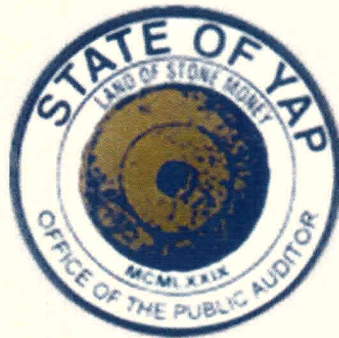


INSPECTION REPORT

Department of Health Services Business Office Cash Count

13 May 2019



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August 12, 2019

Dr. Aileen C. Tareg, Director, Department of Health Services
Honorable Henry S. Falan, Governor, State of Yap
Honorable Vincent A. Figir, Speaker, Yap State 10th Legislature

RE: DHS Business Office Inspection

This report presents our findings and recommendations as a result of our unannounced cash count conducted on May 13th, 2019 and inspection of the controls and procedures for cashiering activities of the Business Office function in the Department of Health Services (DHS).

The purpose of our inspection was to verify the accuracy of Business Office change fund, petty cash funds, daily sales on the 9th May 2019, and the amount of undeposited receipts, evaluate the controls over the safekeeping of these funds, and review the monitoring of cashiering activities and the cash fund policies and procedures.

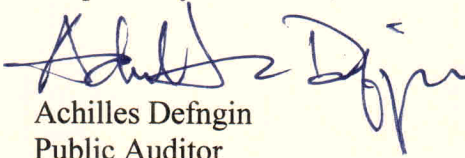
Our report on our consideration of the DHS' internal control over cashiering activities, the custody and control of cash funds maintained by the DHS Business Office and our review of its compliance with the procedures and policies guidelines revealed material weaknesses that are presented for the information of the DHS management. The following is a summary of the findings:

- 1) Long outstanding review and update of the Business office policies and procedures manual.
- 2) Inadequate safe keeping of the cash funds at the DHS Business office.

A copy of the draft report was provided to the Director of the Department of Health Services, the contents of which were discussed with the management and key personnel on August 6, 2019.

I would like to take this opportunity to thank the management and staff of the DHS Business office for their assistance and cooperation.

Respectfully submitted,



Achilles Defngin
Public Auditor

Copies to: Yap Public Library
COM-FSM Yap Campus Library
Office file

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INTRODUCTION

On May 6th, 2019, the unannounced cash count inspection was assigned to the new Staff Auditor II for maximum exposure to leading an engagement project. An engagement conducted pursuant to the Quality Standards for Inspections and Evaluations issued by the Council of Inspectors General on Integrity and Efficiency is more fitting to start off a new staff on the leading role.

Background

The Yap State Department of Health Services (DHS) is the sole primary health care provider in the State of Yap, that provides multiple treatments to inpatients and outpatients, while the Community Health Clinics in the State of Yap provides only medical treatment to outpatients.

The Business Office at the DHS has the responsibility, among others, to collect payments for medical and dental services provided by the DHS. The Business Office consist of a Fiscal Officer, an Accountant, a Billing/Coding Specialist, and a Cashier. Per policy and procedures manual, their responsibilities are:

- To ensure that the Fee Schedule lists all services, procedures and supplies that are available to patients and the cost for each, and that the Fee Schedule is updated, authorized and published as required.
- To receive payment and issue receipts for DHS services from outpatients, inpatients and Dental patients.
- To receive payment from patients who have been referred off island for medical care.
- To receive payment from FSM Health Insurance/MiCare for DHS services delivered to insured patients.
- To enter patient's information on Encounter forms into the Health Information System (HIS).
- To Follow up with unpaid bills and Promissory Notes.
- To accurately and honestly handle all DHS funds received from patients/clients and to be accountable for the security of all cash/checks/promissory notes held in the Business Office and the accuracy of all records.
- To ensure that all DHS financial accounts are correctly managed, correctly utilized and correctly recorded to maintain the required human and material resources for effective healthcare outcomes.

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The DHS Business Office Policy and Procedures Manual requires review every two years to incorporate any new amendments and new established policies or procedures. The person responsible for updating the manual is the Quality Assurance (QA) coordinator.

The Business Office keeps sensitive patient information and cash, and therefore, the policy permits only authorized personnel access to the Business Office. Persons with access include, (1) the cashier, (2) the billing and coding specialist, (3) fiscal officer, and (4) accountant. The janitor is permitted to enter the office only to clean the floor and empty the trash bins on a daily basis while the staff is present.

Cash maintained at the Business Office includes petty cash, change fund and daily sales.

- a) The petty cash is a small amount of discretionary funds in the form of cash used for expenditures where it is not sensible to make any disbursement by cheque, because of the inconvenience and costs of writing, signing, and then cashing the cheque.
- b) The change fund is a set amount of money used by a department to make change for customers who are purchasing goods or services.
- c) The daily sales fund is the amount realized from selling goods or services in the normal operations of a department in a specified period.

The cashiering activities is the sole responsibilities of the business office staffs which includes the following:

- The cash fund and the daily sales are handled by the cashier and the billing & coding specialist.
- The petty cash of the two divisions pharmacy and laboratory is specifically handled by the custodian which is the DHS accountant.
- The cash fund is always verified at the end of each day by two of the business staffs. The daily sales are always verified by either the billing & coding specialist, or the accountant and deposited the next business working days into the State Treasury account.
- The petty cash fund of five hundred dollars and zero cents for laboratory is replenished every Tuesday of the week. The fund is mostly for miscellaneous use such as freight cost and shipping.
- The petty cash fund of three hundred dollars and zero cents for the pharmacy is replenish every Monday of the week. Every Friday before 4:30pm, the accountant will have the fund delivered to the pharmacy staff for their weekend change fund use. On the following Monday, the pouch will be return to the business office with the change fund and weekend sales to be deposited into the state treasury account.

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Objectives

The purpose of our inspection was to conduct an unannounced count of cash funds maintained by Business Office of the Department of Health Services (DHS) and perform the following:

- ❖ Verify the accuracy of DHS Business Office daily change fund, petty cash and sales of May 9th along with its supporting documents such as receipts.
- ❖ Evaluate the controls over the safekeeping of these funds.
- ❖ Review Business Office cashiering and cash fund policies and procedures.

Scope

Our un-announce cash count inspection includes the cashiering activities, the custody and control of cash funds maintained by the DHS Business Office.

Methodology

In conducting the cash count and inspection, we have determined through physical inspection the amount of all currency and coin on hand and reconciled these amounts to supporting documentation. We also reviewed procedures over the custody and control of cash funds, overnight safekeeping of cash, observation of cashiering activities, and the tallying of undeposited receipts and preparation for the deposit of those receipts. Our cash count was conducted in accordance with the Quality Standards for Inspections and Evaluations issued by the Council of Inspectors General on Integrity and Efficiency (CIGIE) and pursuant to the authority vested in the Public Auditor as codified under Title 13, Chapter 7, and section 703 of the Yap State Code, which state in part:

“The Public Auditor shall inspect and audit all accounts, books, and other financial records of the State Government, to include but not limited to, every branch, department, office, political subdivision, board, commission and agency, and other public legal entities or non-profit organizations receiving public funds from the State Government, and to prepare written reports of such inspections and audits for presentation to the Governor and the Legislature;”

Additionally, we evaluate the business office policies and procedures for the purpose of identifying any internal control deficiencies or weaknesses. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency or

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combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The consideration of internal control over business office cash funds and cashiering was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over cash that might be deficiencies, significant deficiencies or material weakness.

Prior Audit Coverage

There has not been a recent cash count of Department of Health Service Business Office performed by this office.

Conclusion

Our surprise cash count dated May 13, 2019 disclosed that all cash were accounted for at the Business Office. However, we have found two internal deficiencies that we consider to be material weaknesses; inadequate safeguarding of the cash funds and review of Business Office policy and procedures manual. The accompanying pages include the findings and recommendations.

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FINDINGS AND RECOMMENDATIONS

Finding No. 1: Review of Business Office Policies and Procedures Manual

The DHS business office policies and procedures manual requires review and update every two years.

However, our inspection discovered that the last review and update was carried out in 2006. Interview with key staff further confirmed that the manual is outdated, and she did not even know the actual year the manual was drafted. The inspection team was advised that the DHS Quality Assurance coordinator was working on updating the manual but the progress update on the review was not provided to the inspection team after the conclusion of our inspection.

Furthermore, the policies and procedures need to be updated on all the changes relating to business office that the department is implementing. For instance, the manual needs to include the new scheduled fees wherein each patient must pay a process fee prior for their chart to be reviewed and screening. This involve the cashier to make sure all encounter form must be stamped "PAID" after collection of payment, so the patient can proceed to the screening area. In addition, the current manual needs to upgrade their job description sections for all the job position descriptions to be included, not just the fiscal officer job description.

The review of the DHS policies and procedural manual is long outstanding and there is a risk that incorrect fees may be charged to the patients and daily operation may not be following the industry best practices.

Recommendation

Management should ensure that the review and update of the Business office policies and procedure manual are carried out regularly to keep the office up to date with new laws and regulations, technology, and industry best practices.

Management Response

Our Quality Assurance Officer and his Assistant are in the process of revising all the policy manuals in the hospitals, including that of the business office. As you can imagine, there are countless manual for every imaginable section of the hospitals and the task of updating everything is quite of the undertaking. We realize we need to stay on schedule with revision, so although our QA section is already overwhelmed, we are creating a new position for a nurse educator staff to

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assist with policy revision and enforcement; the position is planned to be staffed by the end of the calendar year.

Finding No. 2: Inadequate Safekeeping for Cash Fund

The following anomalies were noted during our inspection:

- The DHS business office lacks proper safeguard of the cash funds.
- There is no cash vault with security combination and keys that the office use.
- The change fund and daily sales are always stored in the desk drawer in a tray with no cover and are exposed whenever the drawer is open.
- Petty cash for pharmacy and laboratory is always kept in separate pouches accessible only by the accountant but maintained in the accountant's desk highly susceptible to vandalism.

There is a high risk of misappropriation of funds when cash are not securely maintained under lock and key.

Recommendation

Management should install a cash vault with security combination or cash box with keys to fully secure the funds in the office and to avoid misappropriation of funds.

Management Response

We have discussed the issue of security of cash stored in the hospital business office with staffs and have agreed that we should have one key with the supervisor outside office to access and check the petty cash drawer and we should procure a safe to store overnight change and pharmacy funds. We will try to anticipate the spending on the safe in the next available budget review.

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OPA CONTACT AND STAFF ACKNOWLEDGEMENT

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ACKNOWLEDGEMENT

In addition to the contact named above, the following staff made key contributions to this report:

Ilaitia W. Varani, Audit Manager
Mercedes Tiningmow, Auditor-In-Charge

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To provide independent and credible assessments that promote accountability, transparency, and excellence in operations and management of the Yap State Government.

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