

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

**Department of Medicine  
Division of Infectious Diseases  
Petty Cash Controls Assessment  
Project # 20-069**

**November 2019**



University of California  
San Francisco

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November 14, 2019

Michael Chen  
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**SUBJECT:** Petty Cash Controls Assessment

Audit and Advisory Services (“A&AS”) conducted a Petty Cash Controls Assessment for the Division of Infectious Diseases with the Department of Medicine. The purpose of this review was to assess the adequacy of petty cash controls and compliance with University policy.

Our services were performed in accordance with the applicable International Standards for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors (the “IIA Standards”).

Our review was completed and the preliminary draft report was provided to department management in September 2019. Management provided their final comments and responses to our observations in October 2019. The observations and corrective actions have been discussed and agreed upon with department management and it is management’s responsibility to implement the corrective actions stated in the report. A&AS will periodically follow up to confirm that the agreed upon management corrective actions are completed within the dates specified in the final report.

This report is intended solely for the information and internal use of UCSF management and the Ethics, Compliance and Audit Board, and is not intended to be and should not be used by any other person or entity.

Sincerely,

Irene McGlynn  
Chief Audit Officer  
UCSF Audit and Advisory Services



**EXECUTIVE SUMMARY**

**I. BACKGROUND**

In June 2019, the Division of Infectious Diseases within the Department of Medicine notified Audit and Advisory Services (A&AS) of missing petty cash funds of approximately \$1,050 across six petty cash funds within the Anal Neoplasia Clinic, Research and Education (ANCRE) Center. The shortfall was identified during an internal review of petty cash funds conducted by the Division following the transition of a petty cash custodian. The Division was unable to reconcile two of the six petty cash funds as there was co-mingling of funds.<sup>1</sup>

As a result of the missing cash, Audit & Advisory Services conducted a review of the petty cash controls to determine the adequacy of internal controls in place and to ensure compliance with University policy.

Currently, the Division maintains a total of five active petty (three from the ANCRE Clinic located at Mount Zion and two located at Parnassus) cash funds to support research activities related to HPV, HIV, and stem cell transplants recipients. Petty cash funds are used to pay human subjects who participate in the Division’s research studies. As part of the review, we reviewed the five active petty cash funds listed below:

<b>Petty Cash Fund Name</b>	<b>Authorized Amount</b>
AMC 088	<b>\$1,200</b>
TOPS	<b>\$500</b>
AHHA	<b>\$1,500</b>
DISCOVER	<b>\$1,500</b>
NCI R01	<b>\$1,500</b>
<b>TOTAL</b>	<b>\$6,200</b>

**II. AUDIT PURPOSE AND SCOPE**

The purpose of this review was to assess the adequacy of petty cash controls and compliance with University policy.

The scope of the review covered transactions and activities for FY 2019 (July 1, 2018 – June 30, 2019).

Procedures performed as part of the review included the review of policies and procedures, interviews of petty cash custodians, walkthroughs of processes, record keeping, and review of support documentation to validate transactions and reconciliation of petty cash funds. For more detailed steps, please refer to Appendix A.

Work performed was limited to the specific activities and procedures described above. As such, this report is not intended to, nor can it be relied upon to provide an

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<sup>1</sup> There was a practice of petty cash custodians in the ANCRE Clinic to borrow from other petty cash funds when a petty cash fund was not replenished in a timely manner.

assessment of compliance beyond those areas specifically reviewed. Fieldwork was completed in September 2019.

### III. **SUMMARY**

Based on work performed, opportunities for strengthening internal controls over the management of petty cash funds exists in the areas of payments, changes in assigned custodian, reconciliation and monitoring processes.

The specific observations from this review are listed below:

#### **A. Use of Petty Cash Funds**

1. Advance and cumulative petty cash payments were made to study participants in violation of UCSF Campus Administrative Policy.
2. Funds are co-mingled between petty cash funds.
3. Controls over petty cash custodians change requests are not operating effectively.
4. Not all petty cash custodians had taken the required annual petty cash handling training.

#### **B. Physical Security of Petty Cash Funds**

5. Petty cash funds are not appropriately secured when in transit.
6. Petty cash funds could not be reconciled due to lack of supporting documentation.
7. Petty cash counts are not performed timely.

Additionally, during the course of this review, potential opportunities for improvement were noted for enhanced process efficiency. Payments to study participants could be streamlined and better controlled by using a debit clinical card payment system used by other studies in the Division to pay study participants instead of cash payments.

**IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS (“MCA”)**

**A. Use of Petty Cash Funds**

<b>No.</b>	<b><u>Observation</u></b>	<b><u>Risk/Effect</u></b>	<b><u>Recommendation</u></b>	<b><u>MCA</u></b>
1.	<p><b><i>Advance and cumulative petty cash payments that exceeded the per visit limit were made to study participants in violation of the UCSF Campus Administration Policy 300-44, “Petty Cash and Change Funds”.</i></b></p> <p>During the review of petty cash transactions for the DISCOVER petty cash fund, we identified the following:</p> <ul style="list-style-type: none"> <li>• Cash payments for multiple past visits were issued to study participants as one lump-sum payment. As a result, lump-sum payments exceeded the \$150 visit limit stipulated in policy.</li> <li>• An advance payment (\$80) was issued to a study participant for future appointment visits.</li> </ul> <p>According to UCSF Campus Administrative Policy 300-44 “Petty Cash and Change Funds” Cash payments to each individual research subject shall not exceed \$150 per visit and petty cash funds must be used strictly in accordance with the purpose of fund.</p>	<p>Excess or advance payments may create risks of undue influence and incentives.</p>	<p>Division management should:</p> <ul style="list-style-type: none"> <li>• Reinforce policy requirements to all petty cash custodians.</li> <li>• Develop and implement monitoring procedures to ensure cash payments to each participant do not exceed \$150 per visit and participants are not paid in advance for future appointment visits.</li> </ul>	<p>a. Infectious Diseases (ID) Division will share this report with the Petty Cash custodians and all others involved in Petty Cash Reconciliation. UCSF Campus Administration Policy 300-44 will be communicated to all custodians.</p> <p>b. When replenishments are requested, the reviewer/approver /Division Manager (DM) will confirm that no cash payments exceed \$150 per visit and that no advance cash payments were made for future visits. If a violation is found, DM will contact custodian and issue a warning directly to the custodian with a</p>

<u>No.</u>	<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>	<u>MCA</u>
				<p>Clinical Coordinator (CC) to the Principal Investigator (PI). Progressive discipline will be addressed in conjunction with the PI for additional violations to this policy.</p> <p><b>Target Date:</b> December 15, 2019</p> <p><b>Responsible Party:</b> Associate Chair-Finance, DOM</p>
2.	<p><b><i>Funds are co-mingled between petty cash funds.</i></b></p> <p>It has been a practice within the ANCRE clinic that petty cash funds were borrowed and mixed with other petty cash funds when a replenishment request was not submitted in a timely manner.</p> <p>UCSF Campus Administrative Policy 300-44 "<i>Petty Cash and Change Funds</i>" requires each fund must be kept intact and not be mixed with other funds and only the custodian may have access to the fund.</p>	<p>Accountability of funds cannot be maintained and errors/fraud cannot be detected when there is co-mingling of funds.</p>	<p>Division management should ensure that:</p> <ul style="list-style-type: none"> <li>• Petty cash funds are not co-mingled.</li> <li>• Petty cash funds replenishments are submitted in a timely manner.</li> </ul>	<p>During routine departmental audits, verification will be performed to ensure that that funds have not been comingled. If a violation is found, DM will contact custodian and issue a warning directly to the custodian with a CC to the PI. Progressive discipline will be addressed in conjunction with the PI for additional violations to this policy. If any funds are found to be below the 50%</p>

No.	Observation	Risk/Effect	Recommendation	MCA
				<p>threshold, we will ensure that requests for replenishment will be submitted. If they have not, custodian will be asked to request replenishment at their first convenience.</p> <p><b>Target Date:</b> March 31, 2020</p> <p><b>Responsible Party:</b> Associate Chair-Finance, DOM</p>
3.	<p><b>Controls over petty cash custodians change requests are not operating effectively.</b></p> <p>Review of the petty cash custodian assignment document identified the following:</p> <ul style="list-style-type: none"> <li>• TOPS petty cash fund is not assigned to the current custodian. Per Controller's Office records, a former employee who departed in April 2019 is listed as the current custodian.</li> <li>• The total amount stated on the Custodian Request Form for the AMC 088 petty cash fund was \$320, which did not align with the authorized petty cash amount of \$1,200.</li> </ul> <p>Under UCSF Campus Administrative Policy 300-44 "Petty Cash and Change Funds" custodians and the related departmental manager are responsible for notifying the petty cash coordinator (Controller's</p>	<p>Lack of updated information and discrepancies in the documentation can create confusion with responsibility for the funds not clearly defined.</p>	<p>Division management should:</p> <p>Provide training and education to staff to ensure that petty cash custodian change requests forms are completed correctly.</p>	<p>The TOPS Petty Cash fund has been inactive. We believe that it is in the best interest of all involved to close this account. Before we do, we will reach out to the Controller's Office to determine the best next steps and obtain approval from the PI to close this account.</p> <p><b>Target Date:</b> December 15, 2019</p> <p><b>Responsible Party:</b> Associate Chair-Finance, DOM</p>

<u>No.</u>	<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>	<u>MCA</u>
	<p>Office) when terminating University employment, transferring to another position, or are going to be out of the office temporarily for vacations or medical leave of absences.</p>			
<p>4.</p>	<p><b><i>Not all petty cash custodians had taken the required annual petty cash handling training.</i></b></p> <p>During the review of petty cash controls, it was noted that a custodian had not completed the annual online training <i>“Policies for Petty Cash Handlers”</i> for several years.</p> <p>UCSF Controller’s Office requires petty cash custodians to take online courses <i>“Policies for Petty Cash Handlers”</i> and <i>“UCSF Cash Handling Training”</i>. Both trainings must be completed annually to maintain certification as a petty cash custodian.</p>	<p>Not completing the annual training can result in ineffective petty cash handling practice.</p>	<p>Division management should implement monitoring procedures for ensuring that petty cash custodians complete the required annual online training.</p>	<p>ID will collect certificates of all petty cash custodians and petty cash reconcilers upon set-up. Also a spreadsheet to track expiration dates has been set up and custodians will be asked to complete their training in a timely manner. DM has access to entire ID Division for past due trainings, and will ensure that all employees that are past due for this training are alerted upon discovery.</p> <p><b>Target Date:</b> Completed October 20, 2019</p> <p><b>Responsible Party:</b> Associate Chair- Finance, DOM</p>

**B. Physical Security of Petty Cash Funds**



No.	Observation	Risk/Effect	Recommendation	MCA
5.	<p><b><i>Petty cash funds are not appropriately secured when in transit.</i></b></p> <p>The NCI R01 petty cash fund requires the custodian to travel from Parnassus to Mt. Zion to pay study participants. The custodian stores the cash of approximately \$100-\$150 in personal wallet when traveling between locations.</p> <p>Under UCSF Campus Administrative Policy 300-44 "Petty Cash and Change Funds" petty cash is susceptible to theft. Custodians and the departmental manager should take all reasonable precautions to safeguard the assets under their care.</p>	<p>Inadequate securing of funds can increase the risk for theft or loss.</p>	<p>Division management should consider using a lockable security bag to secure the petty cash funds while transporting funds to other campuses.</p>	<p>ID Division will develop a thoughtful policy for the transportation of current between campuses.</p> <p><b>Target Date:</b> January 1, 2020</p> <p><b>Responsible Party:</b> Associate Chair-Finance, DOM</p>
6.	<p><b><i>Petty cash funds could not be reconciled due to lack of supporting documentation.</i></b></p> <p>During our cash count verification of the 5 petty cash funds we noted the following:</p> <ul style="list-style-type: none"> <li>• The TOPS and DISCOVER petty cash funds did not reconcile to the authorized amounts of \$500 and \$1,500 respectively.</li> <li>• The TOPS petty cash fund had a shortage of \$375. The custodian was unable to locate the missing supporting receipts to reconcile to the authorized amount of \$500.</li> <li>• The DISCOVER petty cash fund had an overage of \$120. The Controller's Office advised the Division in Feb 2019 to deduct \$120 in the next</li> </ul>	<p>Lack of sufficient supporting documentation limits the ability to validate that funds were used appropriately and in accordance with the purpose of the fund.</p>	<p>Division management should ensure that:</p> <ul style="list-style-type: none"> <li>• Petty cash replenishment records and supporting reimbursement documentation are adequately maintained.</li> <li>• All petty cash disbursement logs include sufficient details on the amount paid to each participant</li> </ul>	<p>a. During routine departmental audits or when replenishments are requested, the reviewer/ approver /DM will confirm that all petty cash receipts are accounted for. If a violation is found, DM will contact custodian and issue a warning directly to the custodian with a CC to the PI. Progressive discipline will be</p>

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	<p>petty cash replenishment to bring the petty cash limit back to the authorized limit of \$1,500. The last petty cash replenishment in April 2019 did not adjust for the \$120 overage. Also, the running balance on the disbursement logs were unclear and could not be reconciled to the replenishment requests.</p> <ul style="list-style-type: none"> <li>The cash count audit forms for the TOPS and DISCOVER petty cash funds did not reflect the above unreconciled amounts. The TOPS petty cash count audit form on 5/14/2019 only stated \$500 as the authorized amount in the summary section and did not reflect the shortage of \$375. The DISCOVER petty cash count audit form on 8/31/2018 stated \$1,620 not \$1,500 as the authorized amount and did not reflect the overage of \$120.</li> </ul> <p>Under UCSF Campus Administrative Policy 300-44 "Petty Cash and Change Funds" the petty cash custodian is responsible for controlling and safeguarding the petty cash and ensure appropriate documentation is retained on each petty cash transaction and fund reimbursement.</p>		<p>and balance of petty cash fund.</p> <ul style="list-style-type: none"> <li>Work with the Controller's Office to resolve the TOPS petty cash fund shortage of \$375.</li> </ul>	<p>addressed in conjunction with the PI for additional violations to this policy.</p> <p>b. In addition, ID Division will disseminate a petty cash log template which all petty cash custodians will be required to use moving forward.</p> <p><b>Target Date:</b> December 15, 2019</p> <p><b>Responsible Party:</b> Associate Chair-Finance, DOM</p>
7.	<p><b>Petty cash counts are not performed timely.</b></p> <p>The AMC 088, AHHA, and DISCOVER petty cash funds had cash counts performed on an annual basis rather than semi-annually as required by University policy.</p> <p>Regular periodic petty cash counts provide a control mechanism to ensure disbursement logs</p>	<p>Untimely periodic petty cash counts can result in inaccuracies and/or discrepancies not being detected timely.</p>	<p>Division management should ensure that petty cash counts are performed on a semi-annual basis to ensure records are adequate and funds are properly reconciled.</p>	<p>ID Division will conduct audits at least two times per year per petty cash account</p> <p><b>Target Date:</b> April 30, 2020</p> <p><b>Responsible Party:</b></p>

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	<p>and cash on hand reconcile to the petty cash amount</p> <p>UCSF Campus Administrative Policy 300-44 <i>“Petty Cash and Change Funds”</i> requires research petty cash counts performed semi-annually based on the amounts as follows: \$501-\$2,000.</p>			<p>Associate Chair-Finance, DOM</p>

**V. OPPORTUNITIES FOR IMPROVEMENTS**

<u>No.</u>	<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>
<p>1.</p>	<p><b><i>Payments to study participants could be streamlined and better controlled by using a debit card system.</i></b></p> <p>The Division has experienced various petty cash fund management issues including unreconciled cash, inconsistencies in processes due to turnover of custodians, untimely replenishments, and co-mingling of funds. The Division has implemented a debit card (clinical card) payment process for the ANCHOR study and may want to expand its use for other studies to provide consistency and streamline processes and controls.</p>	<p>Risks of cash discrepancies may be reduced with use of payment cards</p>	<p>The Division Management should consider the use of a clinical card system (debit card) to pay study participants instead of issuing cash payments.</p>

**APPENDIX A**

To conduct our review the following procedures were performed for the areas in scope:

- Reviewed UC and local UCSF policies for petty cash funds.
- Interviewed personnel and perform walkthroughs to get an understanding of activities for the areas under examination.
- Reviewed petty cash handling internal controls for appropriate accounting of funds and compliance with University policy.
- Determined whether background checks have been conducted for petty cash custodians.
- Determined whether petty cash custodians completed required online courses *“Policies for Petty Cash Handlers”* and *“UCSF Cash Handling Training”*.
- Determined whether petty cash funds used in accordance with purpose.
- Determined whether petty cash payments to study participants do not exceed \$150 per visit.
- Determined whether petty cash replenishments and change of petty cash custodians are approved by appropriate department manager.
- Determined whether petty cash is appropriately secured and access is restricted to assigned petty cash custodian.
- Performed petty cash count to ensure funds can be accounted for and that there is proper record keeping.
- Determined whether periodic cash counts are performed by department manager (or designee).
- Determined whether department managers and designees assigned to perform periodic cash counts completed background check and online courses *“Policies for Petty Cash Handlers”* and *“UCSF Cash Handling Training.”*