June 27, 2013

MARIE CAFFEY
Associate Chair - Administration and Finance
Psychiatry and Langley Porter Psychiatric Institute

SUBJECT: Cash Operations - LPPI
Audit Services Project #13-026

As a planned audit for fiscal year 2012-2013, Audit Services conducted a review of cash operations at Langley Porter Psychiatric Institute (LPPI), which consists of an adult inpatient unit, and Adult Partial Hospitalization Program, as well as an adult and child outpatient services. Cash deposits for LPPI totaled nearly $11 million in FY 2012.1

LPPI was selected based on high cash deposit activities from 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 Campus and University-wide cashiering 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.

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1 The cash deposits include insurance and patient payments.
• 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 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 LPPI has made significant effort to ensure the appropriate controls to accurately collect and reconcile cash and manage their petty cash funds; however, the review identified some compliance and operational issues that should be addressed.

University policy requires that receipts shall be provided to individuals making in-person payments. At the time of the audit, LPPI had not completely met this policy expectation because receipts were only provided upon request. Additionally, they were not maintaining a written record of checks received to ensure that deposits are made when check amounts total exceed $500. We also noted that records were not available to document that the clinic manager and cash supervisor had completed required annual or refresher cash collection training. Lastly, the combination for the department safe has not been changed since 2009.

Prior to the conclusion of the audit, we validated that the department has since implemented procedures to issues receipts for each transaction made at the clinic and maintaining a receipt log to identify when check receipts total $500 and a deposit must be made.

Detailed information of issues identified and related management corrective actions can be found on 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: Director Murphy
UCSF Audit Committee
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<thead>
<tr>
<th></th>
<th>Observation</th>
<th>Criteria</th>
<th>Risk</th>
<th>Priority</th>
<th>Management Corrective Action(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Safe Combination</strong></td>
<td>BUS 49 Section IX.11 requires 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. Documentation must be maintained showing the date and the reason for the combination changes.</td>
<td>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.</td>
<td>Medium</td>
<td>By September 30, 2013, management will change the safe combinations and continue to change the combination in accordance with applicable policy. Additionally, management will ensure that no individuals will have both combinations to open the safe, unless so necessitated and authorized by management, who shall maintain a record of when the safe is accessed under these circumstances.</td>
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<td>2</td>
<td><strong>Training Requirements</strong></td>
<td>UCSF Cashiering Policy 300-14 requires all cash handlers and depositors to complete initial training and also requires the completion of refresher training at least annually.</td>
<td>Providing cashiers with refresher training provides additional assurance that cash collections will be processed properly and in compliance with existing policies.</td>
<td>Medium</td>
<td>By September 30, 2013, LPPI management will ensure compliance with policy by having the clinic manager and supervisor complete the required cash handling training.</td>
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