Report on Clinic and Departmental Cash Controls Review #13-113

We have completed our audit of Clinical and Departmental Cash Controls. This audit was performed at the request of the UTHealth Audit Committee and was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

BACKGROUND

The University of Texas System, Systemwide Policy (UTS) 166 Cash Management and Cash Handling were issued to institute controls and standardize cash management policy across The University of Texas System. To support this policy, UTHealth has issued Handbook of Operating Procedures (HOOP) 188, Receipt of Cash and HOOP 71, Petty Cash and Change Fund Custodial Responsibilities. The UTHealth Bursar's Office has also issued guidelines on handling petty cash and change funds.

UTHealth Treasury Services also administers UT Physicians (UTP) petty cash and change funds, although UTP may not be subject to Systemwide or UTHealth policies. UTP has an out-of-date cash handling policy which they are in the process updating. In the absence of formal current policy, we referred to HOOP and the Cash Handling Manual and Petty Cash Guidelines as examples of best practices.

OBJECTIVES

The objective of this review was to determine the accuracy of petty cash and change fund amounts and to assess the adequacies of controls.

SCOPE AND METHODOLOGY

The scope of this audit was petty cash and change funds for medical school clinics, dental school clinics, non-clinical medical school locations, and parking services.

Auditing and Advisory Services obtained a listing of all petty cash and change fund accounts from Treasury Services. There were 12 petty cash funds with a total of $5,000 and 57 change funds with a total of $8,822 in the population lists we received for clinics in UT Health and UTP offices.

From this population, we selected two petty cash and 15 change funds for a total of 17 funds as our sample of UTP and UTHealth clinics. We also included in our sample, three locations selected because they were making cash deposit without having been issued a change fund.
The sample was selected using judgmental methodologies based upon input from Treasury Services. We also tested all change and petty cash funds assigned to the UT Parking Services department, totaling $37,488.

We visited each custodian, performing a count of their petty cash or change fund, reviewing supporting documentation for expenditures, and observing the general controls over the funds.

AUDIT RESULTS

Clinical Cash Review- UTP
For the UTP clinics, we counted and reviewed the adequacy of controls for a total of 13 petty cash or change funds. Six of the funds had good controls and balanced to the amount issued by Treasury Services. The remaining seven funds either did not balance or had control issues.

Among the control issues we encountered were the following: three clinics had different custodians than what Treasury Services listed on file; three clinics had multiple users working out of the same cash drawer; two locations comiled personal funds with change funds in the presence of the auditors; and two locations kept cash in an unsecure location. In addition, five funds had shortages ranging from $4 to $128. In most cases, the custodian was aware of the shortage, but did not know they needed to report the difference and restore the fund to the issued amount.

We also visited three locations that made cash deposits, but do not have a change fund on record. One of the locations had a change fund in the past, but returned the fund to the Treasury, and no longer accepts cash. This clinic had several staffing issues recently, so they felt it was best to return their change fund and bill patients for their copayments until the issues were resolved. The second location was a time-share office, so there would be different office staff depending on the doctor that was present. At the time of our visit there was no cash, and the front office felt there was no need for a change or petty cash fund based on their client needs. The final location did have a change fund, but no custodian on record. We were unable to identify the source of the funds, but did advise the clinic they needed to notify Treasury Services of the fund's existence and establish an official custodian.

Overall, departments did not have an understanding of general cash controls.

Recommendation 1:
We recommend UT Physicians develop and issue an updated cash handling manual. In addition, all fund custodians should be required to receive cash handling training.

Management's Response: Recent process improvement activities with joint participation between UTP, McKesson and UTH have resulted in new UTP/UTH all cash handling processes and procedures expected to be implemented by December 31, 2013 and positively impact all cash controls at the clinics. These processes include:

- A new training position hired in addition to "retained coaches" who will work closely with Treasury Management to ensure appropriate internal controls are adhered to and
provide essential training for new and existing staff. Training will be in the form of written documentation, coaching/mentoring and on-line compliance training.

- A new administrative position will be hired to assist in the oversight functions of ALL clinic cash management activities.

Treasury Management will assist UTP Finance in preparing the necessary financial entries to record cash over/short funds and changes to custodians as indicated for the audited clinics. Additionally, Treasury will continue to perform unannounced petty cash and change fund audits to assure compliance with policies and procedures and to gain assurance that cash is adequately safeguarded. The results of these audits are maintained in Treasury Management and will be reported quarterly to the Senior Vice President, Finance and Business Services and Internal Audit.

**Responsible Party:** Andrew Casas, Vice President, and Chief Operating Officer, UTP  
**Implementation Date:** February 15, 2014

**Clinical Cash Review- UTHealth**  
We counted four petty cash and change funds and encountered three funds that had shortages ranging from $5 to $60.

For one of these funds, the custodian was recently deceased, and several control issues occurred as a result, which have been corrected. Two of the funds were at the same location and had not been reconciled in over a year. This issue was discussed with the department and corrective actions have been implemented.

**Parking Services Cash Review**  
We reviewed all funds issued to UT Parking Services. Officially, there are five change funds and two petty cash funds issued to Parking Services. These funds are split into smaller amounts to serve 15 automatic parking machines, nine spare change funds to replenish the parking machines, two petty cash funds for the parking offices in the University Center Tower and the UT Professional Building, and three change funds used by the Parking Services cashiers. There was also one additional fund that was not being used. The extra fund was kept in a sealed envelope in the safe at the main parking office. This unused fund has been returned to Treasury Services.

Six of the counts were over or short, most for less than $5. One petty cash fund was over by $37 because the custodian commingled personal funds to offset a lack of cash. Two funds had different custodians than Treasury Services had on record. Overall, the parking funds have adequate processes in place.

We have provided our results to Treasury Services who will follow-up with the custodians as needed to clarify custodian responsibilities and to provide assistance to increase controls and simplify record keeping.

**Management's Comments:**  
Treasury Management will follow-up with custodians to record cash/over short issues and ensure appropriate internal cash controls are in place. In addition to the existing Petty Cash/Change Fund Custodian Guide, an on-line cash management training guide will be developed to facilitate compliance training for new and existing custodians.
CONCLUSION

Based on our review, we do not have reasonable assurance cash in the clinics is adequately safeguarded. For UTP, cash handling polices need to be updated and issued. For the institution, refresher cash handling training should be considered.

We would like to thank Treasury Services and the petty cash and change fund custodians throughout the institution who assisted us during our review.

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