after their time of service or waiting to receive a bill to make a payment. According to management, this issue was much worse in the prior billing system, and although the current Epic system has improved these billing issues, a payment processing delay continues.

Refusal by patients to pay their copayments at the time of their office visit may result in potential lost revenue and higher administrative costs. The complaint of double billing may eventually result in a public relations concern if patients' satisfaction rates plummet because of their frustration.

### **Management Action Plan**

Cashiering management will consult with the Single Billing Office (SBO) to determine whether there is time of service co-pay collection issues within these units. We will compare the co-pay collection rates during the legacy patient billing system, Quest, and during the current system, Epic, and determine whether rates are still relatively high and whether double billing issues are still occurring. If we determine these issues are still prevalent, measures will be made to resolve these concerns and to streamline the accuracy, efficiency, and effectiveness of the co-pay collections and billing processes. This assessment and resolution, if needed, will be conducted by April 30, 2022.

Due date: April 30, 2022

## **7. Combination Safe Controls**

### **Background**

Per BUS-49, a safe's combination must be changed whenever an employee who knows the combination leaves the cash-handling unit or once a year, whichever occurs first. Documentation must be maintained showing the date and reason for the combination change. Moreover, safes must be opened under dual custody to prevent undetected access. Ensuring good security controls over the safes are essential since these safes house large amounts of cash from patient payments and change funds.

### **Observation**

For Pavilion 3 Orthopedics and Emergency Department Registration, management had stated that combination safes are only reset when management/employees, who knew the combination, are no longer working in the unit. However, they were unaware of the policy that combination safes needed to be reset at least on an annual basis irrespective of whether employees leave the unit.

### **Management Action Plan**

Refer to Management Action Plan in V.3 above.

Due date: March 31, 2022.