

COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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June 26, 2012

Dr. Richard Burton, Director Health and Human Services Department 379 Nevada Street Auburn, CA 95603

Re: Health and Human Services - Community Clinics Cash Handling Review: Follow-Up

Dear Dr. Burton:

The Internal Audit Division of the Auditor-Controller's Office has conducted a six month follow-up of our previous review of controls over cash collections at Health and Human Services for the period of July through December 2010. The objectives of our previous review were to determine whether department internal controls regarding cash handling had been designed to safeguard County assets and detect fraud and/or abuse and prevent it from occurring, and that internal controls had been placed into operation and were operating as designed; and cash handling procedures continued to be followed in accordance with the Accounting Policies and Procedures Manual, Cash Handling Handbook, and the Accounting Manual for Cash.

The objective of our follow-up was to determine how the findings and recommendations noted in the final report were implemented to mitigate the identified risk. The following are the findings and recommendations along with the Department's implementation plan for each of the internal control deficiencies:

Front Counter Daily Balancing

Cashiers had access and were able to print daily user batch reports prior to turning in all their collections to the supervisor. With this type of access, there was an increased risk that any overages could be kept by the cashier.

We had recommended the clinic implement a "blind count" as a part of its front desk daily closeout. This process requires cashiers to forward all monies in excess of the starting change amount to their supervisor, who then would access and print the daily user batch reports for reconciliation.

Department Response:

We agree that cashiers should not print daily user reports prior to batching their daily receipts for deposit. However, current staffing levels do not allow the Supervisor to prepare "blind counts" for all cashiers. This is because the Clinic only has one Supervisor for the cashiers and she performs multiple tasks. Therefore, she would not always be available to perform these counts. Rather, we propose that our cashiers begin counting monies of their co-workers and compare to the related batch report. They will initial the report if in balance. If not, a Supervisor will be called in to count the receipts and help resolve the out-of-balance situation.

Auditor Follow-Up: The task of having co-workers count each other's drawer at the end of the day has been implemented as planned and is working satisfactorily, according to the Department. They additionally reported that the supervisor makes herself available for any cash handling issues that might arise.

Segregation of Duties

We had noted the front desk supervisor often worked the front window and at the end of the day she would print the daily user batch report and balances her own drawer. There was no independent verification of the supervisor's drawer.

We had recommended the "blind count" daily closeout process described above also be applied to supervisors in the event of collection of payments at the window to ensure proper segregation of duties.

Department Response:

We agree with this recommendation. If a Supervisor is required to work the front window, the process described in our response to the Front Counter Daily Balancing finding will apply to the Supervisor as well.

Auditor Follow-Up: We were informed the supervisor does not collect patient payments and therefore does not have a need for a cash box.

Overage Account

During our testing, we had noted the cumulative amount of daily cash overages was excessive and not reconciled timely. The aggregate amount in the pre-EPIC system "hold" account was \$1,688.29 and the amount in the overage account in the EPIC system was \$176.00 as of April 13, 2011.

We had recommended the Department follow the County's Accounting Manual for Cash: Cash Overage Procedures (Sections 9.8-9.9), which requires regular reporting and reconciliation of all cash overages.

Department Response:

We agree that it is important to reconcile cash overages on a timely basis. The pre-EPIC amount is most likely due to patients that provided a down payment at the time of registration but left the Clinic before being seen by a Physician. In these instances we do not return cash directly to patients. Rather a claim form requesting reimbursement must be signed by the patient in order for a check to be issued to them by the Auditor's office. It can take several weeks for the patients to return, and in some instances, they may never return to file a claim or appear at the Clinic for another medical visit. Additionally, for reference purposes, we wish to emphasize that the pre-Epic overage is equal to .05 % of the Clinics FY10-11 patient cash receipts. Since EPIC has now been the Clinic's practice management and patient accounting system for over a year, any remaining amount in the pre-EPIC system "hold" will be processed in accordance with the County's Accounting Manual for Cash. Additionally, the \$176 Epic system overage represents three different patient transactions which have been properly accounted for since the time of your review.

Auditor Follow-Up: Refund letters have been sent out to each of the patients for the pre-Epic "hold" account, but all have been returned with no forwarding address. According to the Department, if those accounts continue to be dormant, they will be transmitted to the State as unclaimed property during the Auditor's Office next unclaimed funds request process. Refund letters for the Epic system overage account were sent out and the Department is awaiting replies to each.

Unattended Cash Drawers

During our visit to the Auburn clinic, we had observed the front desk clerks frequently stepped away from their workstations leaving their drawers containing their cash boxes unlocked.

We had recommended cashiers keep their drawers locked at all times, as well as keeping the door leading to the front desk area closed, restricting access to the area to only authorized and necessary personnel.

Department Response:

We will work with each of our cashiers to stress the importance of securing their cash boxes whenever they need to leave their workstations. However, the configuration of the front office is not conducive to keeping the door leading to the front desk area closed. This is because many Clinic staff members need to come into this area while performing their daily duties. Constantly closing and opening this door would interfere with Clinic operations. Additionally, the requirement that cashiers secure their cash boxes before leaving this front desk area should mitigate the need to keep this door closed.

Auditor Follow-Up: According to the Department, all office staff have been educated regarding the importance of securing their cash boxes at all times. Additionally, they have been instructed it is not appropriate to leave their cash boxes on countertops, nor should they be visible to patients.

Pharmacy Cash Collections

Upon receipt of a prescription from a patient, pharmacy technicians used EPIC for co-pay determination and manually completed a form (blue slip) which was attached to the prescription. Pharmacists process the prescription utilizing QS1 pharmaceutical software (independent of EPIC patient database) and attached the blue slip, if applicable, to the medication bottle and placed it on a shelf for pickup. Upon patient pickup, only the presence of a blue slip indicated a co-pay was required. This manual co-pay processing increases the risk of missing a co-pay since there is no systematic verification at time of medication disbursement.

We had recommended the pharmacy work with their IT staff to develop a solution which would reconcile the QS1 (all prescriptions disbursed) to EPIC (patient database with co-pay information) in order to ensure all co-pays due have been charged and collected.

Department Response:

We will discuss this with our IT staff. However, our pharmacy system was installed with few vendor changes to their base product. If an interface needs to be developed to get to a solution as suggested, we will need to compare the additional cost to the benefit to be derived before proceeding.

Auditor Follow-Up: According to the Department, they have purchased a QS1 interface, however it only covers client demographic and eligibility information. In order to perform the electronic reconciliation that was recommended, QS1's retail/cash drawer component would also have to be purchased and installed. The Department has performed a cost-benefit analysis and feels the additional cost is not justified due to the low level of cash revenue collected by the pharmacy. Additionally, the Department reviewed its procedures related to this area and feels that its manual receipting and processing of cash provides adequate controls based on the daily volume of activity handled by the pharmacy.

Front Office Procedures

We had noted the clinic front office is mainly staffed with Temporary Office Assistants (TOAs), who are in their positions for a maximum of 1,000 hours (approximately six months) and were not receiving formal training, only on the job training in a very fast paced environment.

- Due to the learning curve required to utilize the various clinic software systems, as well as
 the extensive knowledge required to effectively perform all front office procedures, this
 short time period did not appear to provide an adequate length of time for training the
 TOAs properly.
- In addition, we had noted numerous clerical and mathematical errors in the daily cash journals, which were approved by the supervisor and sent to accounting staff for processing.
- Incomplete or incorrect information on patient records ("fee tickets") which were not resolved timely and resulted in inaccurate County recordkeeping and/or billing.

We had recommended the clinic develop formalized policies and procedures for all front office responsibilities. Staff should train and utilize permanent employees in order to enhance the efficiency of processes, to minimize errors, and to ensure proper accountability. In addition, the supervisor should thoroughly review all documents for accuracy, evidenced by signature, prior to submission to accounting.

Department Response:

We agree that formalized policies and procedures should be available for all front office responsibilities. Many of these can be found in the Placer County Accounting Policies and Procedures Manual. All front office staff will be trained on the pertinent sections of this Manual. However, we are not able to adjust our staffing so that only permanent employees are assigned to the front office. This is because the Clinic currently has two vacant Administrative Clerk positions for which we are unable to hire. This is the reason why a significant portion of our front office is staffed with temporary office assistants.

Auditor Follow-Up: The Department has stated the County Accounting Policies and Procedures Manual serves as the source document for the clinic staff. Newly hired TOA's are required to read and sign off the Internal Control Manual and County Cash Handling Procedures. The current supervisor holds regularly scheduled clerical staff meetings where procedures are reviewed and updated as needed. The billing division also provides ongoing training related to County cash procedures.

Void Approval

We noted pharmacy staff are able to void a receipt without a justification or reason, and can do so without supervisor approval.

We recommend voids only be allowed with a justification or reason and by authorization and approval from the supervisor.

Department Response:

We agree with this recommendation and will discuss and implement with our pharmacy staff.

Auditor Follow-Up: The Department has indicated all voided transactions in the pharmacy now require supervisor authorization and approval.

Cash Boxes

Tahoe medical clinic has three cash boxes which are used throughout the day. One is for processing dental transactions, with \$100 starting cash, and two \$50 boxes are for medical transactions. Every morning each clerk is assigned a "medical" cash box, while the dental box is shared by all users as they check in dental patients. During our interview, both clerks indicated that they often "borrow" cash from each other's boxes or from the dental box, because opening

cash of \$50 is often insufficient to make change to patients in the morning. On occasion, a patient attempting to pay with a larger bill is advised to visit a nearby convenience store to break the bill and return for check-in and payment processing.

Good internal controls prescribe all users should have their own cash boxes. We recommend clerks utilize only their own assigned dental and medical boxes and all cash be accounted for separately. In addition, we recommend the starting cash amounts be increased to \$100 per cash box at the clinic in Tahoe to provide sufficient cash to make change to patients at all times.

Department Response:

We agree with this recommendation and will increase all change fund amounts to \$100.

Auditor Follow-Up: The Department is proceeding with this recommendation and expects to have the two medical change funds increased to \$100 each within the next several weeks.

We feel the Department has adequately remedied all internal control weaknesses they were able to, considering funding, staffing and budget issues. We appreciate the Department staff's courtesy and cooperation throughout the course of this follow-up.

Respectfully,

Nicole C. Howard, CPA

Assistant Auditor-Controller

cc: Stan Hapak, Budget & Fiscal Operations Manager, HHS
Karen Fukasawa, Accountant Auditor II, HHS

Mark Starr, Director, Community Health/Clinics/Animal Services

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Placer County Audit Committee