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September 16, 2009

PATRICK PETRE, DIRECTOR
ARROWHEAD REGIONAL MEDICAL CENTER
400 North Pepper Avenue
Colton, CA 92324-1819

**SUBJECT: ARROWHEAD REGIONAL MEDICAL CENTER'S CASH CONTROLS
FOLLOW-UP AUDIT**

Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter, the Board of Supervisor's Policy Statement on Internal Operational Auditing, and the Internal Controls and Cash Manual (ICCM), we have completed a follow-up audit of the Arrowhead Regional Medical Center's Cash Controls audit conducted in 2008. Both audits were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing developed by the Institute of Internal Auditors.

Objectives, Scope and Methodology

The objective of this follow-up audit was to determine whether Arrowhead Regional Medical Center (ARMC) implemented the recommendations contained in the prior audit report, *Audit of Arrowhead Regional Medical Center's Cash Controls* issued September 9, 2008. To achieve this objective we:

- Interviewed ARMC employees
- Reviewed and analyzed internal controls

Conclusion

All of the recommendations from the previous report have been implemented by ARMC. No further follow-up on these recommendations will be necessary.

A draft report was delivered to ARMC on 9/2/2009, and the results were discussed on 9/15/2009.

Prior Audit's Findings and Recommendations with Current Status

The details of the prior audit's findings and recommendations and their implementation status are below:

Finding 1: Missing Petty Cash Fund

The Behavioral Health Department/Central Materials can not locate an authorized \$100.00 petty cash fund. Also, the patient accounts safe was missing \$68.00 of a \$70.00 pharmacy change fund.

Recommendation:

We recommend the department complete a "Request for Relief from Liability" memo and submit it to the Internal Audits Section of the Auditor/Controller-Recorders office per the instructions in Chapter 5 of the ICCM.

Current Status:

Implemented. The \$100 petty cash fund was located in the Behavioral Health Department and was intact. Patient Accounts submitted a Relief from Liability request for the amount missing from the pharmacy change fund.

Finding 2: The Safe Combination is not Changed at Least Annually

The Patient Accounts department does not periodically change the combination to the safe. The only time the combination is changed when an employee with knowledge of the combination terminates or transfers out of the department. Central Materials has not changed the safe combination in over a year including when the Department Manager changed.

Recommendation:

Per Chapter 3 of the ICCM, safe combinations must be changed when an employee who has knowledge of the combination terminates County employment, is transferred to another County department, or is assigned other duties. Even if there are no staffing changes, combinations must be changed annually. We recommend that management train staff on this policy and verify its implementation.

Current Status:

Implemented. A log is now maintained to show the date of every safe combination change. Appropriate personnel were aware that the safe combination should be changed annually even if there are no staff changes.

Finding 3: Lack of Segregation of Duties

Transactions are received, recorded, and reconciled by the person with custody of the change fund for the Patient Accounts department and the Ear, Nose, and Throat department.

Recommendation:

We recommend that management segregate the cash handling and bookkeeping duties. For example, one employee should handle everything associated with custody of cash (collecting cash receipts and preparing deposits), another employee should handle accounting for the cash (recording) and another higher ranking employee should handle reconciling the cash and transactions.

Current Status:

Implemented. Also, ARMC updated their policies and procedures to ensure internal controls and segregation of duties.

Finding 4: Lack of Monthly Reconciliation

Several departments including: Patient Accounts (for idle change funds, i.e. Pharmacy), Clinical Social Work Department, Radiology, Arrowhead Café (vending machines), and Central Materials do not perform a reconciliation by a person with a higher ranking job code than the person with custody of the cash at least monthly.

Recommendation:

We recommend that departments reconcile their cash funds at least once a month. An employee other than the fund custodian and of a higher-ranking job code must complete the fund reconciliation.

Current Status:

Implemented. Monthly reconciliations are conducted by an employee other than the fund custodian and of a higher-ranking job code.

Finding 5: Lack of Safeguarding Cash

The Radiology Department does not secure the change funds away from the reception area overnight. The Surgery, Orthopedic, Clinical Social Work, Woman's Health, Pediatrics, Radiology, and Westside Clinic departments share cash drawers between two individuals. In addition, they do not document each transfer between cashiers or the receipt of the cash at the start and end of each day.

Recommendation:

We recommend that each transfer of cash be documented with a count and a signature of the person receiving the cash. We also recommend that all cash be held overnight in a safe or a locked file cabinet located in a secure area away from the public, not left in a cash register overnight even if the register is locked.

Current Status:

Implemented. Also, ARMC updated their policies and procedures to ensure safeguarding of cash.

Thank you very much for the cooperation extended by your staff during the course of this audit.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By: _____
Howard Ochi, CPA
Chief Deputy Auditor
Internal Audits Section

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