

The logo for UC Irvine, featuring the text "UCIRVINE" in a large, black, serif font. A vertical line is positioned to the right of the text, separating it from the "INTERNAL AUDIT SERVICES" text.

INTERNAL
AUDIT SERVICES

Department of Psychiatry &
Human Behavior
Cash Advances

Report No. I2015-602

July 15, 2015

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INTERNAL AUDIT SERVICES
IRVINE, CALIFORNIA 92697-3625

July 15, 2015

JODY M. RAWLES, MD
DEPARTMENT CHAIR
DEPARTMENT OF PSYCHIATRY AND HUMAN BEHAVIOR

RE: Department of Psychiatry and Human Behavior Audit
Report No. I2015-602

Internal Audit Services has completed the limited scope review of human subject cash advance payments and change fund operations in the Department of Psychiatry and Human Behavior (Psychiatry & HB) and 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
Lesley Dowd, Chief Administrative Officer & Associate Chair, Psychiatry & HB

I. BACKGROUND

University of California, Irvine (UCI) Internal Audit Services (IAS) was requested to complete a limited scope review of human subject cash advance payments and change fund operations in Psychiatry & HB.

II. OBJECTIVES AND SCOPE

The objective for this review is to assess the adequacy and effectiveness of internal controls over payments to human subject research participants through cash advances and change fund operations.

The scope of the audit was focused on transactions during fiscal year 2015.

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

III. CONCLUSION

In general, the selected human subject cash advance payments and internal controls over change fund operation reviewed appear to be functioning as intended. However, the review disclosed some internal control concerns that should be improved to minimize risks and ensure compliance with University policies and procedures and/or best business practices.

IV. OBSERVATION AND MANAGEMENT ACTION PLAN

1. Human Subject Cash Advance Payments

Background

University administrative policy/procedure, 701-03, establishes guidelines for requesting, maintaining, documenting, clearing, etc. for funds designated in compensating human subjects.

In Psychiatry & HB, cash advance requests are submitted by Principal Investigators (PIs) to the Finance Analyst via email. Initially, the Finance Analyst completes a check request form (Form 5), submits it to the Senior Contract and Grant Analyst for review, who then forwards to the Chief Administration Officer (CAO) to review and approve the request for cash advance payment. Subsequently, the approved check request, which includes the IRB approval letter and related budget, is submitted to the Dean's office for approval and then forwarded to Accounting to be entered into Quali Financial System (KFS) for issuance of the check. PIs are responsible to submit a "Certification of Payments to Anonymous Persons" form to Accounting notifying the actual number of human subjects that participated in the study and the amount paid to these participants. Cash advance payments can't be finalized until payments are reconciled with the initial request amount and any overpayments are refunded properly. Per policy, open cash advances must be cleared within four months.

Observation

- a) IAS reviewed a sample of human subject cash advance payments that were either finalized or pending to be processed during fiscal year 2015 and noted that 16 requests for payments were not finalized timely (within four months as per policy). Specifically, out of the 16 instances, five requests were pending to be finalized due to the lack of a current IRB approval letter and 11 were waiting for final documents, including evidence of payments to human subjects. Lack of timeliness can increase the risk of loss or misuse of funds.
- b) In addition, IAS interviewed research coordinators regarding internal controls over payments to human subjects. Overall, internal controls were adequate over distributing and safeguarding payments to human subjects. However, IAS noted that a PI and research coordinator opened a personal bank account to maintain study funds but did not have the Chair or CAO named as an account holder as required by policy.

Management Action Plan

- a) As of July 1, 2015, human subject cash advance requests will be reviewed appropriately to ensure all supporting documentation needed for approval is included and current/valid prior to submitting to Accounting for processing. In addition, University policies and procedures regarding human subject payments and timeliness will be communicated to PIs via email and/or during staff meetings to emphasize the importance of the policies and imposed tax consequences for not complying. Also, Psychiatry & HB financial management will send timely email requests, including the CAO and Chair in the email, to follow up with pending items during the process and informing PIs that their requests will not be processed until adequate supporting documentation is submitted. Furthermore, Psychiatry & HB will write an internal policy regarding the close out of cash advance payments within three months instead of four months. The fourth month will be used for review and finalization of the human subject cash advance requests for payments to avoid delay. For closeouts not completed within the fourth month, the Chair will be notified.

- b) All staff and faculty members will be notified via email to close all their personal accounts related to cash advance payments to human subjects; and cash their checks via cashier's office and distribute payments to human subjects by cash only. Alternatively if a checking account is opened, it will be in conjunction with the PI/Co-PI and Chair or CAO.

2. Change Fund

Background

Psychiatry & HB clinics utilize change funds for the purpose of making change for patient payments. Psychiatry & HB is responsible for tracking, recording, and accounting for change funds on a log sheet every day. At the end of each day, change funds are re-established to the authorized amount in preparation for the beginning of the next day's business and maintained in the locked drawer. The change fund total should always be the original fund amount issued, regardless of the time of day.

Observation

Overall, it appears that internal controls over change funds are operating effectively. However, in some areas, adequacy of controls over change fund operations could be enhanced to minimize the risk of lost or misuse of funds. Specifically, log sheets were not always filled out properly. There was an instance that the beginning and ending balances of a change fund were not noted in the log sheet for one month.

In addition, a lack of separation of duties exists during the daily cash count. At the Irvine location, the change fund was counted by only one individual. This incident occurred because only one individual works at the Irvine location. University policy states that two different individuals are required to count the cash in the same day (proper separation of duties).

Management Action Plan

As of May 12, 2015, the practice manager or designee, other than the individual who counts the change fund, will count the cash periodically throughout the week and initial the log to ensure duties are adequately separated. In addition, an email will be sent out to staff instructing them that a log sheet has to be completed and reviewed every day in the morning/evening to record and track the balance properly. Also, a periodic review will be conducted to ensure log sheets are filled out properly in the future.