



# Audit Department

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Angela M. Darragh, CPA, CFE, CISA, Director

January 30, 2014

Mr. Don Burnette  
Clark County Manager  
500 South Grand Central Parkway, 6<sup>th</sup> Floor  
Las Vegas, Nevada 89106

Dear Mr. Burnette:

In accordance with our annual audit plan, we performed an audit of Cash Controls at University Medical Center of Southern Nevada. Our objective was to determine whether the procedures at selected locations were operating effectively to provide reasonable assurance that the cash and cash equivalents were safeguarded against fraud, asset misappropriation, and abuse. We performed an unannounced count of cash locations, observations of the drops, reviews of associate cash drawer access, and a daily audit review. Our last day of fieldwork was October 14, 2013.

We identified several internal control weaknesses over cash. We found sharing of drawers, inappropriate access to cash, inadequacy of closing cash drawers, cash drawers not obtained and ready to accept payments, and checks issued to establish funds not cashed. Additionally, there was no current process for the voiding of patient payments, and no regular review of badge access to secure cash locations. Furthermore, on one out of two test dates, \$486.11 in credit card charges could not be reconciled to the bank statement.

We conducted the performance audit in accordance with generally accepted government auditing standards. Those standards required that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Sincerely,

Angela M. Darragh, CPA  
Audit Director



AUDIT DEPARTMENT

# Audit Report

## University Medical Center Cash Controls

January 30, 2014

Angela M. Darragh, CPA, CISA, CFE  
Audit Director

**AUDIT COMMITTEE:**

*Commissioner Steve Sisolak*

*Commissioner Chris Giunchigliani*

*Commissioner Lawrence Weekly*

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**BACKGROUND** UMC collects approximately \$12 million per year in patient cash from the departments included in our review. There are currently 93 cash drawers at 40 UMC locations. These locations maintain a total of \$21,150 in change funds. In fiscal year 2013, 14 new cash drawers with change funds totaling \$1,950 were implemented.

Internal controls over cash handling are a primary deterrent to fraud, theft, waste, abuse, and asset misappropriation. Asset misappropriation can take many forms such as larceny of cash on hand, skimming sales, unrecorded sales, refunds, and other forms of skimming.

**OBJECTIVES, SCOPE, AND METHODOLOGY** Our objective was to determine whether the procedures at selected locations were operating effectively to provide reasonable assurance that the cash and cash equivalents were safeguarded against fraud, asset misappropriation, and abuse. We performed an unannounced count of cash locations, observations of the drops, reviews of associate cash drawer access, and a daily audit review.

In order to assess the established controls, we reviewed the drafted Fiscal Services policies and procedures for cash handling. Additionally, we interviewed selected department heads regarding the current cash handling process and their current policies and procedures.

Information for a six month period was used to select 14 locations for review based on over-short totals, total funds deposited, and the percentage of funds on hand. The specific locations selected for testing were:

- Labor & Delivery Department
- Lied Adult Clinic
- O/P Pharmacy
- Total Life Care
- Ambulatory Day Surgery
- Enterprise Quick Care
- Trauma Resuscitation
- Burn Care Unit
- Lied Pediatric Clinic
- Main Cashier and Vault
- Main Admitting and cashier
- Diabetes Clinic

- Nellis Primary Care

Fieldwork began June 1, 2013 and concluded October 14, 2013. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

#### **RESULTS IN BRIEF**

We identified several internal control weaknesses over cash. We found sharing of drawers, inappropriate access to cash, inadequacy of closing cash drawers, cash drawers not obtained and ready to accept payments, and checks issued to establish imprest funds not cashed. Additionally, there was no current process for the voiding of patient payments, and no regular review of badge access to secure cash locations. Furthermore, on one out of two test dates, \$486.11 in credit card charges could not be reconciled to the bank statement.

#### **DETAILED RESULTS**

##### **Cash Handling Policies and Procedures Outdated**

The existing cash handling policies and procedures for UMC are outdated. The numerous cash handling policies and procedures ranging from the Daily Banking Procedures approved in October 1996 to the Pharmacy Deposits Policy approved in April 2008 were combined into one comprehensive cash handling policy and procedure. The updated Cash Control Policy and attachments were drafted in February 2013, but never approved or implemented. During our testing, we also found there is no current policy and procedure to initiate and complete a void, and no process in the system to accomplish this. Written policies and procedures outline the specific authority and responsibility of individuals, providing for accountability, segregation of duties, and monitoring. They also provide direction to employees and help maintain consistent operations.

##### *Recommendation*

1. Finalize the updated cash handling policies and procedures.
2. Provide training to all employees responsible for handling

cash on the new policies and procedures.

**Cash Control Weaknesses** We identified several internal control weaknesses during our review of procedures at 13 locations:

- At two locations, we found that access to cash drawers was inappropriate. At the Lied Adult Clinic, two Admit Discharge Representatives had access to all cash drawers via the usage of the supervisor key. At the Outpatient Pharmacy, Pharmacists and Technicians had access to keys that could open any cash register at any time without a sale.
- In two locations, we found issues with closing out drawers. At the Outpatient Pharmacy, we found that multiple drawers were closed out and counted down by one associate, while in Labor and Delivery, drawers were not closed and counted down at the end of shifts.
- In Ambulatory Surgery, the locked cash drawer was in a break room and not under camera surveillance.
- Cash drawers were not checked out and available for use in two locations.
- Cash drawers were shared among employees in five locations.
- Checks to establish imprest accounts in two locations were never cashed.

The existing cash handling policies and procedures for UMC are outdated, this causes control weaknesses identified above that could result in theft that is not identified or attributable to a specific person.

#### *Recommendation*

1. Review of the cash drawer key assignments to ensure proper segregation of duties.
2. Transfer the Ambulatory Day Surgery cash drawer to a more secure location.
3. Finalize the updated cash handling policies and procedures.
4. Provide training to all employees responsible for handling cash on the new policies and procedures, emphasizing the policy to not share drawers.
5. Utilize the funds allocated to implement the cash drawers at the two approved locations.

**Credit Card Payments  
Processed but Not  
Received by Bank**

For the test dates of January 25, 2013, and March 18, 2013, we found that credit card charges were not confirmed as received by the bank for 3 out of 86 (3.49%) cash drawers. However, in each of these cases, the payment was posted to the patient's account and there was a credit card receipt of the transaction. We also verified that the transaction was not subsequently voided.

*Recommendation*

1. Investigate communication issues between credit card machines and final receipt at the bank.
2. Ensure procedures to reconcile the credit card deposits to the bank statement are performed regularly.

**System Cash Menu Access  
Inappropriate**

We reviewed 24 user accounts to ensure that cash menu access was appropriate for person's job title. Out of the 24 accounts, 13 users (54.14%) had cash menu access which did not correlate to the person's job duties. Additionally, two Pharmacy point of sale users (8.33%) could discount medications up to 100% without approval. Of the 13 users that incorrectly had cash menu access, 9 of the employees were transferred or promoted to a different position. According to Policy I 205.2, Access to IT Resources, it is the Department Manager's responsibility to notify IT of changes to positions and access.

It is important to restrict access to functions necessary for an employee's job duties to prevent accidental or purposeful actions that compromise the integrity of the information. Further, employees should not be able to discount services without approval or management oversight.

*Recommendation*

1. Request that Information Technology remove users' inappropriate access to the cash menu.
2. Review departmental policies and procedures and provide training to managers over the cash functions to ensure that changes to access are made promptly when an employee is promoted or transferred.

### **No Review of Badge Access to the Cashier Vault**

Based on our review of 12 UMC staff accounts from the Cardholder List Report for the Main Cashier Vault room, dated October 3, 2013, we identified the following:

- One employee continued to have badge access after a promotion when access was no longer required because no notification was sent to the Badging Office.
- Two employees had inappropriate badge access as a result of inappropriate access assigned at the time of badge creation.

Monitoring of badge access to critical areas ensures that only authorized individuals have access to secure areas. At the time of our review, there was no procedure in place to regularly review badge access to the area.

#### *Recommendation*

1. Develop and implement a departmental procedure to review access lists on a regular basis to ensure only authorized employees have access to restricted areas.
2. Request that Public Safety modify the access of those identified during the audit as having unnecessary badge access to the cashier vault.

### **Camera Coverage Inadequacies**

We observed 19 cameras from the Public Safety Manager's office, and found that in 15 locations, the camera coverage of cash operations was inadequate. Specifically, the cameras in the following locations were not placed at the proper angle to cover all cash handling operations:

- Adult Emergency Room
- Burn Care Unit
- Craig/Clayton Primary Care & Quick Care
- Lied Adult Clinic
- Lied Pediatric Clinic
- Main Admitting
- Main Cashier-Vault
- Outpatient Pharmacy
- Peccole Primary Care & Quick Care
- Pediatric Emergency
- Spring Valley Quick Care
- Summerlin Primary Care & Quick Care

Additionally, there was no camera coverage of cash operations for the

cashier in Main Admitting. Maintaining adequate camera coverage over cash handling operations is significant deterrent for skimming and the misappropriation of funds.

*Recommendation*

1. Consider repositioning, adding, or replacing cameras so that cash collection activities can be monitored.

## APPENDICES

### Appendix A: Management Response Letter

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#### INTEROFFICE MEMORANDUM

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**TO:** ANGELA DARRAGH, DIRECTOR, CLARK COUNTY, AUDIT DEPARTMENT  
**FROM:** VIRGINIA CARR, DIRECTOR, REVENUE CYCLE, UMC  
**SUBJECT:** MANAGEMENT RESPONSE TO CASH CONTROLS AUDIT  
**DATE:** JANUARY 24, 2014

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We respectfully offer the following in response to the Clark County Audit Department's Cash Controls Audit.

Initial finding: Cash Handling Policies and Procedures Outdated.

Concur: Current policies in place are directed at hospital legacy computer systems (Siemens Ms4 and Vital Works). McKesson system implementations in multiple areas require updating of existing policies to support the department level training and system implementation completed during this current IT system transition. Draft policies and procedures are in process to include all systems and cash functions and will incorporate the findings in this audit. Finalized policies and procedures for multiple systems will be completed by 8/31/2014.

Initial Finding: Cash control weaknesses.

Concur: Key and drawer access will be evaluated and addressed in revised policy for all systems and areas collecting cash. In one area the cash drawer was located in a break area, that registration and cash collection point has since been centralized to main admitting. Checks for impressed accounts were not cashed for new locations to not expand cash access until McKesson processes were vetted and documented. The delay in that process has resulted in the department returning the impressed checks to finance at the time of this audit until procedures are finalized by 8/31/14.

Initial Finding: Credit card payments processed but not received by the bank.

Concur: There is a system in place where an appointed individual in the Fiscal Services department receives the daily batch tickets from the cash drawers and completes a confirmation of the amounts received by the bank. During the test dates of the audit the responsible individual was out on medical leave and there was not a designated replacement assigned resulting in a backlog of batch tickets not being confirmed timely with the bank. The situation has been rectified as of the time of this audit as the individual has return and there is a secondary individual to be trained to perform this function as of 6/30/14.

Initial finding: System Cash Menu Access inappropriate.

Concur: A full review of cash menus should be scheduled via a report mechanism to be completed by 6/30/14. Once completed sampling of cash menus will be performed annually at a minimum to assure appropriate access is maintained by Patient accounting and Fiscal Services.

Initial finding: No review of badge access to cashier vault.

Concur: Monthly review of badge access implemented and reviewed by patient accounting as of the date of this audit to ensure no unauthorized badge access is implemented. The two individuals with inappropriate access were inactivated at the time of identification in this report and the issue is resolved

Initial finding: Camera coverage inadequacies.

Concur: An evaluation of existing camera placement will need to be done with a focus on placement of cash drawers. Additional or replacement cameras will be evaluated for cost vs. level of risk in existing areas due to the expense of new equipment by June 30, 2014. In addition, camera placement in future locations will be requested as standard for new locations with cash responsibilities.

We would like to thank the Clark County Audit Department for identifying these areas of potential loss exposure and providing recommendations for continued improvement.