



Audit Services

July 15, 2013

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Management Services Officer
Preventive and Restorative Dental Sciences

**SUBJECT: Cash Operations - Dentistry
Audit Services Project #13-026**

As a planned audit for fiscal year 2012-2013, Audit Services conducted a review of cash operations in the Department of Preventive and Restorative Dental Sciences (PRDS). The department is the largest department within the School of Dentistry and is comprised of seven different divisions. The department also operates six clinics and our review encompassed four of these: Faculty Prosthodontics, Graduate Prosthodontics, Advanced Education in General Dentistry (AEGD) and Faculty Group Practice (FGP). These four clinics collected and deposited just over \$2.7 million in fiscal year 2012.

PRDS was selected based on high cash deposit activities for fiscal year 2012 and the first six months of fiscal year 2013, as well as a subsequent assessment of basic cash handling procedures per discussions with department management and staff.

The primary objectives for this review were to determine whether 1) adequate internal controls have been implemented to safeguard cash collection activities; 2) proper segregation of duties has been established between cash collection, processing and reconciliation activities; and 3) existing procedures and practices comply with the Campus and University-wide cashing policies.

In order to achieve our objectives, we performed the following:

- Internal control questionnaires were provided to the department for completion and responses were analyzed to detect any control or compliance issues;
- Data analytics were performed to ascertain cash collections/depositing volumes and activities for the department and to assess whether deposit frequencies were in compliance with policy requirements;
- The processes for collection of co-payments, recording, depositing and reconciliation of cash and checks were assessed to identify operational risks and if adequate internal controls have been implemented;

- Cash discrepancies (overages and shortages), voids and refunds were reviewed to determine if appropriate reasons and approvals were obtained and documented;
- Segregation of duties for employees with cash handling responsibilities was analyzed to determine that there is an appropriate separation from cash collection, posting, reconciliation of encounters, depositing and general ledger verifications;
- Unannounced cash counts were conducted to ensure cash funds were accurate;
- Background check records were reviewed to determine if all cash handlers have been checked as required;
- Training records were reviewed to determine if all cash collectors and depositors have received required cash management training.

Work performed was limited to the scope period and specific procedures identified above; as such, this report is not intended to, nor can it be relied upon to provide an assessment of the effectiveness of cash operations and management within the department beyond those processes specifically reviewed. Fieldwork was conducted between April and May 2013.

From the work performed, Audit Services determined that PRDS has the appropriate controls to accurately collect record and deposit cash collections. We did identify that the department is having some logistical and resource issues that is not allowing for proper segregation of duties between cash depositing and reconciliation. They also have not changed the combinations to safes in the department in accordance with policy. Additionally, the department was not able to produce records for a number of cash handling employees to document that they have completed the required background checks.

Detailed information on issues identified and related management corrective actions can be found in the attached matrix.

We want to thank your department staff for all their assistance and cooperation in getting the review completed. Please do not hesitate to contact me at 502-2238, should you have any questions or require any further information.

Sincerely,



Rick Catalano
Director

cc: Professor and Chair Taylor
Analyst Louie
UCSF Audit Committee

**Preventive and Restorative Dental Sciences (PRDS)
Cash Operations Review
Project #13-026**

OBSERVATIONS

	Observation	Criteria	Risk	Priority	Management Corrective Action(s)
1	<p><u>Background Checks</u> Background checks are not completed for all cash handlers.</p> <p>The department was unable to provide documentation supporting that background checks have been completed for three cash handlers.</p>	PPSM Appointment 21, Section VI states that the University requires job-related background information on final candidates for critical positions and employees who are promoted, reclassified, or transferred into critical positions.	Not ensuring that background checks are performed for cash handling staff may increase the risk of theft or misallocation of resources.	Medium	By September 30, 2013, PRDS will complete background checks for all cash handlers as required by policy.
2	<p><u>Safe Combinations</u> Safe combinations are not changed nor are records maintained in accordance with University policy.</p> <p>The combinations for the 2 safes have not been changed either annually or when an employee with the combination left employment with the department and there are no records being maintained for combination changes.</p>	BUS 49 Section IX.11 and Campus Cashiering Policy require 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. Additionally, BUS 49 requires documentation must be maintained showing the date and the reason for the combination changes.	Not changing safe combinations annually or when an individual with the combination leaves employee with the department can increase the risk of inappropriate access to the safe by unauthorized individuals.	Medium	By September 30, 2013, PRDS will change the safe combinations and continue to change the combinations in accordance with applicable policy.
3	<p><u>Segregation of Duties</u> The Department did not maintain proper segregation of duties within the cashing function.</p> <p>There is one employee in Prosthodontics who is responsible for reconciling the general ledgers as well as making the daily cash deposits.</p>	BUS 49, Section II.B states that The Business Unit head is responsible for establishing procedures that ensure that no single individual is responsible for collecting, handling, depositing and accounting for cash received by that unit.	Not ensuring proper segregation of duties may increase the occurrence of mismanagement of resources and make detection of mishandling or errors more difficult.	Medium	By September 30, 2013, PRDS will reassign cash duties to ensure compliance to policy or obtain approval for an exception to policy from the Controller's Office.