

**County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM**

To: Paul Lorenz, Director
Health Care Agency-Public Health Department

Date: January 9, 2006

From: Christine L. Cohen, Auditor-Controller

Subject: **AUDIT OF PUBLIC HEALTH CLINICS' CASH CONTROLS**

EXECUTIVE SUMMARY

We have completed our audit of the Health Care Agency's (HCA's) Public Health Clinics' controls over cash operations. Our overall objective was to verify whether HCA's Public Health Clinics had appropriate internal controls in place to properly ensure the accuracy and security of the clinics' collections. Our audit was performed in accordance with generally accepted government auditing standards. The results of our audit are summarized below with details provided in the attached.

Overall, we noted that the clinics had adequate procedures in place to endorse checks and use secure storage instruments to transport deposit funds. However, we noted opportunities to improve the system of collections, which collected over \$427,000 from July 1, 2004 to June 30, 2005, by:

- Documenting the transfer of accountability for cash collections.
- Safeguarding cash storage devices and keys to cash storage devices.
- Documenting support for adjustments and deposit amounts.

Management initiated improvements and planned to complete enhancements by August 31, 2005.

We appreciate the cooperation and support extended by you and your staff during our audit.

Attachment

cc: Honorable Kathy I. Long, Chair, Board of Supervisors
Honorable Linda Parks, Vice Chair, Board of Supervisors
Honorable Steve Bennett, Board of Supervisors
Honorable John K. Flynn, Board of Supervisors
Honorable Judy Mikels, Board of Supervisors
Pierre Durand, Director, Health Care Agency
John F. Johnston, County Executive Officer

AUDIT OF PUBLIC HEALTH CLINICS' CASH CONTROLS

BACKGROUND: The Health Care Agency's (HCA's) Public Health Department operates the following five clinics: North Oxnard, South Oxnard, Ventura, Santa Paula, and Simi Valley. The clinics' primary revenue sources consist of charges such as immunizations for travel and rubella and testing for pregnancy, head lice, scabies, sexually transmitted diseases, and tuberculosis. The clinics use a billing system (Medical Manager) to record and report financial transactions. The official accounting records are on the Ventura County Financial Management System (VCFMS). From July 1, 2004 to June 30, 2005, Public Health revenues relating to health fees (VCFMS revenue account 9582) amounted to over \$427,000.

SCOPE: Our overall objective was to determine whether the clinics implemented adequate controls to account for and protect cash collections. Specifically, through review of procedures and test of records, we verified whether appropriate controls were in place to ensure collections were received, recorded, and safeguarded properly. Additionally, we determined whether collections were prepared and transferred securely to HCA's Central Cash Control for deposit into the County Treasury. For our audit, we judgmentally selected to review the North Oxnard and Ventura Public Health Clinics. We reviewed departmental records prepared during October and November 2003 and conducted the audit in accordance with generally accepted government auditing standards promulgated by the Government Accountability Office.

FINDINGS: Although we found that the clinics had adequate procedures in place to endorse checks and securely transfer deposit funds, we noted that improvements were needed in the internal control system. Specifically, we found that: documentation was not provided to support the transfer of accountability for cash; cash storage devices and keys to storage devices were not always properly safeguarded; and appropriate documentation was not always maintained to support financial record adjustments. Summarized below are areas where improvements were needed. Public Health management took or initiated corrective action during the audit as noted.

1. **Transferring Accountability.** The North Oxnard and Ventura Clinics did not document the transfer of cash accountability when transfers were made between employees. For example, at the Ventura Clinic, documentation was not provided to support the transfer of accountability when a cashier removed the \$70 change fund amount from an absentee cashier's drawer. As a result, responsibility could not be pinpointed in the event of a discrepancy in the collection amount.

Management Response. Management did not concur with the finding and stated:

"In this instance the primary cashier was absent not allowing for obtaining a signature. The funds were removed to assure their safekeeping. Cash handling procedures that have been in place for over two years mandate standardized handling of cash:

- "At the beginning and end of each business day office clerks receive and verify or store after verification of their change funds. Funds are stored in the clinic safe.

- “Should a discrepancy be noted, the charge nurse is notified immediately and the discrepancy resolved.
- “Should the discrepancy not be resolved, written documentation of the discrepancy is prepared, signed by the clerk(s) and the clinic nurse and faxed to the control office and clinic manager immediately.
- “When cash needs to change hands, the issuing and receiving employees both must be present. Funds being transferred are counted by both the individual transferring and individual receiving the funds and receipted accordingly.”

Evaluation of Management’s Response. At the time of the audit, transfers of accountability were not documented as noted in the finding. However, although management did not concur with the finding, we believe that the procedures implemented adequately address the concerns relating to the transfer of accountability issues.

2. **Safeguarding Cash.** The safeguarding of cash could be improved. Through observations, we noted that the desk drawer used to store cash at the Ventura Clinic, which could have been accessible to patients and all employees, was not locked during business hours. Further, at the North Oxnard Clinic, the key to the lockbox used for storing the key to the safe, which contained cash, was accessible to employees not authorized to handle cash. Therefore, unauthorized individuals, including patients and employees, had access to the clinics’ money. Limiting the access to cash assists in identifying responsibility for cash discrepancies.

Management Action. Management concurred with the finding and stated: “The key to the safe in all clinics is now secured in an area accessible ONLY to the clinic clerk and the clinic RN. The cash drawer in the Ventura Clinic is not accessible to patients and is secured by the presence of clinic staff at all times when open. The drawer is secured (locked) whenever the clerk leaves the area, when going on a break or taking lunch.”

3. **Approving Adjustments.** Written manager approval was not always required to process adjustments made to patients’ financial records. Our review disclosed that none of the 11 adjustments processed by the North Oxnard and Ventura Clinics from October 7 to November 13, 2003, were supported by management’s approval. Obtaining a manager’s written approval provides assurance that the adjustments were appropriate and authorized.

Management Action. Management agreed that improvements could be made and stated:

“Only one type of adjustment is issued by clinic staff: a refund or partial refund of the deposit taken at the time of admission. Client deposits are received prior to treatment, based on anticipated services to be rendered.

“When clients are seen by the medical healthcare provider and treatment of a modality or modalities are deemed inappropriate, the attending medical professional will inform the cashier to refund fees for treatments not rendered. Current procedures require that a ‘Refund Request Form’ is prepared and approved by the Clinic Manager/Site Supervisor. The refund transaction is then posted to Medical

Manager, and a transaction receipt from the Medical Manager System and the refund is given to the client.”

OVERALL EVALUATION OF MANAGEMENT ACTION/RESPONSE: We believe that management’s responses and actions were responsive to the findings in this report. Management planned to complete corrective actions by August 31, 2005.

We appreciate the cooperation and support extended by you and your staff during our audit.