



MEMORANDUM

TO: Dr. Charles Lockwood, Sr. Vice President, USF Health

FROM: Debra S. Gula, CPA, Executive Director
Kate M. Head, CPA, CFE, CISA, Associate Director

DATE: February 18, 2016

SUBJECT: 16-013 Management Letter - Internal Audit of HPCC Administrative and Financial Controls

University Audit & Compliance (UAC) recently performed an audit of the USF Health Professions Conferencing Corporation (HPCC), a direct support organization of the USF System, at the request of USF System management and the HPCC Board Chair. We issued an audit report on February 18, 2016, which defined the scope and results of our audit.

UAC's overall conclusion was that there was an inadequate system of internal controls in place to meet our audit objectives. The high-priority risks identified in our audit report require immediate corrective action within 30 days. As of the date of this report, all issues have been resolved.

As UAC audit reports are focused only on high-priority risks, the 14 medium-priority risks identified during our audit are addressed in this management letter. Urgent management attention is required within 60 days. As of the date of this report, three issues have been resolved.

Within ten business days, please provide both your actions taken and actual implementation dates or your actions planned and expected implementation dates within the Team Central Follow-Up System.

Please contact us at 974-2705 if you have any questions.

cc: President Judy Genshaft, USF System
Greg Vannette, Controller, HPCC
Ed Funai, Chief Operating Officer, USFH
Joann Strobbe, Chief Financial Officer, USFH
Nick Trivunovich, Chief Financial Officer and Vice President, Business and Finance, USF System
Chair, HPCC Board of Directors

MEDIUM PRIORITY RISKS	RESOLVED
<p>1. Payroll is approved without verifying data entered into the certification system is accurate.</p> <p>USF serves as payroll processor for over \$2 million in HPCC payroll annually, of which approximately 26% are non-exempt employees. The HPCC Assistant Controller receives hourly time sheets and uses these records to <u>prepare</u> payroll certifications using the GEMS certification module for all hourly HPCC employees. The HPCC Assistant Controller is also responsible for verifying changes in pay rate were processed properly.</p> <p>The College of Medicine business office staff is responsible for <u>approving</u> the payroll certification, but they do not receive any supporting documentation. Once processed, the HPCC Assistant Controller prepares a journal entry in the MIP Accounting System to record the payroll expenditures and offsetting liability to USF.</p> <p>The HPCC Controller verifies that the journal entry agrees to the supporting documentation prior to posting. There is no independent review of payroll entered to timesheets to ensure payroll was entered properly.</p> <p><u>Update:</u> The HPCC Controller is now the certifier in GEMS and reviews the supporting documentation for each employee and pay period before approving.</p> <p>Recommendation: HPCC payroll should be certified by the HPCC Controller to allow adequate verification and approval.</p> <p>Management Attention Required: <input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Urgent <input type="checkbox"/> Timely</p> <p>Resources/Effort Required: <input type="checkbox"/> Significant <input type="checkbox"/> Moderate <input checked="" type="checkbox"/> Minimal</p>	<p>Yes</p>
<p>2. Controls over on-site collections are not adequate to ensure all funds collected are deposited.</p> <p>While HPCC utilizes a lockbox for payments that are mailed, check and cash payments are still routinely received on site during Continuing Professional Development (CPD) events. On-site collections are discouraged but not prohibited. Event registration is usually cut off 24 hours prior to the start of the program, but CME Tracker permits a registration without a payment.</p> <p>The following on-site revenue collection deficiencies were noted:</p> <ul style="list-style-type: none"> • HPCC does not require two coordinators on site whenever on-site collections are permitted. 	<p>No</p>

MEDIUM PRIORITY RISKS	RESOLVED
<ul style="list-style-type: none"> • Cash was accepted on site without any method to secure funds collected until deposited. Funds collected were commingled with personal funds. • Checks were not restrictively endorsed upon receipt. • Pre-numbered receipts were utilized, but were not given to all customers; receipts were not turned in with deposits; numerical sequence was not verified; and receipts were not reconciled to funds on hand. • The transfer of funds from the on-site coordinator to the CPD administrative office for deposit was not formally documented and receipts were not immediately logged. Transfers of funds within the CPD office were also not documented. • There was no independent reconciliation of revenues collected on site to CME Tracker. Individuals collecting funds had the authority to manually enter and delete participants in the registration module of CME Tracker. <p>Recommendation: HPCC should implement the following on-site revenue controls:</p> <ol style="list-style-type: none"> 1. If on-site registration is permissible, a two-person team should be utilized to process registrations. 2. Prohibit the collection of cash on site and utilize cashier’s checks or money orders in lieu of cash. 3. Restrictively endorse all checks immediately upon receipt. 4. Require pre-numbered receipts for <u>all</u> on-site collections, verify numeric sequence, and reconcile receipts to funds deposited. 5. Document the transfer of funds every time funds change hands. 6. Perform an independent reconciliation of revenues deposited to CME Tracker registrations. <p>Management Attention Required: <input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Urgent <input type="checkbox"/> Timely</p> <p>Resources/Effort Required: <input type="checkbox"/> Significant <input checked="" type="checkbox"/> Moderate <input type="checkbox"/> Minimal</p>	
<p>3. Credit card information was not adequately secured.</p> <p>The CPD registration form provides registrants three ways to pay registration fees via credit cards: mail the registration form to the lockbox, register online via the payment portal, or fax the registration request to the CPD administrative office.</p>	<p>No</p>

MEDIUM PRIORITY RISKS	RESOLVED
<p>The registration form collects personal identifiable information (cardholder’s name, address, phone number and email, as well as the full credit card number, credit card expiration date, and security code (CVV). Registration forms were not controlled to ensure sensitive data was not exposed.</p> <p>The following deficiencies were noted:</p> <ul style="list-style-type: none"> • When registrations are mailed to the lockbox, they are imaged along with other supporting documentation. Access to this information was available to those recording lockbox deposits. • When credit card information is faxed, it goes to a fax machine in the CPD administrative office. The fax machine is accessible to all CPD administrative staff. • The registration form is logged by a CPD staff member and then placed in a payment folder until there is time to manually process the credit card payment. The payment folder is stored in a locked cabinet; however, the facility manager, who does not have revenue processing responsibilities, has a key. • Once processed, the registration forms are filed by program in the program/customer file cabinet which can also be accessed by the facility manager. After four months, they are shredded. <p>Requirement 3 of the Payment Card Industry’s Data Security Standard (PCI DSS) is to “protect stored cardholder data.” If required for business purposes, the cardholder’s name, primary account number, expiration date, and service code may be stored as long as they are protected in accordance with PCI DSS requirements. The CVV (three- or four-digit number printed on the front or back of a payment card used to validate card-not-present transactions) may never be stored.</p> <p>Recommendation: HPCC should implement the following security controls over credit card data:</p> <ol style="list-style-type: none"> 1. Revise the registration form to advise customers not to mail in registration forms to the lockbox with credit card data. 2. Properly secure the fax machine in a locked, limited access room. 3. Limit access to stored credit card information to those who have a business need. 4. Immediately after processing the transaction, destroy the CVV number and do not store it. <p>Management Attention Required: <input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Urgent <input type="checkbox"/> Timely</p> <p>Resources/Effort Required: <input type="checkbox"/> Significant <input type="checkbox"/> Moderate <input checked="" type="checkbox"/> Minimal</p>	

MEDIUM PRIORITY RISKS	RESOLVED
<p>4. Incompatible revenue duties were combined.</p> <p>Opportunities for errors and irregularities are greatest when individual staff members are given the ability to perform incompatible functions.</p> <p>Ideally, the following functions should be assigned to separate individuals: record keeping, approval or authorization of transactions, custody of assets, and reconciliation preparation. Employees may take on more than one of these roles when staffing is limited; however, only certain roles can be combined with mitigating controls in place, such as an independent review of reconciliations when the reconciliation is performed by a record keeper. Some roles, such as approver and reconciliation preparer or approver and asset custody, are never compatible.</p> <p>We noted the following areas where duties were not properly separated and/or access exceeded business need:</p> <ul style="list-style-type: none"> • Academic Program Specialist processes manual registration charge requests, enters manual registration into CME Tracker, processes credits/refunds, and reconciles the Authorize Net reports for manual entries to CME Tracker. • Prior to July 2015, the CPD coordinators had responsibility for preparing the billing request, mailing the invoice prepared by the Accounts Receivable Specialist based on the request, and following up on outstanding accounts receivable. • The A/R Specialist is now responsible for creating the invoice after the request is approved by the HPCC Controller, mailing the invoice, and following up with the client at 30 days. The A/R Specialist has full (change) access to the CPD G: drive files, which contain supporting documentation for revenue received. This represents a potential risk of intentional changes to financial records to hide missing or redirected revenues. The Fiscal & Business Analyst follows up at 90 days as a mitigating control. • The HPCC Controller can initiate and approve wires, approve journal entries to record wires, review and approve the bank reconciliation, serve as a program coordinator, and generate financial reports. • The A/R Aging Report reviewed did not contain sufficient information to indicate what actions had been taken to resolve the outstanding items. In addition, the review of aging is performed by the HPCC Controller who served as program coordinator for many of the older A/R's. Therefore, there was no independent oversight. <p>Recommendations:</p> <ol style="list-style-type: none"> 1. Ensure proper separation of revenue-related duties or establish adequate independent review and oversight to mitigate risks. 	<p style="text-align: center;">No</p>

MEDIUM PRIORITY RISKS	RESOLVED
<p style="text-align: center;">2. The HPCC Controller should not be the coordinator over any program account in order to permit an effective independent monitoring role.</p> <p>Management Attention Required: <input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Urgent <input type="checkbox"/> Timely</p> <p>Resources/Effort Required: <input type="checkbox"/> Significant <input checked="" type="checkbox"/> Moderate <input type="checkbox"/> Minimal</p>	
<p>5. CPD administration is processing revenue that could be processed online by the payer or via the lockbox.</p> <p>The CPD administrative office processes all revenues not mailed to the lockbox or processed through the online CPD payment portal. These revenues typically consist of exhibit fees, educational support, vendor rebates, and manually entered credit card payments. Checks received must be remotely deposited using bank-provided software, cash physically brought to the bank, and credit card payments manually processed.</p> <p>The HPCC Controller indicated that grants and exhibit fees are being sent to a physical address because the grantors and sponsors have been requiring a physical address. Most organizations will accept a lockbox address for payments as long as a physical address for other correspondence is provided.</p> <p>HPCC’s bank has a client gateway that could be used by non-CPD registrants to process credit card payments, but this application has not been implemented.</p> <p>Recommendation: HPCC should reduce the volume of checks and credit cards processed on site by implementing the following controls:</p> <ol style="list-style-type: none"> 1. Direct grantors and exhibitors to remit payments to the lockbox. 2. Implement the client payment gateway for non-CPD credit card payments. <p>Management Attention Required: <input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Urgent <input type="checkbox"/> Timely</p> <p>Resources/Effort Required: <input type="checkbox"/> Significant <input checked="" type="checkbox"/> Moderate <input type="checkbox"/> Minimal</p>	No
<p>6. Documentation of credit card refunds and adjustments needs to be improved.</p> <p>Most refund requests are received via email and are manually processed by CPD administration, if within the approved refund period, in a similar fashion as manual</p>	No

MEDIUM PRIORITY RISKS	RESOLVED
<p>credit card payments. All individuals who are authorized to process charges can enter credit card refunds. In addition, the CPD’s receptionist duties do not include entering refunds or making payment corrections, but she has system access to Authorize Net and can process credits.</p> <p>The customer’s email is used to support the refund request. The individual processing the refunds cuts and pastes the body of the email into a comment field in CME Tracker. The original email is not retained in the program/customer records.</p> <p>All refunds processed are added to the manual credit card log, but the log is not signed by the preparer. The manual logs are used to reconcile credit card payment/credit activity to CME Tracker. The CME Check Tracker report does not include who processed the transaction, and there is no readily available system audit report to identify update (add, change, delete) activity within CME tracker by a system user.</p> <p>CPD coordinators have the authority to approve refunds of registration fees outside of the established refund period. When an exception refund is granted by a program coordinator, the manual credit card log will reference “coordinator approved,” but there is no documented support maintained with the log.</p> <p>Without adequate supporting documentation, unauthorized refunds or adjustments could occur.</p> <p>Recommendation: HPCC should establish additional controls to ensure all refunds and adjustments are properly supported and approved:</p> <ol style="list-style-type: none"> 1. Maintain the full refund request email to support the processing of credit card refunds. 2. Include the preparer on the credit card log. 3. Work with CME Tracker to ensure adequate transaction logs are maintained. 4. Ensure proper support for exception-based refunds is maintained. <p>Management Attention Required: <input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Urgent <input type="checkbox"/> Timely</p> <p>Resources/Effort Required: <input type="checkbox"/> Significant <input checked="" type="checkbox"/> Moderate <input type="checkbox"/> Minimal</p>	
<p>7. Gift cards given to employees were not reported to USF or MSSC for inclusion in the employees’ taxable income.</p>	<p>Yes</p>

MEDIUM PRIORITY RISKS	RESOLVED
<p>HPCC employees were given gift cards, ranging from \$20 to \$100 for birthdays, Administrative Assistant Day, holidays, and thank-you's for exceptional performance. According to the HPCC CEO, all non-leadership employees receive \$25 birthday gift cards. For other gift cards, the supervisor would make a request for the employee to receive a gift card and the HPCC CEO would approve the request.</p> <p>Total gift cards purchased via HPCC corporate card in fiscal year 2015 were \$1,620. Our review of the corporate card reward program identified gift cards used for employee incentives from March 1, 2014 - August 15, 2015 totaling \$2,950.</p> <p>IRS Publication 525, Taxable and Nontaxable Income, and IRS Reg. 1.132-6(c) state the provision of any cash or cash-equivalent or similar items that can easily be exchanged for cash (such as a gift certificate or gift card) are never excludable as a de minimis fringe benefit and must be included in the gross income of the recipient of the gift card/certificate.</p> <p>HPCC maintained no detailed records of who actually received the gift cards and did not report their distribution to either USF or MSSC for inclusion as taxable income.</p> <p><u>Update:</u> HPCC identified and reported gift certificates distributed in calendar year 2015 to USF and MSSC for inclusion in the employees' W-2s. A new policy was approved by the HPCC Board on February 4, 2016, governing gifts, prizes, or awards to HPCC staff, USF residents, fellows, and medical students which addresses approval, monitoring, and reporting requirements.</p> <p>Recommendation: HPCC should:</p> <ol style="list-style-type: none"> 1. Establish adequate monitoring and oversight of gift cards distributed to employees. 2. Determine which employees received gift cards in calendar year 2015 and report them immediately to USF or MSSC payroll for inclusion in wages. 3. Establish procedures to immediately report the value of all gift cards and awards distributed to employees to either USF or MSSC payroll for inclusion in taxable wages. <p>Management Attention Required: <input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Urgent <input type="checkbox"/> Timely</p> <p>Resources/Effort Required: <input type="checkbox"/> Significant <input checked="" type="checkbox"/> Moderate <input type="checkbox"/> Minimal</p>	

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<p>8. CPD faculty honorariums were not reported to MSSC for inclusion in the employees' taxable income.</p> <p>Honorariums are payments made in gratitude for service rendered, where fees are not legally or traditionally required. It is a “thank you” gesture of goodwill and appreciation. An honorarium is not based on an agreed amount between the individual providing the service and the organization seeking services. HPCC defined honorariums to include course director fees and speaker fees, which are taxable wages.</p> <p>CPD faculty who were UMSA and/or USF employees or retirees were given the options of depositing honorariums earned for participation in CPD programs in an HPCC “900 account,” or being paid for their services as wages. HPCC “900” accounts are typically used to hold program residuals. Residuals occur when training program revenues exceed program costs or when costs incurred are not immediately paid out as honorariums and are retained within HPCC.</p> <p>The employees were able to utilize these funds for “business-related” professional travel, publishing costs, equipment, or other expenditures. In some instances, the employee controlled the utilization of these costs without independent approval. Occasionally, CPD faculty were also permitted to defer receiving the honorarium until a later time.</p> <p>Recommendations:</p> <ol style="list-style-type: none"> 1. HPCC should consult with USF tax advisors and complete the process of reviewing and reporting honorariums held in HPCC “900 accounts” to MSSC or USF payroll for inclusion in wages as appropriate 2. HPCC should cease the current process of retaining honorariums and pay them out as they are earned. <p>Management Attention Required: <input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Urgent <input type="checkbox"/> Timely</p> <p>Resources/Effort Required: <input type="checkbox"/> Significant <input checked="" type="checkbox"/> Moderate <input type="checkbox"/> Minimal</p>	<p style="text-align: center;">No</p>
<p>9. There was no advance approval process for airline tickets.</p> <p>HPCC travel expenditure guidelines required airfare to be processed through To Go Travel. To Go Travel charges all airfare to an American Express card in the HPCC CEO’s name.</p> <p>CPD coordinators are responsible for authorizing To Go Travel to issue airfare for speakers and on-site staff. This was often communicated via email, but</p>	<p style="text-align: center;">Yes</p>

MEDIUM PRIORITY RISKS	RESOLVED
<p>documentation of approval was not forwarded to Finance & Accounting for verification of approval.</p> <p>Travel for HPCC administration is requested directly by the HPCC employee without any formal written authorization by their supervisor. According to the HPCC COO, all non-CPD travel is approved verbally by the HPCC CEO during monthly operation meetings, but this approval is not documented.</p> <p>The HPCC CEO’s travel was approved in advance by the USFH CFO via the same leave process as annual leave.</p> <p>The A/P Specialist is responsible for reconciling the HPCC CEO’s travel card to the receipts provided by To Go Travel via email. The HPCC CEO relied on the accounting area to ensure all travel charged to the CEO’s card was appropriate. The A/P Specialist also creates the journal entry to record the travel, which is then submitted to the HPCC Controller for approval. The A/P Specialist and HPCC Controller relied on the CPD coordinators to verify CPD event travel was appropriate.</p> <p>CPD coordinators were to approve the travel invoice emailed by the travel agent, enter the program code to be charged, and forward the approved invoice to the A/P Specialist. CPD coordinators often provided the program code to To Go Travel, who entered the program code in a reference field; therefore, the A/P Specialist was recording the travel without an approved receipt.</p> <p>The A/P Specialist did not verify the HPCC staff travel was authorized by a supervisor.</p> <p><u>Update:</u> An “Authorization for the Expenditure of Funds for Travel” policy was approved by the HPCC Board on February 4, 2016. Travelers cannot make commitments for travel or incur travel expenses prior to obtaining advance authorization via a Travel Authorization Form or Faculty Engagement letter for CPD speakers.</p> <p>Recommendation: HPCC should establish a formal travel authorization process which can be used by the travel agent and the A/P Specialist to ensure travel is authorized.</p> <p>Management Attention Required: <input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Urgent <input type="checkbox"/> Timely</p> <p>Resources/Effort Required: <input type="checkbox"/> Significant <input type="checkbox"/> Moderate <input checked="" type="checkbox"/> Minimal</p>	
<p>10. Contractual arrangements were not properly supported by legally binding agreements.</p>	<p>No</p>

MEDIUM PRIORITY RISKS	RESOLVED
<p>USF System Policy 0-100, Authority to Sign Contracts and Other Documents states, “USF System employees must not sign contracts and other documents of agreement or commitment on behalf of the USF System unless they have been expressly delegated the authority to do so by the delegations of presidential authority, which include delegations for USF Health contracts. The President requires that all contracts be submitted to the USF System Office of the General Counsel for review and approval as to form and legality.”</p> <p>HPCC was receiving money as the fiscal agent for the USF Health International Medical Trainee Observership Program and for USF Health billing activities associated with a USF BOT international collaboration agreement. There was no contract executed specifying the terms or the purpose of HPCC’s management and accounting of these funds.</p> <p>HPCC CPD office was also executing letters of agreement for continuing medical education events that were signed by various USF or USFH department chairs or faculty, who did not have express delegation of authority. These agreements were not formally reviewed by the USF System Office of the General Counsel prior to execution. HPCC also accepted funds from various entities for purposes not directly affiliated with HPCC’s mission, serving only as a fiscal conduit for these activities. There was no contract to support the duties and responsibilities of the parties.</p> <p>Without agreements that have been executed in accordance with USF System Policy 0-100, terms of agreements may be unenforceable or could legally bind HPCC to unfavorable commitments.</p> <p>Recommendation: HPCC should ensure all contracts are legally binding by implementing the following controls:</p> <ol style="list-style-type: none"> 1. Ensure all formal business activities of HPCC are supported by legally enforceable contracts. 2. Ensure USF System Office of the General Counsel reviews and approves all contracts prior to execution. 3. Work with the USF System Office of General Counsel to update all standard letters of agreement to ensure agreements are binding. <p>Management Attention Required: <input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Urgent <input type="checkbox"/> Timely</p> <p>Resources/Effort Required: <input type="checkbox"/> Significant <input checked="" type="checkbox"/> Moderate <input type="checkbox"/> Minimal</p>	

MEDIUM PRIORITY RISKS	RESOLVED
<p>11. Program accounts were not adequately managed to ensure proper matching of expenses to revenues earned.</p> <p>The matching principle is a Generally Accepted Accounting Principle (GAAP) that requires expenses incurred by an organization to be recorded in the accounting period in which the revenue, to which those expenses relate, is earned.</p> <p>Letters of agreement for continuing medical education events stated that all income in support of the activity will be deposited with HPCC in a special account designated for activity. Any funds remaining in the account following the completion of the activity <u>will be disbursed</u> to the USF or USFH department that had contracted with HPCC for the event.</p> <p>It was HPCC’s practice, however, to hold the remaining (residual) funds in “900 accounts” for use by the departments at a later date, which included use for future CPD activities or more often for departmental expenses unrelated to CPD activities.</p> <p>On August 9, 2011, the HPCC Board of Directors passed a resolution modifying HPCC’s financial policy governing the use of residual funds generated through CPD activities to state that with the approval of the Associate Vice President of Administration, Finance and Technology, the Chief Financial Officer for USF Health, and the Dean of the College of Medicine, funds may be expended on awards to students, awards to faculty members, support of scholarships, purchase of educational or research equipment, and support of student organization programing. These approvals, however, were never requested or obtained when HPCC distributed funds to the departments for purposes unrelated to future CPD activities.</p> <p>HPCC was receiving money as the fiscal agent for the USF Health International Medical Trainee Observership Program and for USF Health billing activities associated with a USF BOT international collaboration agreement. These activities were not fully costed by the USF Health departments managing these programs. All income generated by the programs were deposited at HPCC; however, many of the expenses incurred were paid directly by the departments managing these programs. This resulted in an excessive surplus balance held by HPCC on behalf of the departments.</p> <p>Without the timely distribution of residuals back to departments and expenditures not being paid from the proper funding source, both the program accounts tracked by HPCC and the departmental ledgers would not accurately reflect the activities incurred during the year. The lack of proper matching of expenditures to funding source could result in an inaccurate representation of the financial position of both HPCC and the USF departments, which could negatively impact decisions made by the stakeholders of each.</p>	<p>No</p>

MEDIUM PRIORITY RISKS	RESOLVED																		
<p>Recommendation: To ensure proper matching of future revenues and expenditures, HPCC should:</p> <ol style="list-style-type: none"> 1. Ensure all contracts contain specific instructions on the use of residual funds, which should include their immediate distribution at the completion of an event. 2. Determine the disposition of the existing program residual funds. Develop and implement procedures defining their appropriate use. 3. When serving as the fiscal agent for a program, ensure that the program is fully costed and expenses incurred by the program are paid directly from the same activity account where the program income is recorded. These funds should be segregated within the accounting records. <p>Management Attention Required: <input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Urgent <input type="checkbox"/> Timely</p> <p>Resources/Effort Required: <input type="checkbox"/> Significant <input checked="" type="checkbox"/> Moderate <input type="checkbox"/> Minimal</p>																			
<p>12. Corporate reward programs were not adequately monitored to ensure they were being effectively utilized.</p> <p>CPD activities can result in the awarding of large rewards for business-related events. HPCC has established reward programs with various hotel chains used for CPD events in the name of the HPCC CEO. UAC asked the HPCC CEO for summaries of reward points used and earned in calendar years 2014-2015 and were provided the following reward programs and points:</p> <p style="text-align: center;">Use of Reward Points January 1, 2014 - December 31, 2015</p> <table border="1" data-bbox="306 1516 1170 1740"> <thead> <tr> <th>CEO's Reward Program</th> <th>Nights</th> <th>Points</th> </tr> </thead> <tbody> <tr> <td>IHG Rewards</td> <td>2</td> <td>40,000</td> </tr> <tr> <td>Starwood Rewards</td> <td>2</td> <td>114,000</td> </tr> <tr> <td>Marriot Rewards</td> <td>3</td> <td>120,000</td> </tr> <tr> <td>Hilton Honors</td> <td>3</td> <td>120,000</td> </tr> <tr> <td>Total</td> <td>10</td> <td>394,000</td> </tr> </tbody> </table> <p>The HPCC CEO controlled the utilization of the rewards. There was no independent monitoring of these reward programs earned from CPD activities to ensure they were used to offset program costs. While the HPCC CEO provided a</p>	CEO's Reward Program	Nights	Points	IHG Rewards	2	40,000	Starwood Rewards	2	114,000	Marriot Rewards	3	120,000	Hilton Honors	3	120,000	Total	10	394,000	<p>No</p>
CEO's Reward Program	Nights	Points																	
IHG Rewards	2	40,000																	
Starwood Rewards	2	114,000																	
Marriot Rewards	3	120,000																	
Hilton Honors	3	120,000																	
Total	10	394,000																	

MEDIUM PRIORITY RISKS	RESOLVED																					
<p>business purpose for these trips, there were not approved Travel & Expense Reimbursement Requests (TERRs) provided.</p> <p>In addition, there were two American Express cards enrolled in a rewards program. The HPCC CEO served as the program administrator and controlled the use of the reward points.</p> <p style="text-align: center;">Use of Reward Points March 1, 2014 - August 15, 2015</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Reward Point Use</th> <th style="text-align: center;">CEO Platinum Card¹</th> <th style="text-align: center;">COO Gold Card²</th> </tr> </thead> <tbody> <tr> <td>Gift Cards</td> <td style="text-align: right;">170,000</td> <td style="text-align: right;">580,000</td> </tr> <tr> <td>Points transferred to Starwood Reward Program</td> <td style="text-align: right;">179,000</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Points transferred to Hilton Honors Reward Program</td> <td style="text-align: right;">9,000</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Points transferred to Delta Airlines Reward Program including redemption fee</td> <td></td> <td style="text-align: right;">229,800</td> </tr> <tr> <td>Total Redemptions</td> <td style="text-align: right;">358,000</td> <td style="text-align: right;">809,800</td> </tr> <tr> <td>American Express Expenditures</td> <td style="text-align: right;">\$397,801</td> <td style="text-align: right;">\$1,107,766</td> </tr> </tbody> </table> <p>¹Cards were cancelled on 8/15/15; the remaining points were forfeited.</p> <p>²Remaining points balance of 465,877 as of 1/7/16 was converted to American Express gift cards totaling \$2,325 on 1/7/16 by the HPCC Controller since points could not be converted to a new reward program.</p> <p>UAC requested support for rewards redeemed to determine if they were utilized for a valid business purpose. Our review indicated that gift cards were used for business meals and to provide awards and incentives to HPCC employees but were not reported as taxable income. (See Issue 7.)</p> <p>Lodging rewards were used for business development travel and were not reflected on any TERRs. In many instances, there were no other business expenditures incurred in relation to the travel, so there was no evidence the travel has been authorized. Airfare points remain unused in the COO's personal Delta Airlines account. The COO indicated that these points would be used for upcoming HPCC conference travel.</p> <p>In August 2015, HPCC set up new hotel reward programs in the name of the organization and opened a reward program tied to the HPCC Controller's card to permit independent review and monitoring.</p> <p>Recommendation: HPCC should utilize credit card and hotel rewards programs to offset operational costs and ensure there is adequate independent monitoring and approval for the redemption of these points.</p>	Reward Point Use	CEO Platinum Card ¹	COO Gold Card ²	Gift Cards	170,000	580,000	Points transferred to Starwood Reward Program	179,000	0	Points transferred to Hilton Honors Reward Program	9,000	0	Points transferred to Delta Airlines Reward Program including redemption fee		229,800	Total Redemptions	358,000	809,800	American Express Expenditures	\$397,801	\$1,107,766	
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<p>13. Loans between USF System entities, including DSOs, were not properly disclosed.</p> <p>HPCC entered into a Line of Credit (LOC) arrangement with USF on November 5, 2012, which was properly recorded in the HPCC financial records. The initial purpose of the LOC was to meet the short-term cash flow needs of HPCC with the full amount of the LOC paid each year; however, the LOC allowed HPCC to carry a balance on the LOC as long as the full amount, plus accrued interest, was paid no later than November 5, 2015.</p> <p>HPCC paid off the LOC on June 29, 2015, via wire for \$1.5 million from HPCC to USF. The source of the loan payoff was as follows:</p> <ul style="list-style-type: none"> On 6/19/15, \$500,000 in unrestricted USF Foundation (USFF) funds was transferred to HPCC from USFF. The original source of the funding was UMSA-funded USF Foundation account 25-8090. The transfer was approved by the HPCC Assistant Controller, HPCC CEO, and the USFH CFO. On 6/11/15, \$575,000 in USF funds was transferred to HPCC. The funds were originally paid by HPCC to USF to reimburse payroll costs incurred by USF on behalf of HPCC (Fund 94513 – Due to USF). In order to generate a cash surplus in Fund 94513, payroll and operating costs were transferred from Fund 94513 to Fund 10009. The HPCC salaries paid by USF Health utilizing E&G carryforward funds included all staff members paid by USF. (See Organization Chart.) <p style="text-align: center;">Due To/From USF (Fund 94513) Activities 7/1/2014 - 6/30/2015</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Description</th> <th style="text-align: center;">Amount</th> </tr> </thead> <tbody> <tr> <td>Beginning Balance</td> <td style="text-align: right;">\$(1,267,126)</td> </tr> <tr> <td>Transfer in from USF Foundation 10/28/14</td> <td style="text-align: right;">1,100,000</td> </tr> <tr> <td>Remaining Deficit</td> <td style="text-align: right;">(167,126)</td> </tr> <tr> <td>Payroll & operating costs distributed to Fund 94135, FY 2015</td> <td style="text-align: right;">(688,811)</td> </tr> <tr> <td>Payment from HPCC to USF Fund 94513, FY 2015</td> <td style="text-align: right;">790,000</td> </tr> <tr> <td>HPCC balance prior to expenditure transfer activity in April - June 2015</td> <td style="text-align: right;">(65,937)</td> </tr> <tr> <td>Payroll and operating costs transferred to USFH Fund 10009</td> <td style="text-align: right;">658,166</td> </tr> <tr> <td>Transfer funds back to HPCC, 6/11/15</td> <td style="text-align: right;">(575,000)</td> </tr> <tr> <td>Cash balance in Fund 94513</td> <td style="text-align: right;">\$17,229</td> </tr> </tbody> </table>	Description	Amount	Beginning Balance	\$(1,267,126)	Transfer in from USF Foundation 10/28/14	1,100,000	Remaining Deficit	(167,126)	Payroll & operating costs distributed to Fund 94135, FY 2015	(688,811)	Payment from HPCC to USF Fund 94513, FY 2015	790,000	HPCC balance prior to expenditure transfer activity in April - June 2015	(65,937)	Payroll and operating costs transferred to USFH Fund 10009	658,166	Transfer funds back to HPCC, 6/11/15	(575,000)	Cash balance in Fund 94513	\$17,229	No
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<ul style="list-style-type: none"> • \$483,685 in HPCC funds. HPCC maintains only one cash account; therefore, cash from all sources of funds was available to make this payment. The HPCC cash balance after making the loan payment was \$1,079,308 at June 30, 2015. <p>The payroll and operating costs paid by USF Health, using Fund 10009, were recorded as:</p> <table border="1" data-bbox="272 531 1182 636"> <tr> <td>Account 610405-94513 (Account 4773)</td> <td>\$658,166</td> <td></td> </tr> <tr> <td>USF Funded Payroll Exp (Account 5701)</td> <td></td> <td>\$417,742</td> </tr> <tr> <td>USF Funded Operating Exp (Account 5703)</td> <td></td> <td>\$240,424</td> </tr> </table> <p>The original verbal loan agreement was for HPCC to repay the \$1,075,000 loan over a ten-year period beginning on June 15, 2015, at 4% interest annually. The loan was not initially recorded as a liability, but was instead recorded as institutional support and a return of HPCC funds. The \$1,075,000 in cash received by HPCC was recorded as follows:</p> <table border="1" data-bbox="272 884 1182 989"> <tr> <td>Cash (Account 1003)</td> <td>\$1,075,000</td> <td></td> </tr> <tr> <td>Institutional Support (Account 4773)</td> <td></td> <td>\$500,000</td> </tr> <tr> <td>Account 610405-94513 (Account 1030)</td> <td></td> <td>\$575,000</td> </tr> </table> <p>One \$10,884 loan “payment” was made by HPCC in fiscal year 2015 prior to USF Health leadership deciding the funds would not have to be repaid by HPCC and would be considered institutional support. The entry used to record the payment was:</p> <table border="1" data-bbox="272 1199 1182 1331"> <tr> <td>Program transfers out (Account 4421: Program CM2012950)</td> <td>\$10,884</td> <td></td> </tr> <tr> <td>Program transfers in (Account 4420: Program JS2006905)</td> <td></td> <td>\$10,884</td> </tr> </table> <p>There was no discussion of the line of credit payoff plans in the minutes of the HPCC Finance & Audit Committee on April 20, 2015, or May 12, 2015. There was no discussion of the line of credit payoff plans in the minutes of the HPCC Board of Directors meeting on April 20, 2015.</p> <p>An email from the USFH CFO to the HPCC CEO, HPCC Controller, and the USFH COO on May 19, 2015, discusses the use of USF Foundation funds and the transfer of expenses from Fund 94513 to free up cash, but does not discuss the repayment agreement.</p> <p>USF Health provided \$750,000 in USF Foundation funds (98-0006) to HPCC on October 28, 2014. The funds were wired from the USF Foundation to USF and deposited in HPCC Fund 94513. In addition to this \$750,000, an additional \$350,000 was transferred from the Klasko Institute-USF Foundation Fund (25-0201), which was established in support of the Innovation Center.</p>	Account 610405-94513 (Account 4773)	\$658,166		USF Funded Payroll Exp (Account 5701)		\$417,742	USF Funded Operating Exp (Account 5703)		\$240,424	Cash (Account 1003)	\$1,075,000		Institutional Support (Account 4773)		\$500,000	Account 610405-94513 (Account 1030)		\$575,000	Program transfers out (Account 4421: Program CM2012950)	\$10,884		Program transfers in (Account 4420: Program JS2006905)		\$10,884	
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<p>The informal \$750,000 loan was used to reduce the deficit in Fund 94513, which occurred when HPCC payroll and operating expenditures incurred in fiscal years 2013 and 2014 by USF on behalf of HPCC were not reimbursed as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>2012-2013</th> <th>2013-2014</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Costs in excess of reimbursements</td> <td>\$599,794</td> <td>\$667,332</td> <td>\$1,267,126</td> </tr> </tbody> </table> <p>The verbal loan agreement was for HPCC to repay the \$750,000 loan over a three-year period beginning on November 1, 2014, at 4% interest annually. The loan was not initially recorded as a liability, but was instead recorded as institutional support.</p> <table border="1"> <tbody> <tr> <td>USF Account 610405-94513 (Account 1030)</td> <td>\$750,000</td> <td></td> </tr> <tr> <td>USF Account 610405-94513 (Account 1030)</td> <td>\$350,000</td> <td></td> </tr> <tr> <td>Institutional Support (Account 4773)</td> <td></td> <td>\$1,100,000</td> </tr> </tbody> </table> <p>Eight \$22,143 loan “payments” were made by HPCC in fiscal year 2015, beginning on November 1, 2014, and were recoded as follows:</p> <table border="1"> <tbody> <tr> <td>Program transfers out (Account 4421: Program CM2012950)</td> <td>\$177,144</td> <td></td> </tr> <tr> <td>Program transfers in (Account 4420: Program JS2006905)</td> <td></td> <td>\$177,144</td> </tr> </tbody> </table> <p>As a result, there was no direct utilization of funds or recognition of the liability or payments on the quarterly financial statements generated on December 31, 2014, or March 31, 2015.</p> <p>The November 21, 2014, HPCC Finance & Audit Workgroup meeting minutes included a presentation by the HPCC Controller on the HPCC 2014-2015 first-quarter financials and cash flow forecast. The minutes state, “The convenience account has been brought back to zero with funding from HPCC, the USF Foundation, and USF. The \$350,000 from the USF Foundation will be recorded as a contribution, as will the \$750,000 from USF. Although \$750,000 will be segregated within HPCC for USF Health to utilize for future programming at CAMLS, no liability will exist; therefore, the committee and external auditors agreed the \$750,000 should be recorded as a contribution.”</p> <p>The December 19, 2014, HPCC Board of Directors meeting minutes include a presentation by the HPCC Controller on the HPCC 2014-2015 first quarter financials, including projected results in October and November 2014. The minutes state, “The significant items noted were recognition of \$1,100,000 contribution to bring the convenience account to zero.” The \$1.1 million in support is reflected in the statement of activities for the five months ended November 30, 2014, as Contracts & Grants – USF.</p>			2012-2013	2013-2014	Total	Costs in excess of reimbursements	\$599,794	\$667,332	\$1,267,126	USF Account 610405-94513 (Account 1030)	\$750,000		USF Account 610405-94513 (Account 1030)	\$350,000		Institutional Support (Account 4773)		\$1,100,000	Program transfers out (Account 4421: Program CM2012950)	\$177,144		Program transfers in (Account 4420: Program JS2006905)		\$177,144	
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<p>Program CM2012950 is CAMLS facility management and program JS2006905 is a business development account under the direction of the USFH CFO.</p> <p>At year end, USF Health leadership eliminated the obligation for HPCC to repay these loans.</p> <p>Recommendation: HPCC should ensure that all loans between USF System entities, including DSOs, are properly supported by Memorandums of Understanding and are accurately accounted for and presented in financial reports.</p> <p>Management Attention Required: <input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Urgent <input type="checkbox"/> Timely</p> <p>Resources/Effort Required: <input type="checkbox"/> Significant <input type="checkbox"/> Moderate <input checked="" type="checkbox"/> Minimal</p>	
<p>14. Policies and procedures are out-of-date and are not adhered to.</p> <p>The policies and procedures governing the collection of revenues, payment of expenditures, processing of travel costs, and expenditure reimbursements are out-of-date. Also, the following areas were not addressed by existing policies and procedures:</p> <ul style="list-style-type: none"> • There are no detailed procedures outlining the required documentation and approval process for outgoing EFTs. • There are no formal procedures in place for billing adjustments and write-offs. The current A/R collection policies are not accurate and are no longer being followed. • There were no written guidelines to address seat upgrades and early check-in fees. • Procedures to follow during the physical inventory process is not documented. • Formal procedures for recording and valuing donated assets have not been developed. • No policies and procedures exist related to the net asset classification process. <p>Recommendation: Replace existing policies and procedures with a comprehensive set of policies and procedures governing HPCC financial operations.</p> <p>Management Attention Required: <input type="checkbox"/> Immediate <input checked="" type="checkbox"/> Urgent <input type="checkbox"/> Timely</p> <p>Resources/Effort Required: <input checked="" type="checkbox"/> Significant <input type="checkbox"/> Moderate <input type="checkbox"/> Minimal</p>	<p>No</p>