



**Strengthening Oklahoma's Safety Net,  
One Community At A Time**

## **Board Bulletin**

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### **Risk Management: Safeguarding CHC Assets - Part 2**

In last month's issues, risks involving operational, legal liability and regulatory issues were discussed. To continue the emphasis on risk management as it relates to health center governance and protection of resources, fiscal oversight will be studied to prevent loss to fraudulent activity.

#### ***Category of Risk - Financial Management***

- **Internal Controls** - Health center boards must have policies that assist with maintaining solvency, grants management, and ensuring proper stewardship of health center dollars. BPHC Program Expectations, as outlined in PIN 98-23, state that "health centers must have accounting and internal control systems appropriate to the size and complexity of the organization." Internal controls which segregate financial duties are necessary to guard against fraud and abuse. For example, the person accepting cash payments should not make deposits; likewise, the person making deposits should not be reconciling bank statements. Another key component of a sound internal controls system is authorization and access controls. Does the health center incorporate password protection, authorization limits, physical safeguards over assets susceptible to theft and physical control over documents? Monitoring controls should also be in place that include oversight and regular comparison of actual assets to records, physical inventories, internal audit and board review of financial reports. Health center boards should aggressively monitor the fiscal management of the health center by reviewing financial statements -- and by asking tough questions when necessary. While the Finance Committee should review financial statements and report to the entire Board, each board member has a responsibility to understand the statements and be able to identify potential problems. Later issues of *Board Bulletin* will focus on understanding financial statements.
- **Common Types of Fraud** - 1) Cash schemes - stealing cash funds, not recording cash receipts, altering bank deposits; 2) Accounts Receivable - forging checks received, altering credit card receipts, granting bogus credits and bogus bad-debt write-offs or account adjustments; 3) Inventory and Fixed Assets - actual theft of assets, selling assets and diverting shipments; 4) Accounts Payable & Purchasing - personal bills, fictitious suppliers, kickbacks, ordering personal items, petty cash funds and employee expense accounts; 5) Payroll schemes - ghost employees, manipulated time records, writing extra payroll or bonus checks, withholding fraud and W-2 fraud.
- **Symptoms of Fraud** - 'Red flags' that require further exploration include unusual bank statement items, increases in refunds or write-offs, missing documents, out-of-balance conditions, large adjustments, increases in expenses, and decreases in patient revenue (cash payments). No organization, including your health center, is immune to fraud and abuse. While unpleasant to consider, your health center may one day be prey for potential fraud. Ensure you have the policies in place to create firewalls for fraud and abuse. Don't make a criminal out of an honest person by leaving an open door to fraud -- have the internal controls in place that prevent theft and abuse.

The next issue of *Board Bulletin* will focus on health care provision and protecting FTCA coverage. If you have questions or want further information, please contact OPCA by phone at or e-mail [jgrant@okpca.org](mailto:jgrant@okpca.org).

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