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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Chief Financial Officer**



**Office of Integrity and Oversight**

**MEMORANDUM**

**TO:** Lasana Mack, Deputy CFO/Treasurer  
Office of Finance and Treasury

**FROM:** William J. DiVello, Executive Director  
Office of Integrity and Oversight *William J. DiVello*

**DATE:** October 27, 2010

**SUBJECT:** Final Management Alert Report on Internal Control Significant Deficiencies over Cashiering Operations at the United Medical Center (OIO No. 10-02-25 OFT)

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The purpose of this memorandum is to provide you with the final United Medical Center (UMC) Management Alert Report (MAR) on internal control deficiencies over cashiering operations at UMC. The audit was initiated at your request and directed seven recommendations to OFT in a draft report issued on September 3, 2010, OFT provided response to the draft report on October 8, 2010.

OFT agreed with the report findings and conclusions and concurred with all recommendations. In addition, OFT provided long-term and short-term plans for corrective actions to address internal control deficiencies over cashiering operations at UMC. The full text of the OFT response is included in Exhibit A.

The following are internal control deficiencies "red flags" over the cashiering operations at UMC:

*1- Lack of Security over the Cashiering Sites:*

- a) UMC officials keep the cash security bag in a vault which has been broken for the past 3 years.
- b) The safe in the admission office has been broken for 4 years.
- c) There is no security camera in the Patient Financial Service (PFS) Office (PFS is one of the cashiering sites).

*2- Lack of Segregation of duties:*

- a) The cash posting manager works from home and apparently has access to the bank account and the hospital accounting system.
- b) The person in the PFS office opens the mail for any checks coming to the hospital from patients or insurance companies, prepares a deposit slip to the bank, and has access to the hospital accounting system (Meditech).

*3- Lack of Proper Documentations:*

The persons in the admission office carry cash to the emergency room 3 or 4 times a day whenever they receive co-payment. There is no document to prove that the cash was delivered/received.

*4- Ineffective Internal Control Procedures:*

There is no reconciliation between the copies of the Patient Cash Receipts kept in the cash receipt book and the Cash Settlement Sheet to ensure that all of the cash receipts have been recorded in the Cash Settlement Sheet.

*5- Ineffective Internal Controls over Petty Cash:*

- a) One of the petty cash holder confirmed that she never saw the written petty cash policy of \$30 limit. Therefore, she established her own petty cash limit of a \$100
- b) There is no audit performed for the petty cash funds on monthly or quarterly basis. The last audit was done 6 months ago.
- c) There is no written policy regarding actions to be taken in case of petty cash shortage. An audit was performed on March 29, 2010, and found \$700 shortage. UMC did not take any actions.

We directed the following recommendations to OFT:

- 1- Fix the vault and the safe in the admission office.
- 2- Instruct the persons in the admission office to accumulate the cash collected from patients in the safe and take it to the emergency room only one time a day.
- 3- Design a document to prove that the cash was delivered by the admission office and received by the emergency room.
- 4- Instruct the accountants at UMC to perform reconciliation between the patient cash receipts and the cash settlement sheet on a daily basis.
- 5- Deactivate the access code that the cash posting manager has to the bank account immediately and change his access to read only.
- 6- Instruct the accountants and the petty cash holders at UMC to use the OCFO internal control policies and procedure over petty cash fund.
- 7- Inform UMC management that the accounting department should not open the mail that includes checks to the hospital from patients or insurance companies. The mail should be opened by another division in the hospital. This division prepares a list of the checks received and delivers a copy of the list and the checks to the accounting department.

**OFT Response:**

OFT concurred with the draft report's findings and recommendations. In its response, OFT stated that OFT senior staff has met with the Chief Financial Officer (CFO) of UMC to initiate immediate implementation of OFT's action plan to address internal control deficiencies and to bring the UMC's policies, procedures and practices in alignment with OCFO and OFT standards.

**OIO Comment:**

We consider OFT's actions taken and planned to be responsive to the recommendations.

Attachment

cc: Natwar M. Gandhi, Chief Financial Officer, Government of the District of Columbia  
Angell Jacobs, Chief of Staff, OCFO  
Clarice Wood, Associate Treasurer, OFT  
Kathy Crader, CRO  
Derrick Hollings, CFO, UMC  
Betsy Keeler, Deputy Director, EDF

**EXHIBIT A: OFT RESPONSE**

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Chief Financial Officer**



Office of Finance and Treasury

**MEMORANDUM**

**TO:** William J. DiVello  
Executive Director  
Office of Integrity and Oversight (OIO)

**FROM:** Luana K. Mack  
Deputy Chief Financial Officer and Treasurer  
Office of Finance and Treasury (OFT)

**DATE:** October 8, 2010

**SUBJECT:** Management Alert: Internal Control Significant Deficiencies at the United Medical Center (UMC)

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Based on the findings from the audit of the UMC requested by OFT, below please find OFT's response to the OIO Management Alert dated September 3, 2010. OFT senior staff has met with Derrick Hollings, the Chief Financial Officer (CFO) of UMC, to initiate immediate implementation of OFT's action plan to address the internal control deficiencies and to bring the UMC's policies, procedures and practices in alignment with OCFO and OFT standards. There are both short-term and long-term recommendations indicated.

**1. Lack of Security over the Cashiering Sites:  
a) and b) Multiple Broken Vaults Securing Cash**

**Long Term:**

OFT reviewed, with UMC personnel, the need for multiple departments to collect patient revenue. It is OFT's recommendation that revenue collection be centralized in one cashiering office. UMC financial staff has agreed. UMC has committed to implementing this step within six (6) months. The time will be used to hire and train two cashiers, develop the policies and procedures, implement the necessary security measures, and prepare the location to be a central cashiering office. OFT will oversee and assist with establishing the new cashiering office.

**Short Term:**

Patient revenue collection will be reduced from four (4) locations to two immediately. The two locations will be the Emergency Room and Admissions. UMC has ordered two new vaults to ensure that there are working vaults in each location. Armored courier pickup will be redirected to pick up funds for deposit at each location within the hospital. There will be no more employee movement of funds through the hospital. OFT will assist UMC with establishing the appropriate cash handling processes, documentation, and bank deposit preparation required.

**2. Lack of Segregation of Duties:**

**a) Cash Posting Manager has Access to Bank Account and Hospital Accounting System**

OFT personnel have been added to the on-line banking system to review and oversee all personnel access, according to job functions. Jared Stewart works from North Carolina and is hired by UMC as the cash posting supervisor. He has view-only access to the bank's online system and cannot move funds within or outside of the bank accounts. He and other accounting personnel need access to the banking system to complete daily assignments of posting collected revenue and cleared checks, determining potential cash shortfalls, and reporting to OFT personnel the daily cash position.

Please note that, at OFT's direction, the bank signature cards for all accounts have been updated to provide authority to only OCFO personnel and Derrick Hollings (CFO at UMC, who now reports to the District's CFO) to move funds outside of the hospital accounts. No UMC personnel other than Derrick Hollings can move monies outside of the bank, and two signatures are required for funds movements over \$5,000.

**b) PFS Personnel Open Mail, Prepare the Bank Deposit Slip, and Access the Accounting System**

**Long Term:**

With a centralized cashiering office, personnel will have defined roles and be given specific procedures for handling the mail and processing it. The cashiering office will also prepare the deposit for armored courier pickup. The accounting department will receive a copy of the daily cashiering settlement sheet and the deposit slip sent to the bank. It will be the accounting department's responsibility to access and post the revenue to the accounting system. The accounting department will also be responsible for reconciling the couriered bank deposits from the cashiering office to the bank statement.

**Short Term:**

As a clarification, UMC states that the PFS customer service representative, Julian Turner, has access to the patient financial services module of Meditech only and not the cash posting module. Julian opens the mail, creates a log of the checks, and makes a notation in the patient file that a payment was received. Cash posting to the general ledger is performed by the accounting department upon receipt of Julian's log. This will be confirmed by an on-site OFT audit.

**3. Lack of Proper Documentation:**

**a) Admissions Personnel Carry Cash to Emergency Room Daily with No Documentation of Cash Delivery/Receipt**

**Long term:**

Again, the consolidation of patient revenue collection to one location will eliminate the transfers between the cashiering offices/sites.

**Short Term:**

Patient revenue collection will be reduced from four (4) locations to two immediately. The two locations will be the Emergency Room and Admissions. Armored courier pickup will be redirected to pickup the deposit at each location within the hospital. There will be no more employee movement of funds through the hospital. OFT will assist UMC with establishing the appropriate cash handling processes, documentation, and bank deposit preparation required.

**4. Ineffective Internal Control Procedure:**

**a) No Reconciliation between Patient Cash Receipt and Cash Settlement Sheet**

**Long Term:**

The current record-keeping system is paper-based. OFT will implement a cashiering system so patient revenue collection meets District standards of cash-handling, accounting and internal controls. The procedure of a daily settlement of the revenue to the tender and receipts will be implemented.

**Short term:**

OFT and UMC will develop a procedure for revenue intake, cash handling, recordation, and settlement of the revenue. The ER manager and Admissions supervisor, under dual control, will reconcile the receipts against daily tender and prepare the revenue for armored courier pickup. Copies of their settlement sheets deposit slips will be delivered to the accounting office for further reconciliation to the bank statement.

**5. Ineffective Internal Controls over Petty Cash:**

**a) Petty Cash Limit Policy**

**b) No Regular Audits Performed of Petty Cash**

**c) No Written Policy on Personnel Actions if Petty Cash Shortages**

**Long term:**

OFT recommends that petty cash be handled and distributed from the centralized cashiering office. The policy developed in the short-term will be applied.

**Short Term:**

The written UMC petty cash policy should be reviewed and updated for current needs, to include actions taken when overages and/or shortages are discovered. UMC has agreed to conduct monthly audits. The final UMC policy and audit procedures will need to be in alignment with District standards. OFT will get input from the Office of Financial Operations and Systems (OFOS) regarding the revised procedures.



In summary, as indicated above, OFT has immediately begun the task of identifying and implementing an action plan to address the deficiencies indicated in the OIO Management Alert pursuant to the audit that OFT requested. These actions are consistent with the recommendations made by OIO in its Management Alert.

cc: Natwar M. Gandhi, Chief Financial Officer  
Angell Jacobs, Chief of Staff, OCFO  
Clarice Wood, Associate Treasurer, OFT  
Derrick Hollings, CFO, UMC  
Betsy Keeler, Interim AFO, UMC