



# Chao Family Comprehensive Cancer Center Petty Cash

*Internal Controls Report No. I2015-503*

July 18, 2014

*Prepared By*

Niran Joshi, Audit Manager

*Reviewed and Approved By*

Mike Bathke, Director



INTERNAL AUDIT SERVICES  
IRVINE, CALIFORNIA 92697-3625

July 18, 2014

**RICHARD VAN ETTEN, MD, PhD**  
**DIRECTOR**  
**CHAO FAMILY COMPREHENSIVE CANCER CENTER**

**RE: Cancer Center Petty Cash Internal Controls Report**  
**Report No. I2015-503**

Internal Audit Services has completed the limited scope review of petty cash handling in the Cancer Center and the internal controls 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*

Mike Bathke  
Director  
UC Irvine Internal Audit Services

Attachment

C: Audit Committee  
Amy Barach, Chief Administrative Officer

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## I. BACKGROUND

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University of California, Irvine (UCI) Internal Audit Services (IAS) was requested to complete a limited scope review of petty cash handling in the Cancer Center by the Chief Administrative Officer (CAO). This report addresses the internal control issues raised during the review which require management corrective action.

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## II. OBJECTIVES AND SCOPE

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The objective of this review is to evaluate selected operational internal controls and business practices related to the administration and oversight of petty cash in the Cancer Center.

IAS obtained information from interviews with key personnel, data analysis, examination of petty cash logs, and selected PayQuest petty cash replenishments made payable to the petty cash custodian. IAS reviewed transactions processed from November 2012 through June 2014.

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

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## III. OBSERVATIONS AND MANAGEMENT ACTION PLANS

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### 1. Time Lag on Deposit of Replenished Cash

#### **Background**

The purpose of the petty cash fund is to provide funds to cancer patients and their families for housing, transportation, and living expenses while the patient is receiving care at the Cancer Center. A form is filled out by a social worker and signed off by a witness when a patient is provided assistance. The petty cash custodian pays the patient out of the petty cash fund (totaling \$4,950), then obtains reimbursements/replenishments through PayQuest, which are approved by the Director of the Cancer Center.

### Observation

Petty cash fund replenishment checks are made payable to the petty cash custodian who deposits them in a personal account. The funds are not transitioned to currency or logged into petty cash on a timely basis. IAS noted that the replenished checks were entered into the petty cash log piecemeal, with an average delayed time lag of 35 days (ranging from 7 to 100 days).

As a best practice as well for sound internal controls and proper accountability of the funds, petty cash replenishment checks should be converted to currency, then deposited and logged into petty cash on a timely basis. Petty cash funds should be available for the intended purpose as opposed to remaining in the custodian's personal account. IAS also recommends that the petty cash log have a running balance and be combined into one log instead of the two current logs for \$450 and \$4,500.

In addition, the \$4,950 petty cash balance appears to be excessive based on the amount of activity and recommends lowering the balance. IAS noted some months with no petty cash activity and average monthly activity less than \$700.

### Management Action Plan

The petty fund balance will be decreased to \$2500. If this level is found to be too limited, the fund level will be re-assessed. In addition, the current Finance Administrative Assistant III (AA III) will be identified as the new petty cash custodian. In the future, the AA III will immediately cash replenishment checks at the Medical Center Main Cashier's Office, which is geographically co-located with her office. The Main Cashier Manager has been notified and approves of this new process. Cash will be immediately placed in the safe. The use of personal banking accounts for this process will be eliminated. The AA III will develop an Excel-based log which will calculate a running balance. The petty cash log will also include identification for the dates each replenishment check is requested, received, and converted into currency.

## 2. Petty Used for Travel and Entertainment Expenses

### **Observation**

IAS noted that travel and entertainment, staff recognition, and leadership training expenses were advanced from the petty cash funds. University policy states that petty cash reimbursement for refreshments, entertainment, conference fees, or travel is prohibited.

### **Management Action Plan**

Effective immediately petty cash funds will no longer be utilized to advance travel and entertainment expenses.