



**UT Health**

San Antonio

Internal Audit &  
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Date: February 13, 2019

To: Gabriel Hernandez, Vice Dean for Finance, Long School of Medicine

Cc: Dr. Robert Hromas, Dean, Long School of Medicine  
Dr. Carlos A. Rosende, Executive Vice Dean for Clinical Affairs, Long School of Medicine

From: John Lazarine, Chief Audit Executive  
Internal Audit & Consulting

Subject: Audit Report – Practice Plan – Cash Management

As part of our approved Audit Plan, we recently completed an audit of Practice Plan – Cash Management. Attached is the report detailing the results of this review. We appreciate the cooperation and assistance we received from UT Health Physicians throughout the review.

Respectfully,

John Lazarine, CIA, CISA, CRISC  
Chief Audit Executive  
Internal Audit & Consulting Services

**Distribution:**

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# UT Health

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## **Practice Plan – Cash Management (Project # 18-01)**

**February 13, 2019**

John Lazarine, CIA, CISA, CRISC  
Chief Audit Executive

**Internal Audit Staff:**

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Brenda Peña, Senior Auditor, CFE, CICA*

## **Executive Summary**

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As part of our approved annual Audit Plan we completed an audit of the Practice Plan cash management process, as administered by UT Health Physicians (UTHP). The audit objectives, conclusions, and recommendations follow.

### **Audit Objective**

The objective of this audit was to determine the adequacy and effectiveness of the internal controls regarding the cash management function within the Practice Plan.

### **Conclusion and Corrective Actions**

Overall, the effectiveness of internal controls over the cash management process is adequate. However, the audit identified opportunities to further enhance processes that will allow the Institution to increase security over the transportation of cash deposits by discontinuing the use of internal couriers (inter-office mail), which is in violation of Institutional policy, and by expanding the use of its current contracted armored car service.

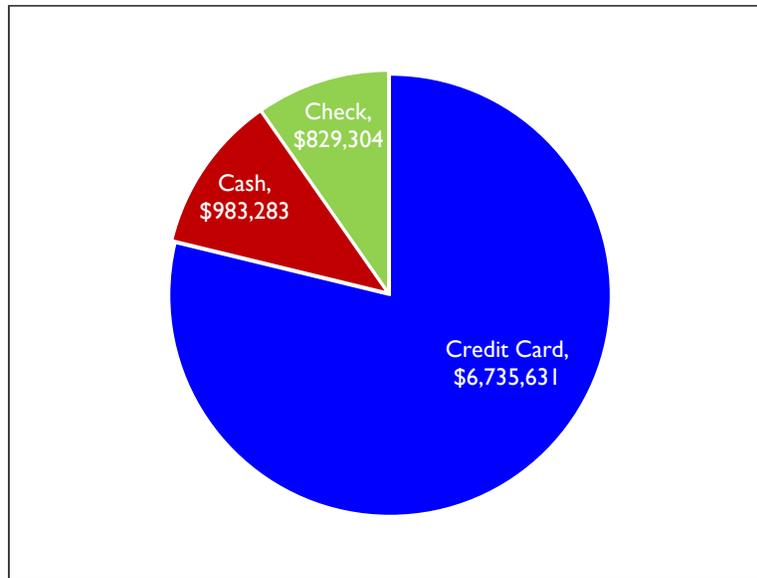
### **Acknowledgement**

We appreciate the courtesy and cooperation we received from UT Health Physicians throughout the audit.

## BACKGROUND

UT Health San Antonio provides clinical services to patients through the UT Health Physicians (UTHP) Practice Plan<sup>1</sup> for 16 locations containing a total of 49 departments representing various specialties. During Fiscal Year (FY) 2018 (September 1, 2017 - August 31, 2018), a total of approximately \$8.5 million in credit card, cash, checks/money orders were collected from patients at the clinics for medical services.

**Clinic Payments by Type  
September 1, 2017 - August 31, 2018**



## SCOPE & METHODOLOGY

The scope of this audit included revenue collected from the clinics during FY18, primarily cash and checks. Of the approximately \$8.5 million collected during FY18, cash and checks made up approximately \$1.8 million or 21% of total collections. Although we reviewed the handling of both cash and checks, our primary focus was on the safeguarding of cash from the time it was collected from the patient until it was deposited in the bank.

We interviewed key personnel, reviewed the cash collection process and conducted site visits in order to evaluate the physical security as it pertained to the processing of cash transactions. Testing criteria included State laws and regulations, UT System Board Regents' Rules and Regulations, as well as Institutional policies and procedures. Additionally, computer assisted audit tools and techniques were used to analyze and select transactions chosen for review. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

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<sup>1</sup> Practice Plan is the structure under which physicians and other health care providers on the School of Medicine staff are able to bill for the medical services they provide to patients who seek care at associated teaching hospitals or clinics.

## SUMMARY RESULTS

Overall, the effectiveness of internal controls over the cash management process is adequate. However, the audit identified opportunities to further enhance processes that will allow the Institution to increase security over the transportation of cash deposits by discontinuing the use of internal couriers (inter-office mail), which is in violation of Institutional policy<sup>2</sup>, and by expanding the use of its current contracted armored car service.

### OBSERVATION/ RECOMMENDATION

The recommendation below is provided to enhance internal controls surrounding the transportation and security of cash deposits in order to ensure compliance with Institutional policy.

Observation 1:

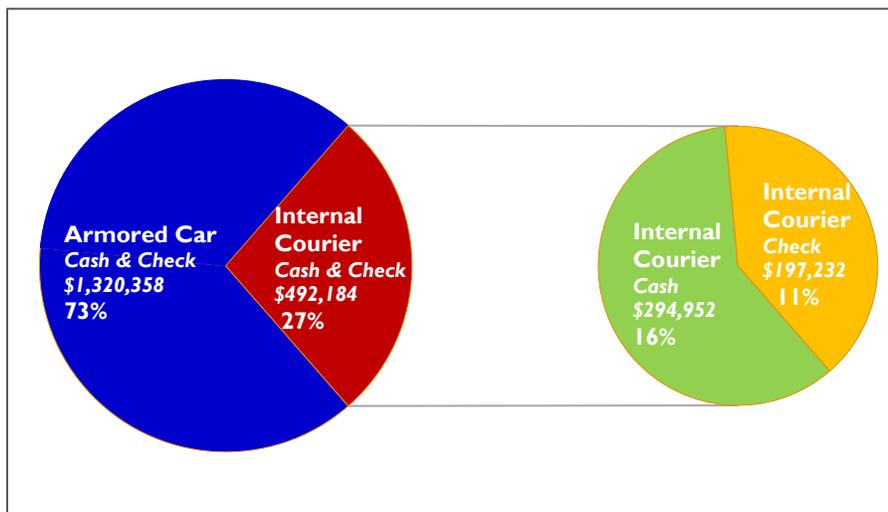
**Internal Couriers Used to Transport Deposits**

**RANKING: Medium**

Based on the results of our review, 27% of cash and checks collected at the clinics were picked up by the Institution's internal courier service, traditionally used to transport inter-office mail. The remaining deposits were picked up by a contracted armored car service.

As shown in the chart below, of the approximately \$1.8 million collected at the clinics in FY18, over \$492,000 in cash and checks were collected at off-site clinics and transported by internal courier to a central location at UT Health San Antonio. Over \$294,000 was comprised solely of cash.

### Collections By Payment Type September 1, 2017 – August 31, 2018



<sup>2</sup> Handbook of Operating Procedures, Policy 6.4.2 Cash Receipts/ Deposits

As shown in the table below, of the 16 locations corresponding to the approximately \$1.8 million collected at the clinics in FY18, four locations utilized an armored car service, while the remaining 12 utilized an internal courier to transport deposits within UT Health San Antonio.

**Cash & Check Collections By Location  
September 1, 2017 – August 31, 2018**

Deposit Transport	Location <sup>3</sup>	Amount	Number of Departments per Location
Armored Car Service ↓	A	\$ 877,742	16
	B	\$ 389,841	6
	C	\$ 31,148	7
	D	\$ 21,627	2
Internal Courier ↓	E	\$ 186,116	3
	F	\$ 125,651	3
	G	\$ 67,830	1
	H	\$ 29,599	1
	I	\$ 18,452	1
	J	\$ 17,087	1
	K	\$ 16,570	2
	L	\$ 8,552	1
	M	\$ 7,149	2
	N	\$ 5,942	1
	O	\$ 4,861	1
	P	\$ 4,376	1
<b>Grand Total</b>	<b>16</b>	<b>\$ 1,812,542</b>	<b>49</b>

According to staff, the practice of using an internal courier to pick up deposits and transport them to a central internal location was put into place to reduce overhead costs. Since internal couriers are traditionally used to transport mail, key controls to track deposits between the time of pick-up until its internal destination were lacking. Utilizing inter-office mail to transport deposit bags containing cash may pose a risk to the courier employee, in addition to theft and loss of funds.

<sup>3</sup> For security purposes, Internal Audit omitted the clinic location names.

As noted in UT System Policy 166, Cash Management and Cash Handling Policy:

*“Assurance of asset and employee safety is a UT System priority.”*

*“Any transfer of assets shall be documented and signed by both sending and receiving parties and an institution log maintained to document the transfer.”*

In addition, UT Health San Antonio’s Institutional HOP Policy 6.4.2 Cash Receipts/ Deposits states:

*“Inter-campus mail does not offer appropriate security for the mailing of monies...Departments not located on the Long Campus should use secured transportation such as an armored car service.”*

### **Recommendation**

UT Health Physicians should discontinue using internal couriers to transport deposits and utilize its contracted armored car service when transporting currency to the bank.

### **Management Response**

- For clinic locations where cash/check collections are greater than \$25,000 per year (\$100 per day), we will use armored car services. This will bring the percentage of cash/check transported by armored car services from current 73% to 95%. We anticipate this will be implemented by June 30, 2019.
- For the remaining sites using an internal courier, UTHP will evaluate the possibility of discontinuing acceptance of cash. Further, for these remaining sites, UTHP will evaluate technology which will allow for immediate deposit of checks, eliminating the need for transport. We anticipate this evaluation to be concluded by June 30, 2019.
- UTHP is evaluating all financially viable options to eliminate the use of internal couriers. If UTHP cannot identify a financially viable option for eliminating the use of internal couriers, UTHP will seek policy exception approval through the university CFO. We anticipate this evaluation to be concluded by June 30, 2019.

## Appendix A – Audit Issue Ranking Definitions

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The audit issue was ranked according to the following University of Texas System Administration issue ranking guidelines:

- **Priority** – A Priority Finding is defined as an issue identified by internal audit that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Health San Antonio or the UT System as a whole.
- **High** – A finding identified by internal audit that is considered to have a medium to high probability of adverse effects to UT Health San Antonio either as a whole or to a significant college/school/unit level.
- **Medium** – A finding identified by internal audit that is considered to have a low to medium probability of adverse effects to UT Health San Antonio either as a whole or to a college/ school/unit level.
- **Low** – A finding identified by internal audit that is considered to have minimal probability of adverse effects to UT Health San Antonio either as a whole or to a college/ school/unit level.