



**DALLAS COUNTY
COUNTY AUDITOR**

REPORT ON INTERNAL CONTROL & COMPLIANCE

TO: Zachary Thompson
Director of Health and Human Services

FROM: Virginia Porter *Virginia Porter*
County Auditor

SUBJECT: Review of Statutory Reporting and Compliance – Health and Human Services –
(Non-Grant) Fiscal Years 2007 through 2009

ISSUE DATE: May 6, 2011
RELEASE DATE: June 2, 2011

SCOPE

A review was performed on the financial records of the Environmental Health Section, Health Service Contract, Lab Services and Central Cashier of the Health and Human Services Department from fiscal year 2007 through 2009. The objectives of the review were to verify the internal controls of cash flow and compliance with Dallas County Policies and Procedures with particular focus on the revenue that is generated by the Health and Human Services Department.

PROCEDURES

Standard review procedures were followed to test the internal controls for cash, revenue, and other County assets. A random sampling of the total activity was selected for certain steps based on risk, dollar value of transactions, volume of transactions, and noted internal control weaknesses.

A partial list of the review tests include:

- Accounted for the numerical sequence of manually generated receipts
- Traced amounts recorded on the receipts to deposits
- Traced deposits through POS to deposit form 98's.
- Performed unannounced cash counts at various locations
- Reviewed assessed fees for compliance with Commissioners Court orders
- Tested escrow account balances using source documentation from department records
- Tested and reviewed contracts and contract payments
- Tested issued inspection certificates to reports to payments
- Reviewed case files to payments
- Reviewed Kronos time and attendance employee records
- Reviewed department's budget balancing initiatives

Disclosures

Per Health and Safety Code Title 2, Subtitle F, Chapter 121- Local Public Health Reorganization Act, each year, since 1980, the Dallas County Health and Human Services Department has negotiated interlocal agreements with most of the 25 cities within the county for services related to public health programs, which include the following services:

- Tuberculosis Control services: providing preventive and diagnostic treatment, and epidemiological services
- Sexually Transmitted Disease Control Services: consisting of education to motivate people to use preventive measures and to seek early treatment, prophylaxis, epidemiological investigation, and counseling in accordance with County policy
- Communicable Disease Control Services: providing information concerning immunization and communicable disease and coordinating with the Texas Department of State Health Services (“DSHS”) in monitoring communicable disease
- Laboratory Services: performing chemical, biological, and bacteriological analysis and tests for the diagnosis of disease, effectiveness of treatment, the quality of the environment, the safety of substance for human consumption, and the control of communicable disease

The cost figures for the Health Services Contract have been frozen since Fiscal Year 1998. The table below provides the actual cost per Oracle General Ledger for year under review:

Year	Public H Lab #5212	Preventive H #5213	Communicable Disease #5214	STD Clinic #5215	TB Clinic #5216	Total Amount	Comm.Ct Order #	Cost Per Ct Order	Cost Variance Vs Ct Order
2007	\$1,258,167	\$2,432,063	\$452,818	\$1,261,604	\$1,123,894	\$6,528,546	2006-1409	\$2,200,736	\$4,327,810
2008	\$1,247,100	\$2,296,955	\$502,359	\$1,507,079	\$1,375,099	\$6,928,592	2007-1727	\$2,200,736	\$4,727,856
2009	\$1,500,144	\$2,090,997	\$486,706	\$1,547,775	\$1,341,671	\$6,967,293	2008-1429	\$2,200,736	\$4,765,557
<i>Source: Monthly Analysis of Budgeted Operation & Ct.Orders</i>									

Note: The cost figures for the court ordered amounts are approximate to Fiscal Year 1998 revenues.

Year	Public H Lab #5212	Preventive H #5213	Disease #5214	STD Clinic #5215	TB Clinic #5216	Total Amount	Rev from Parkland	Total Revenue	Collections on HS Contract
2007	\$16,911	\$1,361,090	\$4,400	\$464,539	\$134,756	\$1,981,696	\$3,933,546	\$5,915,242	\$181,941
2008	\$47,701	\$1,131,688	\$3,565	\$649,867	\$147,315	\$1,980,136	\$5,309,295	\$7,289,431	\$179,938
2009	\$93,816	\$1,110,093	\$4,345	\$818,007	\$163,888	\$2,190,149	\$4,448,122	\$6,638,271	\$193,644
<i>Revenues Collected Per General Ledger</i>									

The above departmental expenditures and revenues except for Communicable Disease Control (Dept # 5214) are part of Parkland Hospital District’s Community Health Services agreement with Dallas County.

Statistical

Fiscal Year 2007:

- 1,278 food establishment inspections
- 4800.6 Acres Sprayed for Mosquitoes
- 478 Day Care Inspections
- \$250,177 Medicaid billing revenue
- \$181,941 Health Services revenue
- \$254,734 Sexually Transmitted Disease revenue
- \$125,619 TB Clinic revenue
- \$16,910 Public Health Laboratory revenue
- \$1,200 Mosquito Testing Fee revenue
- \$91,764 Environmental Health revenue

Fiscal Year 2008:

- 1,407 Food establishment inspections
- 640 Acres Sprayed for Mosquitoes
- 488 Day Care Inspections
- \$411,147 Medicaid billing revenue
- \$179,938 Health Services revenue
- \$301,146 Sexually Transmitted Disease revenue
- \$136,280 TB Clinic revenue
- \$47,701 Public Health Laboratory revenue
- \$97,938 Environmental Health revenue

Fiscal Year 2009

- 1,504 food establishment inspections
- 5,210.5 acres sprayed for mosquitoes
- 443 day care inspections
- \$557,363 Medicaid billing revenue
- \$193,644 Health Services revenue
- \$319,517 Sexually Transmitted Disease revenue
- \$146,627 TB Clinic revenue
- \$93,816 Public Health Laboratory revenue
- \$101,061 Environmental Health revenue

FINDINGS

Cash Management

Receipting – Review of fifty-five (55) voided manual receipts revealed lapses in following proper accounting procedures for receipt voiding including two receipts missing the original copy and multiple instances of voided receipts without explanations noted.

Deposits / Deposit Coding – Review of manual receipts and related computer generated receipts to deposit form 98's and to the general ledger revealed material compliance.

Laboratory Billings – Review of laboratory billings, receipting of funds, billing procedures, and unpaid receivables revealed: \$19,470 in past due lab invoices with continuation of lab services to delinquent customers and limited segregation of duties over billing preparation, receipting, and deposit preparation.

Medicaid Billings – Review of Medicaid billing and collections revealed material compliance.

RECOMMENDATIONS

Cash Management

Receipting – Receipts should be verified for accuracy of amount before issuing to customer. Receipts should never be altered, but properly voided. All copies of a void receipts should be retained clearly marked "void" and affixed with a reason for the void. The supervisor should periodically scan manual receipts books and computer receipts issued for proper usage.

Response: DCHHS will follow proper procedure for receipting which includes ensuring that receipts requiring to be voided are appropriately voided with explanation notated on the receipt.

Deposits / Deposit Coding – Continue existing deposit control procedures monitoring and reporting anomalies including supervisory review of account coding.

Laboratory Billings – Develop procedures for handling past due accounts. Procedures should include ceasing services to customers with past due accounts exceeding 90 days and referrals to the District Attorney – Civil Section for possible litigation. Implement a segregation of duties regarding billings, collections, and deposit controls to reduce the likelihood of errors and irregularities.

Response: Of the receivables noted in the review \$18,690 has been received and booked. Reminder invoices for the unpaid billings have been submitted to concerned customers. In addition, duties associated with billing and collection has been segregated, as recommended. The lab staff will provide services rendered to the Medicaid Specialist for invoicing and receipting/deposit of funds will be performed by Financial Administration.

SUMMARY

This report is intended for the information and use of the department. Although we reviewed internal controls and financial records, this review will not necessarily disclose all matters of material weakness. It is the responsibility of the department to establish and maintain effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the department. Adherence to and follow-through with recommendations should strengthen internal controls and compliance with Dallas County's policies and procedures. Generally, controls implemented by HHS management are good and in compliance with laws, regulations, contracts, and County policies.

cc: Commissioners Court
Ryan Brown, Office of Budget & Evaluation
Honorable Judge Martin Lowy, LADJ



Finding Number: 09-HHS-01-01
Date: January 26, 2011
Audit: Health and Human Services – (Non-Grant)
Auditor(s) Assigned: TB/JT

<p>Finding:</p>	<p>Cash Management: Review of sample manual receipts from FY 2007 through FY 2009 revealed:</p> <p><i>Environmental Health</i></p> <ul style="list-style-type: none"> • 12.5% (2 of 16) of voided receipts in which explanation for void was not written on the receipt • 12.5% (2 of 16) voided receipts in which the white copy was not present. • Receipt 50817 was altered to a higher amount (\$48 to \$82) <p><i>Health Service Agreements</i></p> <ul style="list-style-type: none"> • All voided receipts lacked an explanation for the void written on the receipt • 20% (4 of 20) voided receipts were not properly marked void (receipts were ‘X’ out rather than marked void including three that had been skipped) <p><i>Laboratory</i></p> <ul style="list-style-type: none"> • All voided receipts in which the explanation for void was not written on the receipt <p><i>Central Cashier</i></p> <ul style="list-style-type: none"> • 40% (2 of 5) voided receipts in which the explanation for void was not written on the receipt
<p>Work paper Reference: (or other method by which finding was identified)</p>	<p>Manual Receipt Books.</p>
<p>Condition: (Describe the current condition)</p>	<p><i>Environmental Health</i></p> <p>Proper receipt procedures are generally followed, with limited exceptions. Cash, check and money order payments are received by the clerks in the Environmental Health department, the clerks verify the funds in the presence of the payer; a manual receipt is issued in triplicate. The original manual receipt is issued to the customer, the second copy (pink) is sent to Central Cashier for posting and forwarding to the Auditors office. The Central Cashier issues a corresponding computer receipt, which is sent to the issuing department and attached in the department’s receipt book along with the remaining copy of the triplicate manual receipt (yellow) for retention. In the event of identified error, the receipt is marked void and all available copies of the voided receipt are retained; however, an explanation for the void is not consistently noted. In some instances, the customer leaves with the original receipt before errors are identified.</p> <p><i>Health Service Agreements</i></p> <p>Proper receipt procedures are generally followed, with limited exceptions. Check payments are generally received via mail by the Senior Secretary. The payments are tracked in a log that the Senior Secretary maintains. A manual receipt is written by the Senior Secretary, the manual receipt (white) is attached to a copy of the check. The second copy (pink) is given to the Assistant Director of Finance, who forwards to the Central Cashier for processing and deposit. The Central Cashier posts the transaction and forwards the computer receipt to the Senior Secretary to be attached to the check and original manual receipt. The last manual receipt copy (yellow) stays in the receipt book and is kept by the Senior Secretary. In the event of identified error, the receipt is marked void and all copies of the voided receipt are retained; however, an explanation for the void is not consistently noted.</p> <p><i>Laboratory</i></p> <p>Check payments are generally received via mail by the Lab Administrator/Business Manager. A manual receipt is written by the Lab Administrator/Business Manager. The Lab department retains the original copy of the receipt, which is attached to a copy of the check. The second copy (pink) together with check is given to the Central Cashier for processing and deposit with the pink copy manual receipt forwarded to the Auditors Office. The Central Cashier issues a corresponding computer receipt which is retained at the department. The last manual receipt copy (yellow) stays in receipt book and is kept by the Senior Secretary. In the event of</p>



	<p>identified error, the receipt is marked void and all copies of the voided receipt are retained; however, an explanation for the void is not consistently noted</p> <p><i>Central Cashier</i> Proper receipt procedures are generally followed; with limited exceptions. When the CAP Point of Sale and Inventory System (CAP System) is not operational, manual receipts (three part form) are issued by the Central Cashier. The original manual receipt is issued to the customer. Manual receipts are set aside pending system availability. Once the CAP System is active, corresponding computer receipts are issued. The original computer receipt is set aside for attachment to the corresponding triplicate manual receipt copy retained in numerical order. In the event of identified error, the receipt is marked void and all copies of the voided receipt are retained; however, an explanation for the void is not consistently noted.</p> <p>Status: As of July 2010, the Central Cashier migrated from the CAP System to Countywide Receiving (CWR).</p>					
<p>Criteria: (Describe the optimal condition)</p>	<p>Best practices regarding receipt control procedures require that:</p> <ul style="list-style-type: none"> All receipts should be accounted for and properly used in order to affix responsibility, enhance cash control and prevent potential assertion that monies were paid and refund due. Receipts should not be altered, but properly voided and affixed with a reason for the void with retention of all voided copies. 					
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>Incomplete or inaccurate application of accounting controls and cash handling procedures.</p>					
<p>Effect: (Describe or quantify any adverse effects)</p>	<p>Prevents potential assertion that monies were paid and refunds due.</p>					
<p>Recommendation: (Describe corrective action)</p>	<p>Proper receipt procedures should include that:</p> <ul style="list-style-type: none"> All copies of a void receipt should be retained, clearly marked "void" and affixed with a reason for the void. The supervisor should, periodically, scan receipts for proper usage and compliance. Any new receipts should be referenced on the voided receipt. Receipts should never be altered, but properly voided. Compensating processes such as dual sign-off on voids, receipt corrections, supervisory review, testing, and validation. Replace the current manual receipting process with Countywide Receiving POS system. 					
<p>Responsible Department or Organization:</p>	<p>Health and Human Services – (Non-Grant)</p>					
<p>Management's Response:</p>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<p>Respondent:</p>	<p>Ganesh Shivaramaiyer</p>	<p>Date:</p>	<p>5/31/2011</p>
<p>Comments:</p>	<p>DCHHS will follow proper procedure for receipting which includes ensuring that receipts requiring to be voided are appropriately voided with explanation notated on the receipt.</p>					
<p>Disposition:</p>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration			



Finding Number: 09-HHS-01-02
Date: January 19, 2011
Audit: Health and Human Services FY 07-09
Auditor(s) Assigned: JK

<p>Finding:</p>	<p>Internal Control weakness and Unpaid Receivables: Review of billings for laboratory services, receipting of funds, billing procedures, and unpaid receivables revealed:</p> <ul style="list-style-type: none"> • \$19,470 in past due lab invoices with continuation of lab services to delinquent customers • Invoices without sequential control numbers • Billings and collections are not electronically tracked • Limited segregation of duty over the person assigned to prepare invoices, receipt payments, and prepare deposits
<p>Work paper Reference: (or other method by which finding was identified)</p>	<p>Review of lab billing folders for year 2007 thru 2009</p>
<p>Condition: (Describe the current condition)</p>	<p>Invoicing is manually prepared by the Laboratory Administrator/Business Manager using Excel and mailed to various entities. The lab department maintains two manual folders: one for paid invoices and the other for pending invoices. A notation is made upon receipt of payment on the invoice and the invoice copy is transferred to the paid folder. The invoices are payable to Dallas County Auditor; however the remit to address is follows: Attn: "Name", Supervisor Laboratory 2377 N Stemmons , Lockbox 12 Dallas, Texas 75207</p> <p>The lab supervisor opens the mailed payments and writes a manual receipt and stamps the invoice as 'paid'. A copy of the check is made for retention with a receipt copy. The pink copy of the manual receipt and the check are taken to the Central Cashier for posting and depositing with the pink manual receipt subsequently forwarded to the Auditors Office. The Central Cashier issues a corresponding computer receipt which is retained at the department.</p> <p>Pre-numbered invoice forms are not used for billings and billing information is not recorded to a personal computer or computer system.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Management should establish and observe control procedures that reduce risk exposures to a level that is reasonable for a prudent and informed manager in public service.</p> <p>Best practices for internal controls require separation of assigned duties regarding billings, collection, and deposit controls (custody, authorization and recordkeeping) to reduce the likelihood of errors and irregularities.</p> <p>Past due statements should be sent no less than monthly with account holds placed on non-responsive vendors. Uncollectible accounts over \$1,000 should be referred to the District Attorney - Civil Division or a third party collector.</p> <p>Local Government Code § 113.902 states: "The county treasurer shall direct prosecution for the recovery of any debt owed to the county, as provided by law, and shall supervise the collection of the debt."</p>
<p>Cause:</p>	<p>Lack of internal control procedures over billings, collections and deposit.</p>



(Describe the cause of the condition if possible)	Lack of written procedures for handling past due accounts Incomplete follow-up over past due invoices.
Effect: (Describe or quantify any adverse effects)	Limited staff inhibit basic internal controls prohibiting the same person from preparing billings, sending out invoices, receiving payments, and preparing deposits and require compensating controls. Risks include: <ul style="list-style-type: none"> • Potential loss of County revenue • Services provided without compensation • Incomplete audit trail. • Delayed revenue recognition, slow cash flow, and accounts receivable not being posted timely and accurately.
Recommendation: (Describe corrective action)	<ul style="list-style-type: none"> • All work orders/lab service requests should be logged electronically in an Excel spreadsheet or Access database and the log should be maintained the latter of audit review or records retention requirements • All invoices should have a pre-numbered consecutive invoice number or a system generated invoice/tracking number • An electronic file of invoices should be maintained with periodic follow-up on unpaid accounts • Proper segregation of responsibilities discouraging the same employee from preparing billing invoices, receipting payments, preparing deposits, tracking and following-up on unpaid invoices should be documented. Payments should be directed to the central location to be receipted by the central cashier. <p>HHS should develop procedures for handling past due accounts that include:</p> <ul style="list-style-type: none"> • Sending past due notices to customers with invoices 60 days past due. • Ceasing services and sending a final past due notice for customers identified with consecutive 60 day past due invoices if "proof of service" documented. • Submitting customers identified with three consecutive 60 day past invoices to the District Attorney - Civil Division for possible litigation and then to Commissioners Court for sale to a collection service.
Responsible Department or Organization:	Health & Human Services – (Non Grant)
Management's Response:	<input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree Respondent: Ganesh Shivaramaiyer Date: 5/31/2011
Comments:	Of the receivables noted in the review \$18,690 has been received and booked. Reminder invoices for the unpaid billings have been submitted to concerned customers. In addition, duties associated with billing and collection has been segregated, as recommended. The lab staff will provide services rendered to the Medicaid Specialist for invoicing and receipting/deposit of funds will be performed by Financial Administration.
Disposition:	<input checked="" type="checkbox"/> Audit Report <input type="checkbox"/> Oral Comment <input type="checkbox"/> Deleted From Consideration