

## Salt Lake County Auditor's Office

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*Chief Deputy*

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Dr. Kathryn Vedder  
Director - Salt Lake City/County Health Department  
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Dear Dr. Vedder:

In late July our office received a memo from Terry Hogan informing us of an apparent theft of funds that occurred at the South Main Clinic. The missing funds were collected for the OB/Pre-natal clinic that is conducted at that site in collaboration with the University of Utah (U of U). In response to that memo, we have examined the cash receipting and depositing procedures for U of U money collected at Health Department clinics. The money is eventually deposited into a U of U bank account. In addition to the previously mentioned clinic at South Main, this situation also occurs with a Pediatric clinic at South Main and an OB/Pre-natal clinic at the Ellis Shipp location.

The County also runs a U of U Pediatric clinic at Ellis Shipp. However, all money received for that program is currently handled through the standard Health Department system, is treated as County revenue, and is deposited into a County account. Since the normal Health Department cash handling procedures were not included in the scope of our work we looked at only certain aspects of the Ellis Shipp Pediatric operation. Accordingly, we have only one finding that relates to Ellis Shipp Pediatric, as listed in Enclosure 1, "Summary Of Findings".

Our work was not designed to determine if the funds were actually stolen, and/or who may have stolen them. Instead, our emphasis was on assessing the internal controls related to the handling of the U of U monies and on recommending improvements in those controls that will help prevent similar losses in the future. However, we did gather some information related specifically to the apparent theft, as follows:

- C The missing \$828.00 was all cash.
- C No one has admitted to theft of the funds.
- C The South Salt Lake Police Department took only a telephone statement from the South Main Clinic director and did not perform an on-site investigation.

C They subsequently placed their file on this case into an inactive category, citing “a lack of investigative leads”.

This letter presents a summarization of our major findings and recommendations. All of our findings are listed in Enclosure 1, along with the location and clinic to which they apply. Our major findings are:

- C The U of U monies are not adequately safeguarded.**
- C U of U funds are not balanced in accordance with the County’s management of public funds policy.**
- C There is a lack of segregation of duties in, and management review of, the receipting and pick up procedures for the U of U money.**
- C Pre-numbered Pediatric and back-up receipts are not adequately safeguarded or tracked.**
- C More than one employee occasionally share the same cash drawer.**

**The U of U monies are not adequately safeguarded.**

Currently U of U funds that are deposited into one of their bank accounts are picked up from the clinics by a University employee. This courier delivers the money and all the supporting documentation to the appropriate U of U billing office. University personnel at those offices then prepare and make a deposit. This system has several weaknesses with regard to the safeguarding of the money, such as:

- C Once prepared for pick up, the money is left in a non-tamper proof, non-locking envelope.
- C The money is only picked up twice a week at South Main and once a week at Ellis Shipp. While waiting to be picked up the money is stored in a safe. However, the safe is opened several times which offers employees who have the combination many opportunities to access the money.
- C Before the courier takes the money it is removed from the envelope in the presence of a County employee and counted. On the day that funds were found to be missing, the courier was left unattended with the money.

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C At Ellis Shipp, U of U monies are taken out of the safe and put in a drawer at the front desk area on the day they are to be picked up. While examining procedures there we noted that the drawer, which contained the money, was not locked.

C Also at Ellis Shipp, when the U of U courier picks up the money he does so at the front desk area. At South Main, the pick up occurs in an area just adjacent to the front desk. In both cases the counting/verification process is completed in front of other employees and within sight and/or reach of many patients.

These issues could all be resolved by having the County health employees prepare the deposits for the U of U. These deposits could be placed in the sealed bag along with the County deposit and would be picked up by the existing armored car service on a daily basis. The U of U courier would continue to pick up the supporting documentation, which would also include a copy of each day's prepared deposit slip.

We contacted both the OB/Pre-natal and Pediatric billing departments at the U of U to determine their willingness to allow us to make their deposits. While OB/Pre-natal is enthusiastic about the idea and would like to begin doing it as soon as possible, Pediatric billing wants to continue with the current system. However, we believe that continuing the practice as Pediatric billing wishes will leave County employees under suspicion of wrongdoing. The U of U couriers will also continue to be susceptible to suspicion of theft and in danger of being physically attacked and robbed. It will also prevent the Pediatric department from improving the timeliness of their deposits.

#### **RECOMMENDATIONS:**

1. We recommend that County employees prepare the U of U deposit(s) and have them picked up by the current armored car service, along with the County money.
2. We recommend that the U of U couriers continue to pick up all supporting documentation along with a copy of each day's completed U of U deposit slips.
3. If U of U Pediatric billing will not allow their deposit to be done in this manner, we recommend that their funds be placed in locking bags once the pickup is prepared. The bags could be unlocked when the U of U courier picks up the money, so the funds can be verified, then locked again before the courier leaves the clinic. We also recommend that the transfer of funds be accomplished at a more secure location, away from the front desk area.

**U of U funds are not balanced in accordance with the County's management of public funds policy.**

The U of U transactions are rung into a cash register that is used exclusively for that purpose. At the end of the day, a Z-tape is run that summarizes the day's activity and indicates the amount of funds collected. The tape is compared to a log of the patients that paid that day to ensure the accuracy of the amount of funds collected.

While reviewing these procedures, we noted that the cashiers do not perform a formal balancing of the register. They also do not track and/or record their over/short for the day. Both of these procedures are required by Countywide Policy #1062, "Management of Public Funds". In section 1.21 of this policy, public funds are defined as, "money and other funds...which are owned, held, or administered by Salt Lake County, its employees or any of its...agencies". This statement indicates that the policy also applies to the U of U monies even though they are not actually County funds.

#### **RECOMMENDATION:**

We recommend that cashiers handling the U of U money balance their register and track their over/short each day as required by Countywide Policy #1062.

#### **There is a lack of segregation of duties in, and management review of, the receipting and pick up procedures for the U of U money.**

To help ensure that no other funds were missing, we traced amounts collected as indicated on Z-tapes and patient payment logs to actual U of U deposit amounts. Within the time frame that we checked we found one OB/Pre-natal deposit from South Main that was \$32.00 short. The patient payment log for one of the days in that deposit was not filled out correctly. It appears likely that the \$32.00 deposit discrepancy occurred on this day in which \$612.00 in cash was collected but only \$550.00 worth of patient payments were listed on the log.

This problem highlights the importance of having a supervisor perform a daily review of the deposit or pick up documentation. The reviewing supervisor needs to be independent of the cashiering and deposit or pick up preparation and needs to document the review with a signature. The review needs to ensure that:

- C There is agreement between register tape(s) and the patient payment log.
- C Patient payment logs are complete and accurate.
- C There is agreement between the tape(s)/log and the deposit slip, including the cash/check composition.
- C Deposit slips are accurate.

In addition, on the day described above the cashier for the U of U money also prepared the courier pick up documentation. To help prevent any manipulation of records and associated diversion of funds these duties should be segregated. Currently, the same person performs both duties quite often at the South Main Clinic and occasionally at the Ellis Shipp location.

**RECOMMENDATIONS:**

1. We recommend that the cashiering and deposit or courier pick up preparation duties be segregated.
2. We recommend that a supervisor perform and document a review of the U of U deposit and/or courier pick up preparation on a daily basis.

**Pre-numbered Pediatric and back-up receipts are not adequately safeguarded or tracked.**

While examining procedures at South Main we noted a stack of unused Pediatric receipts next to the cash register. These receipts were not secured in any way and were easily accessible to all of the cashiers. The staff informed us that these receipts, which are the handwritten type on NCR paper, are filled out for each Pediatric transaction and given to Pediatric patients along with the cash register receipt.

Upon further inquiry we determined that the use of these receipts is not monitored and their consecutive order is not accounted for. This being the case, a cashier could easily receive money from a patient, fill out one of the handwritten receipts for the patient but not ring the transaction into the register, and divert the received funds to personal use. A similar situation exists at Ellis Shipp where we found a partially used book of handwritten receipts in a unlocked drawer under the front desk. These receipts are used as a back-up when the County cashiering system goes down. The receipts are easily accessible to the cashiers and their usage is not accounted for.

**RECOMMENDATIONS:**

1. We recommend that all unused handwritten receipts not needed for the current day's operations be put in a secure location, preferably a safe that is not accessible to the cashiers.
2. We recommend that the use of these receipts be controlled and accounted for by consecutive number through the use of a log or other means.

**More than one employee occasionally share the same cash drawer.**

Each location designates one cashier to receive the U of U money and operate the cash register. In some instances, however, another person will cover for the assigned cashier to facilitate Dr.

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breaks and/or lunch or if it is unusually busy. When this does occur, the second employee uses the same cash drawer as the original cashier.

It is impossible to establish individual accountability for money in the drawer if more than one cashier share the same drawer. This practice is prohibited by Countywide Policy 1062, section 2.10.1, which states that all agent cashiers and alternates will have their own cash drawer.

**ACTION TAKEN:**

The Family Health Services Division is in the process of upgrading the cash registers to two-drawer registers at each location.

In closing, I would like to express appreciation to your staff for the cooperation and timely assistance they gave to our auditors. I trust that our work will be of benefit to you as you endeavor to make changes that will strengthen the internal controls over the University of Utah funds. If we can be of further assistance to you in this regard please give me a call.

Sincerely,

David L. Beck  
Chief Deputy

Enclosure

cc: Lewis Garrett  
Iliana MacDonald  
Beverly Roach  
Dr. Karen Buchi  
Dr. Don Dudley  
Gayle Turner  
Karen Wilson

**SUMMARY OF FINDINGS**

<b>Location</b>	<b>Monies are not adequately safeguarded</b>	<b>County MPF policy is not followed</b>	<b>Cashiering and courier pick-up preparation not always segregated</b>	<b>Supervisor or independent party not reviewing pick-up preparation</b>	<b>Pre-numbered Pediatric and back-up receipts not safeguarded</b>
South Main OB/Pre-natal	X	X	X	X	X
South Main Pediatric	X	X	X	X	X
Ellis Shipp OB/Pre-natal	X	X	X	X	X
Ellis Shipp Pediatric*					

**SUMMARY OF FINDINGS (continued)**

<b>Location</b>	<b>More than one employee share the same cash drawer</b>	<b>Refund approval form not always completed when a refund is entered</b>	<b>Several errors in the cash/check and OB/Pediatric composition</b>	<b>Checks not restrictively endorsed upon receipt</b>	<b>Non-paying patients are not being billed; receipt of insurance info not verified</b>
South Main OB/Pre-natal	X	X	X	X	
South Main Pediatric	X	X	X	X**	
Ellis Shipp OB/Pre-natal	X	X			
Ellis Shipp Pediatric					X

\* Payments received from patients at this clinic are deposited into a County account. Therefore, we did not examine most aspects of their procedures and make no statement regarding the findings for them, with the exception of the last finding, which applies only to them.

\*\* The University of Utah Pediatric billing office has not provided a stamp to the South Main Clinic for their checks.