Risk, Controls, and Cash

Presented by the Office of Audit Services for Texas Tech University Health Sciences Center
Risk, Controls, and Cash

Objectives:

- Define risk
- Discuss fraud and its indicators
- Define internal controls and the need to balance risk and controls
- Provide participants with key control activities to put into practice
- Discuss accountability and delegation of authority
- Discuss specific controls related to cash handling and depositing
Risk

The possibility that an organization will NOT:

- achieve its goals
- operate effectively and efficiently
- protect itself from loss
- provide reliable financial data
- comply with laws and defined policies
What is Fraud?

Fraud is any intentional act or omission designed to deceive others and resulting in the victim suffering a loss and/or perpetrator achieving a gain.

The Association of Certified Fraud Examiners
The American Institute of Certified Public Accountants
The Institute of Internal Auditors
The definition of fraud includes:

- An intentional or deliberate act;
- Depriving the TTU system or a person of something of value or gaining an unfair benefit; and
- Using deception, false suggestions, suppression of truth, or other unfair means which are believed and relied upon.

Fraudulent activity of any kind, including for the benefit of the TTU system, is expressly prohibited.
Fraud Fast Facts

- Annual estimated fraud losses: 5% of revenues
- Most fraudsters are first-time offenders
- Amount of fraud is directly related to fraudster’s positions in the organization
- Most frauds are detected by tips
- Deterrence is key

Source: ACFE’s 2014 Report to the Nations on Occupational Fraud and Abuse
Fraud Facts:

- In 2014 58% of fraud cases were discovered by tips or during routine reviews by management.

### Figure 11: Initial Detection of Occupational Frauds

- **Tip**: 42.2%
- **Management Review**: 16.0%
- **Internal Audit**: 14.1%
- **By Accident**: 14.1%
- **Account Reconciliation**: 6.8%
Fraud Triangle

Opportunity

Fraud

Triangle

Non-sharable
Financial Problems

Rationalization
“Red Flags” of Fraud

- No vacation
- Voluntary overtime
- Unexplained variances
- Complaints
- No reconciliation
- One employee “does it all”
- Documentation is not original
- “Rush” requests
To Report Fraud, Waste, or Abuse:

www.ttuhscc.edu

www.ethicspoint.com
Internal Controls

Processes that provide **Reasonable Assurance** regarding the achievement of the following objectives:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Accomplishment of established goals and objectives
- Compliance with the laws and regulations
It’s a Balancing Act!
Internal Controls

- Reasonable Assurance

- **TRUST IS NOT A CONTROL**

- Two Types of Internal Controls
  - Preventive Controls
  - Detective Controls
5 Key Control Activities

- Control Environment
- Segregation of Duties
- Authorization, Approvals, Verifications
- Control Over Assets
- Monitoring
Control Conscious Environment

- Integrity and Ethics
- Commitment to Competence
- Leadership’s Philosophy
- Organizational Structure
Segregation of Duties

- Segregation of duties is a preventive control that aids in the timely detection of errors and irregularities in the normal course of business.

- Functions are divided so that no one person has control over all parts of a transaction.
  - No “touching”

- Internal written policies are a must
Functions To Be Separated

- Custody of assets
- Recording of transactions
- Reconciling of transactions
Limit authorization authority

“Rubber Stamping”

Secure access to electronic signatures or other signatory devices

NEVER, NEVER, NEVER sign a blank form

Develop written procedures outlining delegation guidelines
Asset Control Activities

- Periodic asset counts
- Periodic comparisons
- Investigation of discrepancies
- Physical safeguards against theft and fire
Monitoring

Monitoring is a detective control that aids in identifying losses, errors or irregularities.
Responsibilities:

- Financial and operational management of their funds
  - Ensure compliance with fund purposes and/or restrictions
  - Be aware of institutional policies concerning fund management
  - Ensure sufficient budget is available
  - Maximize cash flow through timely billing, collections, and depositing
  - Maintain positive fund balances throughout the fiscal year
  - Maintain correct program coding
Delegation of Authority

Fund managers may delegate approval authority in TechBuy and other financial applications.

However, fund managers are responsible for all activity within their funds including the activities of the assigned delegates.

- For more information, refer to HSC OP 50.03
What are your responsibilities?
Are you held accountable?

You can delegate some of the duties you are responsible for, but **YOU CANNOT DELEGATE ACCOUNTABILITY!**
Cash Controls

How to:

- Receipt payments
- Safeguard payments
- Deposit funds
- Reconcile deposits
- Segregate duties
Why Establish Controls?

- Fulfill program objectives
- Meet mission and goals
- Prevent theft
- Protect employees
- Owe our customers
- Comply with HSC OP’s
Two Types of Cash Funds:

- **Change Funds** are currency and coins used strictly for making change.
- **Petty Cash Funds** are used for approved program disbursements.

- The **Cash Fund Custodian** is the person whom the cash fund is issued and who is primarily responsible for safeguarding the fund even though the fund activities may be handled by more than one person.

For more information, refer to HSC OPs 50.07 and 50.21.
Cash Fund Custodians are responsible for the following:

- Training all cash handlers.
- Establishing safeguard procedures for the cash fund.
- Performing reviews of the entire cash fund process to ensure adequate controls are in place and are being followed properly by personnel.
- Preparing and updating Cash Fund Control Plans.
Receipt of Funds

- Checks
- Credit Cards

For more information, refer to HSC OP 50.12.
Quick Tip One

In order to ensure funds are secured against loss:

Checks should be restrictively endorsed immediately upon receipt with the official TTUHSC endorsement stamp.

For more information, refer to HSC OP 50.10
Payment Via Credit Cards

Based on the **Merchant Rules** you may only request a photo ID when Credit Card is **not** signed.

After reviewing the ID, have the customer sign the card in your presence.
Quick Tip Two

Maintain control over Credit Card numbers.

- Keep cardholder data storage to a minimum.
- Cardholder numbers should be unreadable anytime they are stored.
Documentation of Payments

- Mail logs
- Cash receipt slips
- Cash registers or computerized accounting systems
### Patient 1

<table>
<thead>
<tr>
<th>PATIENT MED REC #</th>
<th>PATIENT Invoice #</th>
<th>PATIENT NAME LAST, FIRST</th>
<th>PAY CODE</th>
<th>AMOUNT</th>
<th>Circle One CHECK/MC/Visa DISCOVER/CASH</th>
<th>CHECK #</th>
</tr>
</thead>
<tbody>
<tr>
<td>w</td>
<td></td>
<td>Ranger, Lone</td>
<td>20.00</td>
<td>1950</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

RECEIPTED BY: [Signature]
LOCATION: ON THE RANGE
DATE: 2-10-1923

**TOTAL 20.00**

### Patient 2

<table>
<thead>
<tr>
<th>PATIENT MED REC #</th>
<th>PATIENT Invoice #</th>
<th>PATIENT NAME LAST, FIRST</th>
<th>PAY CODE</th>
<th>AMOUNT</th>
<th>Circle One CHECK/MC/Visa DISCOVER/CASH</th>
<th>CHECK #</th>
</tr>
</thead>
<tbody>
<tr>
<td>w</td>
<td></td>
<td>Tonito</td>
<td>35.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

RECEIPTED BY: [Signature]
LOCATION: [Blank]
DATE: 2-10-1923

**TOTAL**
Date of Receipt: 03/22/12
Patient: TEST, CASH DRAWER
INTERNAL MEDICINE
Total Amount Received: $20.00
Payment Type: CHECK PAYMENT
Comment: CK# 1111

Thank you for choosing Texas Tech Physicians as your health care provider. If you have questions about your payments, please contact the Texas Tech Physicians billing office:
Lubbock (806) 743-2898
El Paso (915) 594-3570
Amarillo (806) 354-5675
Perman Basin (432) 335-5120

DISCLAIMER: This receipt may not represent all charges for this date of service provided by Texas Tech Physicians. Please be aware additional charges may be billed and you may be held liable for the remaining charges.
Adjustments usually occur due to cashier or customer errors.

- Mail log errors
- Voided receipt slips
- Cash register voids, no sales, over-rings, returns, and corrections

Excessive adjustments may indicate fraud.
Accountability for Funds

- Custody of funds
- Transfer of funds
- Balance of funds
Quick Tip Three

- Never cash personal checks from the change fund.

- Never borrow funds from the cash drawer.

- Never commingle personal funds with TTUHSC funds.

For more information, refer to HSC OP 50.21
Safeguarding Payments

- Limit Access
- Secure Funds
Depositing Receipts

- **Timely Deposits**
  - Deposits > $100 should be deposited no later than the following day.
  - All other deposits should be made within three business days.

- **Online Cash Receipts**

For more information, refer to HSC OP 50.07, 50.08, 50.26 and TX Govt Code 404.094.
Plan ahead and call the Bursar’s office.
Quick Tip Four

You should have written receipting and depositing procedures that are maintained in your department.

For more information, refer to HSC OP 50.07
Reconciliations and Reviews

- Reconciliations
- Periodic Reviews
Segregation of Duties

Deposit Preparer

Reconciler

Cashier
Quick Tip Five

Cash Handling Questions

- HSC OP 50.07 Cash Collections
- HSC OP 50.08 Deposit Procedures
- HSC OP 50.10 Endorsement Stamps & Endorsement of Checks
- HSC OP 50.11 Alteration of Checks
- HSC OP 50.12 Check Collections & Returned Checks
- HSC OP 50.21 Change Funds & Petty Cash Funds
- HSC OP 50.26 Completion of Cash Receipts
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