



# Medical Center Main Cashiering

*Internal Audit Report No. I2015-206*

March 6, 2015

***Prepared By***

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INTERNAL AUDIT SERVICES  
IRVINE, CALIFORNIA 92697-3625

March 6, 2015

**PAMELA S. FINDLEY  
DIRECTOR, ADMISSIONS & REGISTRATION  
ADMISSIONS DEPARTMENT**

**RE: Medical Center Main Cashiering Audit  
Report No. I2015-206**

Internal Audit Services has completed the review of UC Irvine Medical Center (Medical Center) Main Cashiering Office 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.

*Mike Bathke*

Mike Bathke  
Director  
UC Irvine Internal Audit Services

Attachment

C: Audit Committee  
Steffani Morales, Sr. Administrative Analyst, Supervisor, Cashiers Office

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## I. MANAGEMENT SUMMARY

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In accordance with the fiscal year (FY) 2014-2015 audit plan, Internal Audit Services (IAS) reviewed financial operations within the Medical Center Main Cashiers Office (MCO). Certain internal controls could be improved to ensure compliance with University policies and procedures and/or best business practices. The following concerns were noted.

**Collection and Receipting Processes** – The MCO does not have a process in place to account for all cash/equivalents collected from cash-handling units, on a daily basis. In addition, processes for continuously monitoring credit card refunds/other credit transactions for suspicious activity may need to be developed. These issues are discussed in section V.1.

**Patient Valuables** – Unclaimed patient valuables involving currency and coin are not transferred by the MCO to Hospital Security as required by policy. Improvement is also needed in chain of custody and inventory management practices over patient valuables. These issues are outlined in section V.2.

**Change and Petty Cash Funds** – MCO change and petty cash funds are not verified annually by the Medical Center Controller's Office (Controller's Office), or a designate. In addition, several concerns were noted with the MCO's administration of the ARIISE (Accountability, Respect, Integrity, Innovation, Service, and Excellence) employee recognition program, which is reimbursed with petty cash funds. Details related to these issues are provided in Section V.3.

**Accountability and Separation of Duties** – There are several areas in the MCO in which accountability and/or an adequate separation of duties is not maintained. These areas include change and petty cash funds, the safe and night deposit, patient valuables, and door lock/other locks and keys. Details related to these issues are provided in Section V.4.

**Physical Security** – Concerns were noted with individual access to the MCO, physical safeguards in the MCO, and safeguards for MCO employees and University funds. These observations are discussed in section V.5.

**Unrelated Duties Performed by the MCO** – MCO cashiers are performing several duties that are unrelated to the MCO's mission and core business objectives. This observation is discussed in section V.6.

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## II. BACKGROUND

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The MCO receives funds from sub-cashiering stations, clinicians, patients, and other entities located in, or associated with, the Medical Center and the School of Medicine (SOM). The principal function of the MCO is to prepare these collections for bank deposit and to review and approve the financial journal entries that record the bank deposits in the general ledger. Deposits received and reviewed by the MCO do not include remittances received electronically, and/or through the University's bank lock boxes. Other MCO duties include storing patient valuables for inpatients and administering the ARIISE employee recognition program. The MCO also reimburses employees for certain approved expenditures. The MCO is currently staffed by three career cashiers, a Cashier Supervisor, and a Cashier Manager who reports to the Director, Admissions and Registration.

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## III. PURPOSE, SCOPE AND OBJECTIVES

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The scope of the audit focused on FY 2013-14 MCO business operations. The purpose of the audit was to assess MCO cashiering activities. The review was designed to determine whether sufficient internal control measures are in place to prevent or detect improper, non-compliant and/or fraudulent transactions, while ensuring efficiency and effectiveness in business operations, and compliance with policies and sound business practice.

The audit included the following objectives.

1. Verify that internal control measures ensure proper accountability, separation of responsibilities, and security over MCO change and petty cash funds.
2. Verify that physical security measures in MCO operations are in compliance with policies and good business practice, and adequately safeguard University employees and funds.
3. Verify that cash/equivalents for deposit are fully collected, and properly and accurately accounted for and documented by sub-cashiers and the MCO, in accordance with policies and good business practice.
4. Verify that deposit preparation and review processes ensure that proper accountability, separation of responsibilities and transfer of accountability is maintained over funds for deposit as the deposit is prepared, reviewed and transferred to the bank for deposit; verify that deposits are timely and accurate.
5. Verify that deposit accounting processes ensure that financial journal entries are prepared and approved for each cash/equivalents deposit and reconciled to support documents and to funds for deposit prior to the transfer of funds to the depository bank.
6. Verify that proper steps are taken to assure continuous accountability as patient valuables are received, stored, transferred, and released; verify that patient valuables are properly safeguarded while in University custody; verify that patient valuables processes are compliant with policies and good business practice.

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## IV. CONCLUSION

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Many internal controls within the MCO appear to be functioning satisfactorily. However, concerns were noted in the areas of collection and receipting processes, patient valuables, change and petty cash funds, accountability and separation of duties, physical security, and unrelated duties performed by the MCO.

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

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## V. OBSERVATIONS AND MANAGEMENT ACTION PLANS

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### 1. MCO Collection and Receipting Processes

#### a. Reconciliation of Daily Deposits Received by the MCO

##### Background

The MCO is tasked with ensuring that all cash/equivalents collected and receipted by Medical Center cash-handling units are transferred (intact) daily to the MCO for deposit. UC policy requires that pre-numbered receipts be issued sequentially for all cash/equivalent collections. This process provides the MCO with an opportunity to reconcile receipt numbers for collected funds, thereby assuring that all receipted cash/equivalent collections can be accounted for, on a daily basis. Currently, there are two types of receipts available for issuance by cash-handling units, receipts from the Quest electronic health record (EHR) system (approximately 95 percent of all issued receipts), and manual (i.e., handwritten) receipts. Each receipt type has its own sequential numbering system.

### Observation

A review of MCO processes for reconciling daily cash/equivalents collected from Medical Center cash-handling units disclosed some concerns, as follows:

- a. Due to limitations in the Quest EHR system, it is problematic for the MCO to reconcile Quest receipts sequentially.
- b. Despite the implementation of the Quest system, some cash-handling units continue to issue manual receipts. Due to the low daily volume of issued manual receipts, the MCO's reconciliation efforts are limited.

To address the Quest system concerns, a "work-around" process was attempted by the MCO in 2010 as a pilot project. As envisioned, the process would enable the MCO to verify that all collected cash/equivalents are accounted for, on a daily basis. At present however, the "work-around" process has not been perfected or implemented.

Despite the MCO's previous and current efforts to reconcile both Quest and manual receipts, there is not an adequate process in place to account for all collected and receipted cash/equivalents, on a daily basis.

### Management Action Plan

The MCO has made numerous attempts to fix the Quest Cash Collection Report (i.e., the "work-around" process) to reflect the actual payments collected and receipted by Quest at the clinics, without success. Meanwhile, UC Irvine Health Care is currently evaluating new software that would replace the Quest EHR system. By July 2015, it is anticipated that a decision will be made whether or not to purchase the new software application, which could be a significant cost to the University.

With regard to manual receipts, MCO management has now contacted all of the cash collection sites that register patients in Quest, but issue manual

receipts. These sites have been advised to start using Quest receipts as a regular practice. Training and implementation for these sites will be completed by February 2015.

However, collection sites that don't use the Quest system will continue to issue manual receipts. MCO employees review these manual receipts for chronologic sequence as the receipts are submitted with Deposit Advice forms (DAFs). Additionally, the MCO collaborates with the billing units if any payment questions arise. This fiscal year, the MCO has had only three questioned payments, and were able to research and resolve each issue.

#### **b. Monitoring Credit Transactions in Daily Collections**

##### **Observation**

A review of collection and receipting processes revealed that procedures for continuously monitoring credit card refund/other credit transactions may need further development.

In the past, credit card refunds could be processed by employees in Medical Center cash-handling units. In some circumstances, these refunds involved fraudulent transactions that were not detected by the MCO or Controller's Office.

As a result, the MCO changed the credit card refund policy. Currently, only the MCO can process refunds. However, processes are not in place for the continuous monitoring of bank records for unauthorized credit card refunds/other credit entries made by cash-handling units.

Failure to continuously monitor credit card transactions to ensure proper approval may hinder management's ability to detect unauthorized and/or fraudulent activities.



## **Management Action Plan**

Currently, only the MCO is authorized to perform credit card refunds. The MCO is diligent in reviewing the credit card settlement tape(s) submitted by each Medical Center cash-handling unit, which documents all sales and refunds. If an unauthorized refund is detected, it is brought to the Cashier Manager's attention for review and research. Also, the MCO has changed its Credit Card Refund Request form to include a supervisor/manager approval line. The refund will not be processed by the MCO without supervisor/manager approval. Effective December 9, 2014 MCO staff are required to obtain supervisor/manager approval before processing a refund. The Cashier Supervisor/Manager is also required to approve the refund documents in KFS.

In addition, effective immediately a monthly refund report will be obtained from the bank and reviewed by MCO management to ensure that all refunds are being processed solely by the MCO. By March 2015, policies and procedures will be written to reflect the MCO credit card refund process.

## **2. Patient Valuables**

### **a. Unclaimed Patient Valuables**

#### **Observation**

A review of MCO processes for transferring unclaimed patient valuables to Hospital Security disclosed that unclaimed currency and coin (cash) is being deposited by the MCO into a University bank account and posted to a University account/fund.

Policy requires the MCO to release unclaimed patient valuables to Hospital Security after a six-month waiting period. However, at the end of the six month period, the MCO separates cash from the other patient valuables, then deposits and posts the cash separately without maintaining the identification

of the patient. The remaining non-cash patient valuables are then delivered to Hospital Security.

Since 1996, \$23,134 of unclaimed patient cash has accumulated in a University account/fund and has never been transferred out or escheated to the state of California as required by law.

Failure to escheat abandoned personal property to the state of California in a timely manner may result in legal sanctions.

### **Management Action Plan**

Effective immediately, and in collaboration with the Controller's Office, the MCO will no longer deposit cash from unclaimed patient valuables. Hospital Security will account for each Record of Patient Valuables envelope received from the MCO. Then, Hospital Security will turn the envelopes over to the UC Irvine Police department for proper handling in a manner prescribed by law. By March 2015, policies and procedures will be revised, as necessary.

The Controller's Office is currently working with the State of California's Unclaimed Property Department to properly report/escheat the unclaimed patient cash.

### **b. Chain of Custody / Inventory Management of Patient Valuables**

#### **Observation**

A review of MCO processes surrounding chain of custody and inventory management of patient valuables disclosed some concerns, as follows.

Chain of Custody: The MCO is not:

- a. controlling the issuance of envelope/face-sheet sets; tracking the sequential numbers of unissued and issued envelopes/face-sheets;

- b. reviewing the face-sheets prepared by the collection departments; ensuring that collected patient valuables are verified (and documented) under joint custody;
- c. re-verifying patient valuables under joint custody; the process is currently performed by one MCO employee;
- d. ensuring accountability over stored patient valuables; currently, all MCO employees have access;
- e. ensuring authorization and accountability over released patient valuables; patients are not required to provide written authorization for their valuables to be mailed; previously, some patient valuables have been removed from the MCO and mailed by one employee;
- f. Retaining documentation for released or transferred patient valuables.

Inventory Management: MCO employees do not periodically reconcile patient valuable envelopes to the patient valuables log and face sheets.

Failure to maintain a proper chain of custody and adequate inventory management practices over patient valuables may result in financial loss to the Medical Center in the settlement of claims for misappropriated and/or lost valuables.

### **Management Action Plan**

Effective immediately, the issuance of the Record of Patient Valuables envelopes to the various departments will become the responsibility of the MCO, instead of the Medical Center warehouse. The MCO will create a log for the envelopes received from the warehouse, then document which envelopes are issued to a department and which employee received them. The envelopes will be issued in sequential order.

Also effective immediately, patient valuables sent to patients via U.S. mail will require documentation from the patient requesting that the valuables be mailed, and specifying the address to which the valuables should be sent. This documentation will accompany the Record of Patient Valuables inventory sheet which is sent to Medical Records for scanning. In addition, the MCO will periodically reconcile patient valuable envelopes to the patient valuables log and face sheets. By April 2015, this process will be implemented and policies and procedures will be revised/updated, as necessary.

MCO management would also like to implement the use of a sealable envelope, which would be sealed by the collection unit once the unit completed the inventory of the valuables. The MCO would no longer re-verify the valuables, but would provide a secure place for storage of the sealed valuables envelopes until they are retrieved.

### **3. Change and Petty Cash Funds**

#### **Background**

To facilitate cashiering operations, the MCO maintains both change and petty cash funds. The change fund is used to make change primarily for sub-cashiers and also for Medical Center patients. The petty cash fund is primarily used to reimburse vendors participating in the ARIISE employee recognition program. The petty cash fund is also used to reimburse low value expenditures incurred by Medical Center business units.

#### **a. Change/Petty Cash Funds – Annual Verification**

#### **Observation**

A review of the MCO change/petty cash funds disclosed that the funds are not verified annually by the Controller's Office, or designate. Discussions

with MCO management disclosed that the MCO's change/petty cash funds have only been verified by Campus Accounting once in the past several years. In comparison, all sub-cashier change and petty cash funds are verified annually.

Accounting policy requires that a surprise cash count of each change/petty cash fund be performed annually or more frequently, as determined by the accounting officer. A failure to verify the MCO's change and petty cash funds may hinder the detection of accounting irregularities and/or financial loss.

### **Management Action Plan**

Effective immediately, the MCO Supervisor and Manager, in dual custody will conduct a surprise cash count of the MCO change and petty cash funds quarterly. Verification will be documented on the Change and Petty Cash Fund logs. The Controller's Office has agreed and will conduct at least one surprise change and petty cash fund audit each year.

### **b. Petty Cash Fund - ARIISE Employee Recognition Program**

#### **Background**

The ARIISE employee recognition program enables Medical Center management to recognize and reward staff members for fulfilling service excellence standards. Staff members are awarded ARIISE cards that have a fixed value and can be used for purchases from the following vendors: Medical Center cafeteria, Medical Center gift shop, and a privately owned, Medical Center-based food and beverage vendor. In January 2013, the MCO assumed operational responsibility for ARIISE.

### Observation

A review of the ARIISE employee recognition program disclosed the following concerns:

- a. ARIISE cards are not pre-numbered and cannot be individually tracked;
- b. ARIISE cards are not defaced and retained; there is no permanent record kept of the specific tickets that were submitted with each voucher to Medical Center Accounts Payable;
- c. some ARIISE cards may be placed back into circulation after they are redeemed;
- d. neither copies of the ARIISE cards, nor the cards themselves are submitted with the vouchers and the reimbursement forms to Accounts Payable for reimbursement of the MCO petty cash fund;
- e. one employee is responsible for both balancing the fund weekly and preparing the reimbursement documentation for Medical Center Accounts Payable;

Failure to properly manage and account for ARIISE cards may result in their misuse, and/or financial loss.

### Management Action Plan

An outside manufacturer will create the ARIISE Cards to include sequential numbering. The Cashier's Office will log the ARIISE Cards received from the outside manufacturer and distribute them to SOM and MC Supervisors/Managers as requested. When the vendors redeem the ARIISE Cards at the MCO, they will verify the ARIISE card count with the vendor. The MCO will log each ARIISE card redeemed for reimbursement by number. The ARIISE cards will be defaced and sent to the Medical Center Accounts

Payable Office with a Form 5 for re-verification and reimbursement. Accounts Payable will forward the defaced ARIISE cards to campus to be scanned and attached to the appropriate KFS document, as a permanent record. The original defaced ARIISE cards will be destroyed by Campus one month after being scanned. Policies and procedures will be updated as necessary and the new ARIISE Cards and processes will be implemented by June 30, 2015.

#### 4. Accountability and Separation of Duties

##### **Observation**

A review of MCO business processes disclosed several areas in which accountability and/or an adequate separation of duties is not always maintained. Some of the areas of concern are described below.

##### Change and Petty Cash Funds

- a. All cashiers handle change and petty cash funds.
- b. Cashiers responsible for managing change and petty cash funds also verify/reconcile their own funds.
- c. Surprise cash verification/reconciliations performed by MCO management are not documented, and may not always be performed in joint custody.

##### MCO Safe and Night Deposit

- a. All MCO cashiers have access to all areas of the MCO safe; accountability is not maintained over most items stored in the safe, including ARIISE cards and unissued manual receipts.
- b. Individual compartments within the safe are not utilized by cashiers to provide accountability over items stored in the safe.

- c. The safe in the MCO is secured by a single combination lock that only requires single custody to open; the night deposit drop does not have a dual-lock drop-safe attached to it to ensure adequate safeguards and joint verification of after-business hour deposits.

#### MCO Patient Valuables Storage

The cabinet drawer containing patient valuables envelopes is not locked; all MCO employees have access to patient valuables.

Failure to maintain accountability and an adequate separation of duties in MCO processes significantly increases the likelihood of financial improprieties and/or fraudulent transactions.

#### **Management Action Plan**

Due to current staffing levels, all MCO employees have access to the change and petty cash funds in order to provide the best possible customer service. Effective December 15, 2014 the MCO will change processes with regard to accessing and verifying funds. Two MCO employees will have access to a separate compartment within the safe that stores the change fund. Two different MCO employees will have access to another separate compartment within the safe that stores the petty cash fund. The Cashier Manager will serve as a back-up for accessing/verifying the funds only when necessary. The two employees assigned to each fund will be responsible for verifying the funds once a week. The Cashier Supervisor and Manager, in dual custody, will verify both funds quarterly and document the verification on the change and petty cash fund logs.

Also, due to the MCO's current staff size, all MCO employees have access to the safe and patient valuable envelopes in order to provide the best possible customer service.



In addition, the night depository is not equipped with a dual lock drop-safe. However, if a drop-safe was utilized, House Supervisors would need the safe combination(s) to retrieve patient valuables after business hours. Effective November 19th, each morning two MCO employees in dual custody will unlock the safe room and record all the deposits dropped after business hours. This process will be completed before the deposit bags are transferred to the MCO workroom for processing. New policies and procedures will be written by April 2015.

## 5. Physical Security

### a. Individual Access to the MCO

#### Observation

Business processes involving individual access to the MCO may not always be in compliance with Medical Center policies and/or good business practice.

Discussions with MCO management disclosed the following concerns:

- a. MCO Opening Procedures – The MCO manager and/or one MCO employee open the Cashier’s Office at 6:30AM Monday thru Friday. The employees don’t always arrive at the same time. Medical Center cashiering policy requires that two MCO employees be present upon the opening and closing of each business day.
- b. MCO Entry – During Business Hours – Non-MCO University employees (i.e., for meetings and training sessions) and non-University employees (i.e., armored carrier and paper shredding services) enter the MCO where collected funds are stored and/or prepared for deposit.
- c. MCO Entry – After Business Hours – Non-MCO University employees enter the MCO after business hours to access patient valuables.

MCO Door Lock / Other Locks and Keys

- a. MCO door locks have not been changed since March 2009. IAS noted that all former MCO employees have returned their keys before being relieved of their duties but the number of keys made by the locksmith when the MCO moved into the UC Irvine Douglas Hospital is not known or documented;
- b. Accurate records are not maintained to document issued keys and back-up keys;
- c. Currently, house supervisors share the MCO door key;
- d. Extra copies of the MCO door key, the hallway door key, and the Psychiatry Valuables Room key are maintained in the MCO; all MCO cashiers have access to these keys;
- e. A set of keys used to retrieve patient valuables from the Emergency Department and Mental Health are stored in the MCO safe and are shared by all MCO staff.

Granting non-MCO University employees and non-University employees access to the MCO for non-core business activities may increase risks to MCO employees and University funds.

**Management Action Plan**

On November 4, 2014 the MCO door locks were changed and seven new door keys have been issued to five MCO employees, the Assistant Director of Psychiatry Administration, and the Medical Center House Supervisor. In addition, records are now maintained to document issued keys (no back-up

keys have been prepared). Furthermore, extra copies of the MCO door key, the hallway door key, and the Psychiatry Valuables Room key have been destroyed. House supervisors continue to share the MCO door key.

Effective December 1, 2014 when an MCO employee arrives before the other, she/he will enter the MCO Workroom and wait for the other employee to arrive before disarming the Safe room alarm and opening the Safe room door. There are no deposits or funds stored in the MCO Workroom after business hours, so the risk of possible theft or loss is very low.

In addition, MCO employees are now conducting meetings & training sessions outside the MCO and have minimized the area to which armored carrier service employees and secure paper-shredding service employees have access. Furthermore, we have moved both secure paper-shredding bins close to the MCO entry door, away from the Night Depository, Safe, and deposit processing areas.

MCO business hours are 8:00am to 5:00pm, Monday thru Friday. If a patient is scheduled for discharge, the unit will call the MCO during business hours and request delivery of the valuables prior to our office closing. However, there are unexpected discharges after business hours that require the House Supervisors and Security Officers to enter the MCO to retrieve patient valuables. The House Supervisor has badge access/key to the MCO and Security has the code to the alarm system, which ensures that they enter the MCO in dual custody. By April 2015, policies and procedures will be updated as necessary to reflect physical security policy changes.

## **b. Physical Safeguards in the MCO**

### **Observation**

A review of the MCO's physical area and discussions with MCO management disclosed the following concerns:

- a. The current location of the cashier window panic alarm is not conducive to efficient and prompt handling of emergency situations. MCO management is planning to change the alarm activation button so that it can be quickly and inconspicuously activated by MCO cashiers, when necessary;
- b. Currently there is no surveillance camera located in the room inside the MCO where the safe and the night deposit drop are located. MCO management is in the process of placing a camera in the Safe room;
- c. Surveillance cameras do not record activity in the hallway area outside of the MCO entry door.

UC Policy requires that all MCOs record the handling and processing of cash and cash equivalents using surveillance cameras that capture actions in all areas of the cashiering station.

### **Management Action Plan**

On September 12, 2014 more efficient alarm activation switches were installed at the MCO front window. In addition, a surveillance camera was installed in the MCO Safe room. The camera monitors all activity inside the safe room, including the Night Depository. The safe room also has an alarm on the entry door.

In the current fiscal year, the MCO has not budgeted for the installation of a surveillance camera in the entry hallway outside of the MCO door. MCO management will address this issue next year when planning our budget.

### **c. Safeguards for University Employees and Funds**

#### **Background**

All Medical Center cash-handling units are required to deliver their funds for deposit to the MCO in a timely manner. Cash-handling units that are located offsite from the Medical Center use contracted armored carrier services to send their deposits to the MCO. Conversely, cash-handling units located on the Medical Center campus deliver their deposits directly to the MCO.

In addition, MCO employees provide a daily deposit pick-up service as a courtesy to cash-handling units located in offices and clinics close to the Medical Center. University policy describes approved methods by which funds for deposit may be transported to an MCO. This policy applies to cash handling units and other University employees who may transport funds to the MCO.

#### **Observation**

A review of the processes by which funds for deposit are transported to the MCO by some cash handling units and by MCO employees disclosed the following concerns:

- a. Employees of some cash handling units located on the Medical Center campus deliver their deposits to the MCO alone.
- b. In providing daily deposit pick-up services to certain offsite cash handling units, MCO employees perform their tasks alone. Discussions with MCO management disclosed that deposits are held for a day or two longer if these cash-handling units deliver their own deposits to the MCO. In addition, the monthly fees associated with hiring a contracted armored carrier service to complete deposit pick-ups for these cash-handling units would be prohibitively expensive.

University policy requires that cash/equivalents be transported to the MCO by secure armored carrier service or by University employees (which may include campus security or campus police officers) in dual custody. University employees who transport University funds alone are at greater risk for harm.

### **Management Action Plan**

Effective February 1, 2015 MCO management will advise the onsite Medical Center cash collection sites to deliver their daily deposits to the MCO in dual custody. Additionally, the MCO will start armored carrier services for the cash collection sites at the nearby offices and clinics. However, in an effort to conserve resources, the MCO will have one pick-up location at each building. Cash collections staff members at these locations will be trained how to properly log their deposits into the armored carrier service's "red book" and will be required to drop their deposits off in dual custody. Dual custody will be documented in the red book. Policies and procedures will also be revised, as needed.

## **6. Unrelated Duties Performed by the MCO**

### **Background**

In FY 2013-14, the MCO manager retired. As a result, the MCO's FTE count was reduced by one employee.

### **Observation**

A review of MCO business processes disclosed that cashiers are performing several duties that are unrelated to the MCO's mission and core business objectives. Some of these unrelated duties are as follows:

- a. The MCO has maintained a petty cash fund to reimburse employees for authorized expenditures of less than \$100. In January 2013, the MCO was

- also tasked with managing the financial activities of the ARIISE employee incentive program. The MCO's petty cash fund was doubled to provide adequate funding for ARIISE program reimbursements.
- b. The MCO receives bi-weekly and monthly payroll checks from the Payroll Office. The MCO is required to distribute these payroll checks to various Medical Center and UC Irvine School of Medicine (SOM) employees.
  - c. Two of three MCO cashiers spend approximately one hour (approximately 12 percent) of each work day providing daily deposit and patient valuables pick-up services to business and clinical units located in close proximity to the Medical Center.

University policy prohibits MCO cashiers from performing tasks incompatible with cashiering, such as distribution of payroll or other checks. In addition, based on current staffing levels the MCO may no longer have sufficient resources to achieve its core business objectives and perform these unrelated activities.

### **Management Action Plan**

With regard to the MCO maintaining a petty cash fund, the MCO is in a central location on the Medical Center campus, with the physical security and internal controls needed to reimburse Medical Center employees. This service also reduces the number of petty cash funds that would otherwise exist in Medical Center departments and clinics. In addition, MCO management is diligent in closely reviewing expenditures for propriety and contacting the manager of an employee requesting a reimbursement to ensure that the expenditure was for a University business purpose. Additionally, with regard to the ARIISE program, senior Medical Center management has expressed an interest in continuing the program, as it is the only employee recognition program that is currently active.

With regard to the distribution of payroll checks, currently the MCO distributes a small number of checks. The payroll office is located a distance away from the Medical Center campus, and it is difficult for some Medical Center employees to visit. In addition, MCO management anticipates that when UC Path commences, all paper paychecks and statements will be distributed from Riverside, CA. As a result, UC campuses will no longer be required to distribute employees' paper payroll checks and payroll statements.

With regard to MCO cashiers performing deposit and patient valuables pick up services, armored carrier services will be picking up deposits from the cash-handling units located in nearby offices. In addition, MCO employees will now pick up patient valuables in dual custody.