



Audit Services

May 6, 2013

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Executive Director
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**SUBJECT: Cash Collections & Processing
Audit Services Project #13-019(A)**

As a planned audit for fiscal year 2013, Audit Services performed a review of cashiering procedures and practices at selected Orthopedics and Ophthalmology outpatient clinics.¹

The policies governing copayment and cash collections include University Business and Finance Bulletin BUS-49, *Policy for Cash and Cash Equivalents Received* (BUS-49), University Accounting Manual, and Campus Administrative Policy 300-14, *Cashiering*. Additionally, the Ambulatory Services Cash Management Guidelines for Ambulatory Clinical Practices has specific requirements regarding the collection of copayments from patients at the point of service. Copayments and deductibles that are not collected by clinics are billed by Medical Group Business Services (MGBS).

The objectives of our review were to:

- 1) Assure that there is proper collection of copayments;
- 2) Determine if there are appropriate safeguards and accountability for amounts collected; and
- 3) Ensure compliance with campus and University-wide cashiering policies.

¹ Orthopedics included the Orthopedic Institute at Mission Bay as well as the Pediatric and Spine clinics at Parnassus; Ophthalmology clinics reviewed were located at Parnassus.

In completing the review the following procedures were performed:

- University and Ambulatory Services policies and procedures were reviewed to gain an understanding of policy requirements;
- The workflow processes for the collection of copayments, recording, reconciliation and depositing of cash in the APeX system was documented and an internal controls and risk assessment performed to ensure that adequate controls existed;
- Selected tests were performed to validate the controls and ensure compliance with university policies in the following areas:
 - Training records were examined to ensure that all cash handlers and depositors had received the required training;
 - Human Resources records were reviewed to validate that background checks and fingerprinting had been performed;
 - Deposit records were examined to ensure deposit frequencies complied with policy threshold limits.
- The roles and responsibilities of clinic administrative staff were reviewed to ensure that appropriate separation for cash collection, posting, reconciliation of cash and depositing existed;
- Unannounced cash counts were performed to ensure that there was appropriate accountability and handling of cash.

The scope of this review was limited to the specific procedures described above and related to the activities for selected clinics occurring during the period of July 1, 2012 to October 31, 2012. Fieldwork was completed in February 2013.

Based on the work performed, we found that the processes and procedures for ensuring the proper collection and safeguarding of cash were operating well in the clinics reviewed. The implementation of the APeX system has created challenges for the clinics in adapting to new workflows and understanding system functionalities. From work performed, Audit Services concluded that Orthopedics and Ophthalmology clinics are making good progress in adapting to the new APeX system and are working to address system issues that may be affecting their ability to effectively collect patient payments. Additionally, efforts are underway through the establishment of the Cash Management Taskforce to identify and resolve issues with clinic cash collections and improve workflow processes. Many issues identified in this report are currently under review by the Taskforce and plans have been established to address them. However, the review identified certain functionalities in the APeX system that create additional control exposures for cash collection and for which steps need to be taken to mitigate these exposures.

In addition, we found some procedures followed in the clinics reviewed were not in compliance with BUS-49, as well as the need to review local campus cashing policy related to employee background check requirements in order to ensure uniformity with personnel policy on designated critical positions.

With a significant amount of point of service collections being completed through credit and debit card payments (accounting for approximately 71% of point of service collections), potential cost and staff resource savings could be achieved through the implementation of cashless operations whereby only credit and debit card payments are accepted.

Ambulatory Services Administration should consider re-evaluating the option of cashless operations within outpatient clinics by conducting a feasibility study to include benchmarking with other medical centers to determine if this has been successfully implemented elsewhere, as well as an assessment at the clinic level to determine the impact on cash collections and customer service.

Specific observations and management corrective actions to address them are set out below. Areas identified for strengthening controls within the clinics reviewed have been reported directly to the clinics' management under separate cover.²

A. APeX Functionalities

An assessment of the work flow processes and APeX system functionalities identified a number of internal control exposures for cash collection as follows:

1. System is configured to allow cash collectors to deselect the printing of receipts.

The APeX system is designed to allow cash collectors to change the configuration so that a receipt is not generated when cash payment is posted. This creates a risk exposure in that a collector could intentionally bypass the generation of a receipt and post an amount less than actually collected and pocket the difference. The patient would not be able to detect the variance and small balance write-offs may by-pass any follow-up with the patient.

Management Corrective Action

By May 31, 2013, Ambulatory Services Management will submit a ticket to the APeX team requesting that they explore the possibility of removing the option to uncheck the print receipt box so that receipts must be printed in all cases. If this is not possible then the compensatory control would be to have a more robust reconciliation process of matching arrived visits to co-payments received.

² Audit Services Report #13-019(B) Cash Collection and Processes - Ophthalmology

2. Receipts are not numbered sequentially per location/cashier.

In the APeX system, receipt numbering is enterprise wide therefore receipts issued by individual clinics are not in sequential order. This negates using receipts as a means to ensure complete accountability of all cash collected and complicates management review at the clinic level.

Management Corrective Action

Ambulatory Services Management to consider developing a location / cashier specific report to summarize all receipt numbers with payment details including voided transactions. This will be completed by May 31, 2013.

3. The daily cash closeout process does not ensure proper cash accounting will occur.

During the end of day cash drawer reconciliation, the cash collector can select which tender type (cash, credit and check) to include in their cash drawer reconciliation. As a result, there is a risk of funds being held back and "borrowed" by the cash collector.

Management Corrective Action

Ambulatory Services will submit a ticket to the APeX team asking that they make a request to EPIC to change cash drawer functionality to ensure all tender types must be selected and reconciled. Until the system functionality changes can be made, Ambulatory Services Management should implement compensating controls such as cash collection training requiring cash collector to select all tender types. This will be completed by July 31, 2013.

4. Usage of the Real Time Eligibility (RTE) function in APeX is not clearly understood by staff.

The RTE function can be used to determine a patient's 'real-time' insurance coverage and copayment responsibility. It was initially communicated in the cash collection training that front desk staff would have the ability to utilize this function. However, the audit revealed that this function was not being utilized because front desk staff does not clearly understand when and how the function should be used.

Management Corrective Action

The Coverage Management Workgroup is currently in the process of developing guidelines on the usage of RTE function. The guidelines are expected to be finalized and communicated to clinics by May 31, 2013.

5. APeX training requirements have not been clearly defined and communicated for cash collectors.

Upon inquiry, the APeX Training team specified that cash handlers were to take all of the training modules within the APeX scheduling (Cadence) series of trainings; however, upon review, it was found that none of the cash handlers within Orthopedic and Ophthalmology had completed all Cadence modules, nor was there a clear understanding if this had been communicated as a requirement to the departments. Additionally, according to the available electronic records, many of the cash handlers had not completed the APeX cash drawer training.

Management Corrective Action

Plans are underway for a new training program for a separate and distinct cash collection training curriculum. The training program is expected to be ready by July 31, 2013, and all cash collectors will be re-trained thereafter.

B. Payment Methods

Currently the Medical Center accepts cash, checks and credit cards as forms of payment for copayments and deductibles. Credit and debit cards have increasingly become the most popular form of payment, accounting for approximately 71% of total point of service collection in the outpatient clinics.³ Some service areas such as the Emergency Department have already moved to accepting credit and debit card payments only.

There are potential benefits to moving the Ambulatory clinics to a cashless enterprise (checks; credit /debit cards payments only), including:

- Savings of administrative costs involved in finger printing, provision of cash boxes and training for clinic front desk staff ;

³ During the period July 2012 – December 2012, \$6,085,301 in Credit Debit Cards payments were received accounting for 71.3% of total point of service funds received at the clinic level.

- Risk for mismanagement and mishandling of cash and cash equivalents would be greatly reduced or eliminated (checks would still be accepted);
- Clinics wouldn't need to prepare deposits as frequently, which would save employee time; and
- Deposits would need to be picked up less frequently by armored services, reducing expenses for Ambulatory Services.

However, it is recognized that the above benefits would need to be weighed against the impact on upfront collection, customer relations as well as potential cost for billing for copayments for those patients that do not possess a credit or debit card.

Management Corrective Action

Ambulatory Services Administration will perform an assessment of the benefits, as well as any potential barriers to implementing cashless operations within selected Outpatient clinics whereby only credit and debit card payments are accepted from patients. The assessment will be conducted by September 30, 2013.

C. Policy Compliance

1. Deposits are not prepared under dual custody.

Ophthalmology and Orthopedics clinics reviewed were not preparing deposits under dual custody as required by BUS-49. The clinics appeared to not be complying with the cashiering policy because they do not have sufficient staffing resources to do so.

Management Corrective Action

Ambulatory Services Management will institute a process within the ambulatory clinics whereby secondary reviews of deposits are performed by clinic supervisors/managers. This will be completed by July 1, 2013.

2. Inconsistencies in the performance of fingerprinting for cash collectors.

Campus Administrative Policy 300-14, *Cashiering*, requires that all employees who handle cash must be fingerprinted and a background check for criminal convictions conducted.

When Audit Services reviewed records for cashiers in Orthopedic and Ophthalmology clinics, it was found that records did exist to

show background checks had been performed on some employees. However, no records existed to substantiate that fingerprinting had been performed for all the cash handlers.

Not ensuring that fingerprinting is performed for all cash collectors is a violation of UCSF policy.

Management Corrective Action

By June 30, 2013, Medical Center Human Resources will ensure that they are properly complying with local policy by performing background checks for all cash handlers and maintaining the records of these transactions accordingly.

3. UCSF policy for employee fingerprinting and background checks is not consistent with UCOP policy.

BUS-49 requires campuses to follow system-wide guidelines on Designating Critical Positions which states that criminal background checks for employees may be conducted utilizing either Live Scan fingerprinting or via a Consumer Reporting Agency.⁴ However, UCSF Administrative Policy 300-14 *Cashiering* requires that employees handling cash must be fingerprinted (via Live Scan) and have a background check for criminal convictions.

There are two ways to conduct a background check, one is through a criminal county search that is done by a consumer reporting agency and the other is through fingerprinting via the Live Scan system. According to Medical Center Human Resources, the fingerprinting process has many issues, including delays for the results, as well as detail issues that require some employees to be fingerprinted multiple times in order to get results. Currently both the Medical Center and Campus allow employees to start their employment before the fingerprinting results are received.

There is some confusion regarding the need for UCSF to conduct both fingerprinting and background checks for cash handling employees. University policy allows either option, yet local policy requires both, therefore it may be of benefit to explore whether UCSF local policy should be amended to be more aligned with University policy.

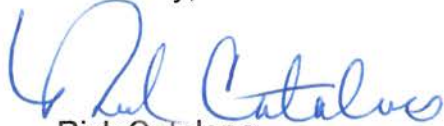
⁴ University of California Personnel Policies for Staff Members, Employment Policy 21.E, System-wide Guidelines on Designating Critical Positions.

Management Corrective Action

The Controller's Office will clarify UCSF policy on performing background checks for cash handlers and determine if the policy should be revised to be consistent with University of California Personnel Policies for Staff Members, Employment Policy 21.E: System-wide Guidelines on Designating Critical Positions. Policy clarification shall be completed by September 30, 2013.

We thank the personnel in Ambulatory Services Administration as well as the APeX support team for their assistance and cooperation shown to us during this review. Please do not hesitate to contact me at (415) 502-2238 if you have any questions or require further information.

Sincerely,



Rick Catalano
Director

cc: Director Drew
Director Farmer
Executive Director Hermann
Audit Committee