

# INTERNAL AUDIT REPORT

2024-05

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Clinics Cash Controls  
Anchorage Health Department  
July 17, 2024

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MUNICIPALITY OF ANCHORAGE  
MAYOR SUZANNE LAFRANCE

---OFFICE OF INTERNAL AUDIT---

July 17, 2024

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review the **Internal Audit Report 2024-05, Clinics Cash Controls, Anchorage Health Department**. A summary of the report is presented below.

In accordance with the 2024 Audit Plan, we performed an audit of the Anchorage Health Departments' Clinical Services Division that operates the Disease Prevention and Control Clinic and the Reproductive Health Clinic. The objective of this audit was to determine the adequacy of cash control procedures at the Clinics. Specifically, we performed a surprise cash count and reviewed if the Clinics' cash controls complied with Municipal Policy and Procedure 24-1, *Collecting, Securing, Depositing and Reporting Cash*, and its supplemental Cashier Guide and Supervisor Guide. In addition, we reviewed all the Clinics' credit card transactions in the Municipality's bank account from January 2023 through March 2024 to determine if cash journals were completed in SAP for the credit card transactions in SAP, and required supporting documentation was sent to Treasury and a copy was kept at the Clinics. Finally, we reviewed a randomly selected sample of cash journals to determine the timeliness of Clinical Services staff entry into SAP and the timeliness of sending supporting documents to the Treasury.

Our review found the cash controls at the Anchorage Health Department Clinics needed improvement. Specifically, we found that the Clinics did not have adequate controls over safeguarding funds. In addition, our review revealed that Clinical Services staff stopped accepting cash payments for services provided, and cash journals were not always completed in SAP and were sometimes incorrectly prepared. Moreover, Clinical Services staff did not comply with daily cash journal requirements in Policy and Procedure 24-1 and did not always comply with documenting requirements in Policy and Procedure 24-1. Furthermore, bank deposits for cash and checks were not always completed daily as required. Finally, the Clinics Supervisor did not conduct unscheduled cash counts and reconciliations for each cashier as required.

There are seven findings in connection with this audit. Management comments were responsive to the audit findings and recommendations.

Scott Lee

  
Acting Director, Internal Audit



MUNICIPALITY OF ANCHORAGE  
MAYOR SUZANNE LAFRANCE

---OFFICE OF INTERNAL AUDIT---

July 17, 2024

**Internal Audit Report 2024-05**  
**Clinics Cash Controls**  
**Anchorage Health Department**

**Introduction.** The Anchorage Health Department's (AHD) Clinical Services Division (Clinical Services) operates the Disease Prevention and Control, and Reproductive Health Clinic (Clinics). The Clinics provide clients with testing and treatment for sexually transmitted infections and tuberculosis, breast and cervical cancer testing, birth control, emergency contraceptives, immunizations, pregnancy support services, well-baby visits, and lead testing, on a sliding fee scale based on income. In 2023, Clinical Services collected and deposited \$25,356 in revenue for the Clinics. That revenue is recorded in the Municipality of Anchorage's (Municipality) financial system, SAP, through a cash journal. From January 1 to May 10, 2024, Clinical Services collected \$4,516 in revenue.

**Objective and Scope.** The objective of this audit was to determine the adequacy of cash control procedures at the Clinics. Specifically, we performed a surprise cash count and reviewed if the Clinics' cash controls complied with Municipal Policy and Procedure (P&P) 24-1, *Collecting, Securing, Depositing and Reporting Cash*, and its supplemental Cashier Guide and Supervisor Guide. In addition, we reviewed all the Clinics' credit card transactions in the Municipality's bank account from January 2023 through March 2024 to determine if cash journals were completed in SAP for the credit card transactions, and required supporting documentation was sent to Treasury and a copy was kept at the Clinics. Finally, we reviewed a randomly selected sample of cash journals to determine the timeliness of Clinical Services staff entry into SAP and the timeliness of sending supporting documents to the Treasury.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis

for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Overall Evaluation.** The cash controls at the AHD Clinics needed improvements. Specifically, we found that the Clinics did not have adequate controls over safeguarding funds. In addition, our review revealed that Clinical Services staff stopped accepting cash payments for services provided, and cash journals were not always completed in SAP and were sometimes incorrectly prepared. Moreover, Clinical Services staff did not comply with daily cash journal requirements in P&P 24-1 and did not always comply with documenting requirements in P&P 24-1. Furthermore, bank deposits for cash and checks were not always completed daily as required. Finally, the Clinics Supervisor did not conduct unscheduled cash counts and reconciliations for each cashier as required.

## **FINDINGS AND RECOMMENDATIONS**

### **1. Lack of Adequate Controls Over Safeguarding Funds.**

- a. **Finding.** The Clinics did not have adequate controls over safeguarding funds. Specifically, we found the following:
- *Theft of Change Funds and Petty Cash* – In November 2023, Clinical Services staff discovered a theft of \$1,000 in change funds, \$600 in petty cash, and an unknown amount of gift cards (given out by the nursing staff as incentives to bring in clients) from the Clinics’ safe. P&P 24-1 states that “It is the policy of the Municipality to safeguard its cash collections...” In addition, P&P 24-4, *Petty Cash and Change Funds*, states that “The custodian will ensure that the petty cash or change fund is secured at all times.” According to Clinical Services staff, many people had access to the safe and it was not monitored.
  - *Safe Not Re-Keyed After Staff Departure and Theft* – Five Clinics supervisors with access to the safe left between June 2019 and November 2023, but the safe

keys and locks were not changed until March 2024. In addition, the safe keys and locks were not changed immediately after the theft was discovered in November 2023. P&P 24-1 states that, "Safe combinations must be changed as soon as possible after supervisor gains knowledge of an employee transferring or terminating employment."

- *Theft Not Properly Reported* - When the theft was discovered, Clinical Services staff did not report the loss to Internal Audit and Treasury as required by P&P 24-1. As a result, neither Internal Audit nor Treasury was aware of the missing funds, and the missing funds were never reconciled in SAP. P&P 24-1 states that "Reportable Cash Overages/Shortages - Are defined by the following dollar amounts...any single cash overage/shortage of \$10.00 or more at any given time..." In addition, the Supervisor Guide states that "The supervisor, upon determination that an overage/shortage has occurred, will report it with an explanation of circumstances to the department head with copies sent to Internal Audit and Treasury." The Supervisor Guide also states that, "Each overage/shortage must be accounted for on a Municipal Cash Journal Cover Page and forwarded to the Treasury Division."

b. **Recommendation.** The Director of Anchorage Health Department should ensure that Clinical Services staff adequately safeguard all cash, inventory keys for the safe after employees with access leave the Clinics and re-key the safe if necessary, improve control over the keys, and immediately report any thefts to Internal Audit and Treasury.

c. **Management Comments.** Management stated, "Management concurs with the finding and recommendation that the Director of the Anchorage Health Department should ensure that Clinical Services staff adequately safeguard all cash. The Anchorage Health Department has already re-keyed the onsite safe and has proper controls over the keys."

Additionally, all front-desk staff have attended the annual cash management trainings including overview of P&P 24-1.”

- d. **Evaluation of Management Comments.** Management Comments were responsive to the audit finding and recommendation.

2. **Clinics Stopped Accepting Cash Payments.**

- a. **Finding.** Our review revealed that Clinical Services staff stopped accepting cash payments for services provided. However, Clinical Services staff continued to accept credit cards and check payments upon delivery of service while they refused to accept cash payments, and the staff had been instructed to bill clients later if they tried to pay with cash. According to Clinical Services management, in December 2022, Clinical Services staff were instructed to stop collecting cash payments for services while a new policy was being developed. However, this policy was never completed and we did not find any evidence of Clinical Services staff seeking approval to refuse cash payments from the Chief Fiscal Officer (CFO). P&P 24-1 states that, “A department head for a Municipal agency that wishes to pursue authorization for a new cash collection function or contracted services for cash collection shall first obtain formal approval from the Chief Fiscal Officer or designee...”

- b. **Recommendation.** The Director of Anchorage Health Department should ensure that Clinical Services staff collect all forms of payment for services provided.

- c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation that the Director of the Anchorage Health Department should ensure that Clinical Services staff collect all forms of payment for services provided. We will resume acceptance of cash payments upon completion of closing out change fund based on the Finance Department’s timeline.”

- d. **Evaluation of Management Comments.** Management Comments were responsive to the audit finding and recommendation.

3. **Cash Journals Not Always Completed and Sometimes Incorrectly Prepared.**

- a. **Finding.** Our review found that cash journals were not always completed in SAP and were sometimes incorrectly prepared. Specifically, we found the following:

- *Cash Journals Not Always Completed* - Credit card transactions found in the Municipality's bank account did not always have cash journals completed in SAP. Specifically, we found 33 of 199 (17%) of the Clinics' credit card transactions between January 2023 and March 2024 totaling \$12,698 did not have matching cash journals in SAP. As a result, the money was never reconciled to the Clinics' accounts receivable system to clear client invoices or recorded as revenue in SAP. According to Clinical Services staff, many of those transactions were not run through their credit card processing system and they were not aware of what the money was for. At the time of this report, staff were not able to explain where those payments came from.
- *Supporting Documentation Did Not Always Match to SAP* - Our review found that amounts in supporting documentation did not always match amounts in cash journals in SAP. Specifically, we found three instances where cash journal supporting documentation did not match what was entered into cash journals in SAP. For example, a cash journal in SAP that was entered for \$73.60 had supporting documentation sent to Treasury that only showed \$53.60 in transactions.

- b. **Recommendation.** The Director of Anchorage Health Department should ensure that Clinical Services staff complete cash journals for all transactions and ensure that cash journals are entered accurately.
  - c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation that the Director of the Anchorage Health Department should ensure that Clinical Services staff complete cash journals for all transactions and ensure that cash journals are entered accurately. Clinical Services staff have corrected the issue of supporting documentation not matching SAP.”
  - d. **Evaluation of Management Comments.** Management Comments were responsive to the audit finding and recommendation.
4. **Daily Reporting Requirements in P&P 24-1 Not Met.**
- a. **Finding.** Clinical Services staff did not comply with daily cash journal requirements in P&P 24-1. Specifically, we found that 57 of 57 (100%) selected cash journals in SAP had been entered between 2 to 36 business days past the transaction date, with an average of 11 business days. The Municipality’s Cashier Guide requires that, “The cash journal must be completed and sent to Treasury on a **DAILY** basis...”
  - b. **Recommendation.** The Director of Anchorage Health Department should ensure that Clinical Services staff comply with the daily reporting requirements in P&P 24-1.
  - c. **Management Comments.** Management stated, “Management concurs with the finding and recommendation that the Director of the Anchorage Health Department should ensure that Clinical Services staff comply with the daily reporting requirements as outlined in P&P 24-1 and as such are occurring currently through the upload feature in SAP.”



- d. **Evaluation of Management Comments.** Management Comments were responsive to the audit finding and recommendation.

5. **Documenting Requirements in P&P 24-1 Not Always Met.**

- a. **Finding.** Clinical Services staff did not always comply with documenting requirements in P&P 24-1. Specifically, cash journal supporting documentation sent to Treasury was not always kept at the Clinics or did not always match. We found that 42 of 199 (21%) cash journals supporting documents for credit card transactions sent to Treasury either did not keep a copy at the Clinics or did not match what was kept at the Clinics. For example, we found that there were no cash journal supporting documents kept at the Clinics for the entire month of January and February 2023. However, all supporting documents for these cash journals were available at Treasury. The Municipality’s Cashier Guide states that “Each department **MUST** retain copies of any documentation sent to Treasury.” Non-compliance with applicable policies and procedures may weaken the cash control environment and may make detection of losses and misappropriations difficult.
- b. **Recommendation.** The Director of Anchorage Health Department should ensure that Clinical Services staff comply with documenting requirements of P&P 24-1.
- c. **Management Comments** Management stated, “Management concurs with the finding and recommendation that the Director of the Anchorage Health Department should ensure that Clinical Services staff comply with documenting requirements as outlined in P&P 24-1 and physical copies are now kept onsite.”
- d. **Evaluation of Management Comments.** Management Comments were responsive to the audit finding and recommendation.

6. **Bank Deposits Not Made Daily.**

- a. **Finding.** Bank deposits for cash and checks were not always completed daily as required. Specifically, we found 10 of 57 (18%) selected cash journals in SAP where cash and checks were not always deposited to the bank daily. For example, a February 8, 2023 cash journal had a deposit ticket with five checks ranging from September 23, 2022 to December 22, 2022. However, these checks were not deposited until January 24, 2023, one to four months later. As another example, a May 23, 2023 cash journal had a deposit ticket for cash dated for the same day, but it was not deposited until May 31, 2023, five business days later. Municipality of Anchorage P&P 24-1 states that, "...cash received is immediately secured, accounted for, and deposited on a daily basis in accordance with the Cashier & Cashier Supervisor Guides..." Clinical Services staff stated that they have been making weekly deposits on Tuesdays, however, they did not receive an exception for weekly deposits from the CFO.

In addition, during our review of the random sample of cash journals in SAP, we identified seven checks that were deposited on the same day using seven different deposit slips. The Municipality's Cashier Guide states, "...each department location authorized to collect cash may use NO MORE THAN ONE deposit slip per day."

- b. **Recommendation.** The Director of Anchorage Health Department should ensure that all cash and checks collected by the Clinics are deposited daily as required by P&P 24-1 unless an exception is granted by the CFO. In addition, Clinical Services staff should deposit cash and checks daily using no more than one deposit slip.
- c. **Management Comments.** Management stated, "Management concurs with the finding and recommendation that the Director of the Anchorage Health Department should ensure that all cash and checks collected are deposited daily. The Anchorage Health Department has requested an exception to P&P 24- 1 from the Chief Financial Officer (CFO) on daily deposits and are awaiting the outcome of such request."

- d. **Evaluation of Management Comments.** Management Comments were responsive to the audit finding and recommendation.

7. **Unscheduled Cash Counts Not Performed.**

- a. **Finding.** The Clinics Supervisor did not conduct unscheduled cash counts and reconciliations for each cashier as required. P&P 24-1 states that, "...several times throughout the year, the supervisor of each collection location shall perform an unscheduled cash/check count and reconciliation for each cashier. The supervisor must report findings to the department head in writing." Unscheduled cash counts are a deterrent to reduce errors, fraud, and theft by cash handling staff.
- b. **Recommendation.** The Director of Anchorage Health Department should ensure that the Clinics Supervisor perform unscheduled cash counts as require by P&P 24-1.
- c. **Management Comments.** Management stated, "Management concurs with the finding and recommendation that the Director of the Anchorage Health Department should ensure that Clinical Services supervisors perform unscheduled cash counts and as such are occurring."
- d. **Evaluation of Management Comments.** Management Comments were responsive to the audit finding and recommendation.

**Discussion With Responsible Officials.** The results of this audit were discussed with appropriate Municipal officials on May 29, 2024.

Audit Staff:  
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