



**Audit of the Health Care Agency's
Centralized Cash Controls for Ventura
County Medical System Cash Receipts**

Report Date: October 27, 2022

Office of the Auditor-Controller
County of Ventura, California
Jeffery S. Burgh, Auditor-Controller

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Barry Zimmerman, Director, Health Care Agency

Date: October 27, 2022

From: Jeffery S. Burgh

Subject: AUDIT OF THE HEALTH CARE AGENCY'S CENTRALIZED CASH CONTROLS FOR VENTURA COUNTY MEDICAL SYSTEM CASH RECEIPTS

We have completed our audit of the Health Care Agency's (HCA) centralized cash controls for Ventura County Medical System (VCMS) cash receipts. Our overall objective was to determine whether HCA's centralized cash controls were adequate to ensure the accuracy and security of VCMS cash receipts for the period of April 1, 2021, through March 31, 2022.

Executive Summary

Overall, we found that HCA's centralized cash controls were adequate to ensure the accuracy and security of VCMS cash receipts. For example, staff consistently followed informal cash handling procedures for maintaining complete, accurate, and timely records of cash transactions.

However, we identified opportunities to improve certain centralized cash control processes. Specifically, we found that:

- Efficiencies and additional cash security could be gained by using the bank lockbox as the remittance address on patient billing statements.
- Cash handling duties related to supplemental funding checks may not always be properly segregated.
- Cash handling procedures were not always documented.

HCA management initiated corrective actions to address our findings. Corrective action is planned to be completed by July 1, 2023.

We appreciate the cooperation and assistance extended by you and your staff during this audit.

cc: Honorable Matt LaVere, Chair, Board of Supervisors
Honorable Kelly Long, Vice Chair, Board of Supervisors
Honorable Linda Parks, Board of Supervisors
Honorable Robert O. Huber, Board of Supervisors
Honorable Vianey Lopez, Board of Supervisors
Sevet Johnson, Psy.D., County Executive Officer

Audit Report Contents

Background	1
Scope	1
Findings.....	1
1. Efficiency and Security Improvement Opportunities	2
2. Segregation of Duties for Supplemental Funding	2
3. Lack of Written Procedures	3
Auditor's Evaluation of Management Action	3

Background

The Ventura County Medical System (VCMS) is a department of the Health Care Agency (HCA) and is comprised of the Ventura County Medical Center, Santa Paula Hospital, Inpatient Psychiatric Unit, and Ambulatory Care Unit. The two hospitals and numerous clinics throughout the County strive to provide a wide range of quality-focused, safe, and cost-effective health care services to the community. For Fiscal Year 2021-22, VCMS was budgeted \$595 million in total expenditures and \$546 million in total revenues, and authorized 2,530 positions.

VCMS receives a large volume of cash and checks (cash receipts) each day by way of the mail, as well as in-person at the hospitals and clinics. To centralize the cash handling process, the VCMS Cash Control unit (Cash Control) prepares and records deposits in the Ventura County Financial Management System. Cash Control also provides the documentation from cash receipts to the VCMS Patient Accounting unit (Patient Accounting), which then applies payments to individual patient accounts. The VCMS Fiscal unit (Fiscal) receives, and processes checks for supplemental payments that bridge the gap between Medi-Cal base rates and the actual cost of providing care.

Scope

Our overall objective was to determine whether HCA's centralized cash controls were adequate to ensure the accuracy and security of VCMS cash receipts for the period of April 1, 2021, through March 31, 2022. Specifically, we:

- evaluated the sufficiency of management oversight for cash controls;
- determined whether duties were properly separated for the receipt, approval, and reconciliation of cash;
- verified that HCA maintained complete, accurate, and timely records of VCMS cash transactions; and
- determined whether adequate physical controls were in place for the proper safeguarding of cash.

The audit was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors.

Findings

Overall, we found that HCA's centralized cash controls were adequate to ensure the accuracy and security of VCMS cash receipts. For example:

- Cash Control management made improvements to increase efficiency and physical security in recent years by establishing a virtual bank lockbox and relocating Cash Control to a more secure location.
- Cash Control's informal procedures were sufficient to ensure that cash receipts were received from all VCMS cash collection locations for the correct amount.
- Cash receipts were accurately deposited within one business day of receipt by Cash Control.

- Cash Control appropriately separated cash handling duties.
- The Cash Control office was secure with strong physical controls for the proper safeguarding of cash.

However, we identified efficiency and security improvement opportunities for other areas of the centralized cash process, and we found that written procedures were lacking.

Following are details of the areas where improvements were needed. HCA management initiated corrective action in response to the audit as noted.

1. Efficiency and Security Improvement Opportunities

Opportunities existed to improve the efficiency of centralized cash processes and the security of VCMS cash receipts. Cash receipts remitted to Patient Accounting were transported to and deposited by Cash Control. Cash Control then hand-carried copies of deposit documents back to Patient Accounting for recording to patient accounts. Some of the payments remitted to Patient Accounting, which included checks and occasionally cash, were hand-carried by a Cash Control employee in an unlocked and unsealed canvas bag to Cash Control across the street. Had a bank lockbox been used as the remittance address on billing statements, cash receipts mailed to the lockbox would be processed by the bank. This would eliminate the security concern associated with hand-carrying bags and save Cash Control time and effort to deposit the funds. Additionally, deposit information would be available electronically through the bank, eliminating the need to provide Patient Accounting copies of the deposits.

Recommendation. HCA management should consider using the bank lockbox as the remittance address on patient billing statements to improve the efficiency and security of VCMS cash receipts.

Management Action. HCA management stated: “Effective 06/27/2022, Cash Control no longer hand carries copies of deposit documents back to Patient Accounting for recording to patient accounts. The deposit documents are scanned and emailed to Patient Accounting.

“Effective 06/27/2022, Cash control no longer hand carries checks and sometimes cash from Patient Accounting to Cash Control across the street. Checks and sometimes cash is picked up from Patient Accounting in a locked and secured industrial canvas bank bag by HCA courier services and delivered to Cash Control.

“HCA agrees the remit to address on patient’s statements should reflect our Wells Fargo lockbox address and not the Patient Accounting address. HCA will work to make that transition with a planned completion date of 07/01/2023.”

2. Segregation of Duties for Supplemental Funding

Fiscal staff performed all cash handling functions related to supplemental funding checks, which created the potential for inappropriate separation of duties. We noted that Fiscal staff tracked anticipated supplemental funding checks, prepared checks for deposit once received, recorded cash receipts into accounting records, and compiled the related financial reporting information. We also noted that Fiscal lacked procedures clearly defining the roles and responsibilities for the staff members involved in the

receipt and deposit of supplemental checks as noted below in Finding 3. Proper separation of duties could be achieved by assigning Cash Control the responsibility of depositing and recording supplemental funding checks. If HCA management determines that having Cash Control deposit these checks would create a financial hardship for VCMS, Fiscal needs to appropriately separate cash handling duties.

Recommendation. HCA management should assign Cash Control the task of depositing supplemental funding checks or ensure Fiscal's proper separation of cash handling duties on a consistent basis.

Management Action. HCA management stated: "Effective 10/01/2022, Cash Control is the sole entity tasked with processing supplemental funding checks for deposit."

3. Lack of Written Procedures

Cash Control and Fiscal lacked written procedures for most of the units' cash handling procedures. County Administrative Policy No. Chapter VII(A)-9, *Cash Handling Responsibilities and Guidelines*, stated, "Cash handling procedures should be developed and documented for each agency/department and should encompass cash handling controls to address cash receipts, disbursements, segregation of duties, and periodic management reviews." Although Cash Control appeared to consistently follow informal cash handling procedures, as evidenced by the unit's complete and accurate records, these procedures were not documented. Additionally, no written procedures existed for Fiscal's handling of supplemental payment checks as noted above in Finding 2. Formalizing cash handling procedures helps ensure consistency in the application of internal controls and aids in training new employees.

Recommendation. HCA management should formally document cash handling procedures, which should be subject to periodic management review.

Management Action. HCA management stated: "Cash Control acknowledges the lack of written procedures. Cash Control has started to develop written procedures with a planned completion date of on or before 07/01/2023."

Auditor's Evaluation of Management Action

We believe that management actions taken or planned were responsive to the audit findings. HCA management planned to complete corrective action by July 1, 2023.