

Office of Internal Audit

To: Dallas Institute of Internal Auditors
Date: October 5, 2006

Audit Report

Cash Controls

Your Health Care System

Report Date: August 24, 2006

Distribution List:
Mickey Mouse
Donald Duck

Cash Controls Audit

EXECUTIVE SUMMARY

BACKGROUND

Your Health Care System (YHCS) cashiers accept cash for services provided at each facility. On a daily basis over \$50,000 is collected by cashiers at 20 different locations.

SCOPE

The scope of the audit includes:

- Cash handling processes in the cashier's office
- Transactions for the six month period ended June 30, 2006

OBJECTIVES AND RESULTS

The audit evaluated the adequacy of controls and processes to achieve key business objectives as it related to cashiers receiving payments. Following are the business objectives and related control assessment (Satisfactory, Needs Improvement, Unsatisfactory) and a summary of good and weak controls noted in the audit.

| Business Objective | Control Assessment |
|---|--------------------|
| Safeguard cash collections | Satisfactory |
| Make timely deposits of daily collections | Needs Improvement |
| Maximize point of service collections by cashiers | Unsatisfactory |

| -Control Summary | |
|--|---|
| Good Controls | Weak Controls |
| <ul style="list-style-type: none">• Daily cash receipts are stored in a locked safe in the main cash office. (Obj. 1)• Keys to the cash office safe are maintained on the cashiers' wrist or in a locked drawer. (Obj. 1)• A bonded courier service picks up daily cash receipts everyday for the company bank. (Obj. 2) | <ul style="list-style-type: none">• Daily cash receipts in one office are deposited weekly instead of daily. Cash on hand was minimal. (Obj. 2)• Cash collection goals were below established thresholds for the last three quarters. Cash office employees were not knowledgeable of point of service procedures for attempting to collect amounts due on the date of service. (Obj. 3)• There were no controls in place to ensure cashiers attempted to collect payment when services were provided. (Obj. 3) |

OBSERVATIONS AND ACTION PLAN

Following is a table detailing all the observations from the audit along with management's action plan to address these issues.

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DETAIL OBSERVATIONS AND ACTION PLAN

| | | | |
|---|-----------------|----------------------------------|-----------------|
| Observation #1 | | | |
| Risk Ranking | MEDIUM | | |
| <p>There were no controls in place to ensure cashiers attempted to collect payment when services were provided. Additionally, Cash collection goals were below established thresholds for the last three quarters. Cash office employees were not knowledgeable of point of service procedures for attempting to collect amounts due on the date of service.</p> | | | |
| Recommendation | | | |
| <p>Develop and implement procedures to educate cashiers of point of service cash collections. Document procedures in written policies and procedures and make accessible to all cash collection employees. Monitor cash collection results to identify where targeted training is necessary.</p> | | | |
| Action Plan | | | |
| Person Responsible | John Doe | Estimated Completion Date | 12/31/06 |
| <p>Cash management generally agrees with Internal Audit's findings. We have developed and approved policies and procedures to provide guideline for our cashier's to collect. We have begun training at each location which is scheduled to be completed by 12/31/06. We will monitor cash collection results and provided targeted training to those individuals not meeting established guidelines.</p> | | | |