



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

## **Board Bulletin**

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### **A Closer Look at Control Activities**

Community health center (CHC) boards must closely examine the organization's control activities, particularly as an organization grows in size, budget, technology and services. Systems can also become stale and mechanical with procedures being 'rubber stamped' - causing a loss of focus on the desired goal of protecting CHC resources from human error or misconduct. Strong governing boards, working with the chief executive officer, will routinely examine and monitor implementation of the following areas of control activities.

#### **Segregation of Duties**

Always have at least 'two sets of eyes' review transactions, reports and reconciliations. No one person should ever initiate, approve, record, inventory, reconcile and report transactions. Proper segregation of duties is critical to minimize human error and detect erroneous activity. When it is difficult to completely segregate duties in small organizations, a detailed supervisory review of activities should be required. Duty segregation is critical to purchasing approvals, reconciliations, payment handling, and financial reporting.

#### **Approvals**

Written policies and procedures must be in place to specify approval authorization activities for transactions - those usually linked to specific dollar amounts or confidentiality issues. To ensure that the action is appropriate and compliant with laws, regulations and policies, careful review of transactions and supporting documentation must happen before authorized approval is given. Authorized approvers should never allow others to sign for them or share passwords associated with restricted transactions. Limits to authority must also be instituted.

#### **Reconciliations**

Reconciliation is the process of comparing different sets of data to identify and investigate differences followed by corrective action. Examples of reconciliations - comparing reports to actual amounts - include bank statements, financial and departmental accounting records, vacation and sick leave balances, and inventory listings. The reconciliation process is not complete until identified differences have been resolved.

#### **Reviews**

In the same way metal detectors are used for airport security, report reviews are designed to detect problems within an organization. Policy must require routine management review of reports such as budgets, health care plans, and performance benchmarks to ensure consistency and reasonableness of CHC activities. Boards must monitor financial and performance reports monthly to determine if goals and objectives are being met.

#### **Asset Security**

With this control activity, access to assets must be controlled. Assets include not only cash and equipment but also intellectual assets such as medical records that need to be protected against unauthorized use. Access controls include systems that incorporate locks, key pads, card keys, badges, computer passwords and remote access mechanisms. Certainly, security guards and locked file cabinets would fall into this category. Assets should be periodically counted and matched to an inventory to detect losses.

#### **Information Systems**

As CHCs embrace technology to improve operations, policies must be updated to protect the health center from harm caused by inappropriate or criminal use of data. If data is critical to the operation (e.g., billing systems, UDS reporting) or requires complete confidentiality (e.g., medical records), general controls must be in place to protect against vandalism, sabotage, network destruction, power surges or other environmental hazards. Application controls must address processing accuracy and use authorization.

No system is perfect and humans make mistakes. If no errors are ever detected, that may be indicative of internal controls failure. To review OPCA's entire *Board Bulletin* series, visit the 'CHC Boards' section of [www.okpca.org](http://www.okpca.org).

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