

REPORT TO:

JENNIFER B. MORRISON, ASSOCIATE CONTROLLER

**AUDIT OF HEALTH SERVICES ACCOUNTING**

ISSUED BY INTERNAL AUDIT AND COMPLIANCE

AUGUST 1, 2020

**INTERNAL AUDIT AND COMPLIANCE**



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To: Jennifer B. Morrison, Associate Controller

From: David L. Cutri, Executive Director of Internal Audit and Chief Compliance Officer

Subject: **Internal Audit Report** - Audit of Health Services Accounting

Date: June 12, 2020

Internal Audit and Compliance performed a financial audit of accounting procedures related to the University of Toledo's agreement with TriHealth. The audit conforms with the *International Standards for the Professional Practice of Internal Auditing.* In 2016, a management services agreement was executed between UToledo and TriHealth for an on-site health and wellness clinic. The clinic has oversight by Student Health Service (SHS) and is within the Division of Student Affairs. The audit period focused on fiscal year 2019, with an added review of fiscal year 2020 activity through May 30, 2020. The objective of the audit was to evaluate the adequacy and effectiveness of associated internal controls, including reliability of financial information and compliance with related policies and procedures.

# SUMMARY OF FINDINGS

Internal Audit and Compliance verified the process of receipts flowing in from TriHealth for net insurance proceeds. Internal Audit and Compliance also verified that UToledo payments to TriHealth agree with amounts invoiced and the contract agreement; Human Resources staff review and approve TriHealth invoices for payment of expenses. In addition, Internal Audit and Compliance verified that amounts recorded by SHS staff in monthly journal entries agree with data submitted by TriHealth. Although no exceptions were noted with these procedures, internal controls need improvement as summarized in two recommendations:

# Perform monthly accounts receivable reconciliations

1. **Implement procedures requiring approval of large billing adjustments**

Below are the detailed recommendations for improvement followed by management responses from Linda Manley, Assistant Controller.

# RECOMMENDATIONS FOR IMPROVEMENT

1. **Perform monthly accounts receivable reconciliations**

Monthly reconciliations should be performed to verify that University of Toledo's accounts receivable balance due from TriHealth is accurately recorded in Banner. General Accounting has written procedures for booking the SHS monthly journal vouchers and performing a monthly reconciliation of accounts receivable; however, there was approximately a $60K unreconciled amount at fiscal year-end 6/30/2017 that remains unreconciled. UToledo shows a higher amount due from TriHealth than as stated by TriHealth. Although attempts were made by the Controller's Office during FY20 to reconcile activity for June and July 2019, they were unsuccessful, and no reconciliation was performed for August 2019 or beyond as of 5/30/2020. In a 6/12/2020 update, Student Affairs management reported that staff from SHS, TriHealth, Budget Office, and General Accounting are reviewing the daily and monthly reconciliation process currently in place. The reconciliation problems are partially attributable to General Accounting staff turnover, as well as unawareness that detailed information exists to help with reconciliations. Without monthly reconciliations, errors made by either University of Toledo or TriHealth are at high risk of going unnoticed and the reliability of the related financial information is lacking. There is a potential loss of revenue from either students or TriHealth.

Recommendation

The Controller's Office should assign responsibility for reconciling the TriHealth accounts receivable balance monthly. Doing so will improve the reliability of financial information and compliance with University procedures.

Management's response

*The Controller’s Office agrees with this recommendation. Linda Manley, Assistant Controller, performed the June 30th reconciliation of A/R as part of the FY20 year-end close. Monthly A/R reconciliations will be completed by Linda Manley and will be added to the month end close procedures throughout the fiscal year. Karen Kamer, Administrative Associate in Student Health Services, will begin the daily reconciliation of Bursar feeds to Banner effective 7/1/20. Linda Manley will finalize the daily reconciliations through 6/30/20. In addition, Tim Kresge is in the process of setting up a meeting with Kris Cusano to develop/implement better practices for the daily reconciliation of Bursar feeds to Banner.*

# Implement procedures requiring approval of large billing adjustments

Given that Student Affairs is responsible for managing SHS, large write-offs of accounts receivable should be reviewed and approved by Student Affairs senior management. At the end of every month, UToledo receives billing reports from TriHealth. Accounts receivable transaction details are shown on the reports, including miscellaneous billing adjustments. Internal Audit and Compliance reviewed TriHealth billing adjustments and noted one that appeared unusual; in July 2019, TriHealth listed billing adjustments reducing UToledo accounts receivable by $96K. This July 2019 journal voucher was not approved by senior management in Student Affairs and did not get booked by General Accounting until March 2020. Financial projections are distorted by the late booking of large adjustments. In addition, it is much more difficult to question or dispute adjustments when not reviewed timely.

Recommendation

The Controller's Office should work with Student Affairs to implement procedures requiring approval of large billing adjustments prior to booking such journal vouchers. Amounts considered large and who should approve within Student Affairs senior management (Assistant VP for Student Wellness or Director of Budget and Technology) should be predetermined.

Management's response

*The Controller’s Office agrees with this recommendation. Effective 7/1/2020, Tim Kresge, Director of Budget & Technology-Division of Student Affairs, will review all billing adjustments that are $10,000 or over prior to the booking of the journal vouchers to Banner. Once Tim has reviewed the adjustment, the billing adjustment will be approved by Stephen Large, Assistant Vice President Health & Wellness.*

Internal Audit and Compliance appreciates the cooperation received during this audit.

Cc: Jayne E. Brownell

 Kristine L. Cusano

 Gary A. Cornett

 David K. Creamer

 Karen H. Kamer

 Tim Kresge

 Stephen J. Large

 Linda K. Manley