

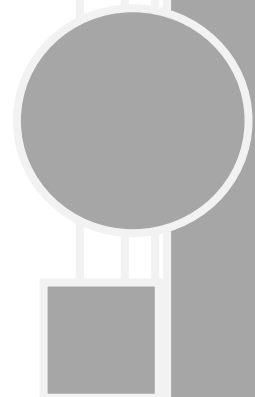


AUDIT REPORT

DALLAS COUNTY

HHS HUMAN SERVICES AND ENVIRONMENT - ICQ AND FOLLOW-UP REVIEW

Darryl D. Thomas
Dallas County Auditor
ISSUED: January 14, 2019
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HHS HUMAN SERVICES AND ENVIRONMENT - ICQ AND FOLLOW-UP REVIEW

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This report is intended for the information and use of the agency/department. While we have reviewed internal controls and financial reports, this review will not necessarily disclose all matters of a 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



DALLAS COUNTY
COUNTY AUDITOR

MANAGEMENT LETTER

Ganesh Shivaramaiyer
HHS Interim Director
Dallas, Texas

Attached is the County Auditor's final report entitled "**HHS Human Services and Environment - ICQ and Follow-up Review**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail except to the auditee.

If you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

A handwritten signature in blue ink that reads "Darryl D. Thomas". The signature is fluid and cursive, with the first name being the most prominent.

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

The mission of the Dallas County Department of Health and Human Services Environmental Health division (HHS-EH) is to protect the health of the citizens of Dallas County through disease prevention and intervention and through the promotion of a healthy community and environment. This is done through assessment, community education outreach, disease monitoring, regulation, and health services that help control the spread of disease. Resources, both human and financial, are directed toward areas where improvement in public health services is needed. The department makes every effort to ensure the people of Dallas County receive information and services needed to maintain and improve their health and provide good stewardship of public resources. The Environmental Health (EH) Division strives to protect the citizens of Dallas County from diseases associated with food, animals, vectors, water, and hazardous waste. A review of the department's actions in response to the internal control weaknesses identified in the audit of fiscal years 2013 and 2014 and responses to an Internal Control Questionnaire about non-grant related processes in place during fiscal year 2018 revealed that the department had taken steps to mitigate internal control weaknesses. We determined that the department has implemented action plans for five of seven findings. While HHS management has made improvements to the internal control environment since the prior audit, the significant observations identified below remain unresolved:

Summary of Significant Observations

- Management partially implemented an action plan related to the authorization process for receipt voids/price overrides. However, cashiers have system rights/roles which allow them to receipt, adjust fees and override/void transactions.
- Management did not implement an action plan related to timely collection of Food Establishment Inspection fees; a City of Lancaster bill for FY17 had not been received as of November 2, 2018.

Repeat Observations from Previous Audits:

- Lack of segregation of cashiering duties.
- Delays in collecting receivables.

Only those weaknesses which have come to our attention as a result of the audit have been reported. It is the responsibility of the department management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department.

INTRODUCTION

Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:

- Comply with applicable laws and regulations
- Safeguard and monitor the assets of the County utilizing sound fiscal policies
- Assess risk and establish and administer adequate internal controls
- Accurately record and report financial transactions of the County
- Ensure accurate and timely processing of amounts due to County employees and vendors
- Set an example of honesty, fairness and professionalism for Dallas County government
- Provide services with integrity
- Work in partnership with all departments to resolve all issues of the County
- Strive to utilize the latest efficient and effective technology in the performance of tasks
- Provide technical support and training in the development, implementation, and maintenance of information systems
- Hold ourselves accountable to the citizens of the County at all times
- Be responsive to the elected officials and department heads of Dallas County

The objectives of this audit are to:

1. Evaluate internal controls.
2. Determine whether department implemented any action plans for prior audit findings.

This Internal Control Questionnaire (ICQ) covered the processes in place during fiscal year 2018.

The audit procedures will include interviews with key process owners, observation of processes, and review of responses to ICQ.

DETAILS

HHS and EH Prior Audit Follow-Up & ICQ Review

A review was performed regarding the status of Health and Human Services Environmental Health (HHS -EH) division's response to findings identified during the audit of fiscal years 2013 and 2014. Inquiry of HHS-EH employees and responses to an Internal Control Questionnaire revealed that the department had taken steps to mitigate the internal control weaknesses identified in the prior audit including establishing detailed, written procedures related to issuing and voiding manual/computer receipts and establishing an approval process for issuing overrides and fee adjustments. The department also established a segregation of duties for the responsibilities of the Medicaid Specialist.

While these measures should strengthen the internal control environment, two areas of concern remain unresolved from the prior audit. In response to our audit finding, HHS-EH now requires managerial approval for overrides, fee adjustments, and voids. However, cashiers have system rights and roles which allow them to receipt, adjust fees and override/void transaction. Delays in the follow-up and collection of outstanding receivables remain; Review of the EH annual inspection accruals revealed that the City of Lancaster bill for fiscal year 2017 had not been received as of November 2, 2018.

Operational practices and review steps relevant to cash management should include procedural controls that requires proper separation of duties and with limited access. System rights and roles should be set-up so that price adjustments and voids do not occur without supervisory oversight. Adjustments to assessments should be made so that both good internal control and audit trails are maintained including compensating controls such as dual sign-off on adjustments, supervisory review and pre-approval, testing, and validation. Management should also show evidence of their review or approval by signature or initials. An exception report should be produced and reviewed by management to ensure the accuracy and appropriateness of the voided receipts. Processing of financial transactions should reflect proper segregation of duties (e.g. users with roles/rights to receipt or void payments should be able to add additional charges, but **not** modify, reduce, or delete assessments).

Inadequate controls for fee adjustments, voids, and cancellations and delayed follow-up on amounts billed for annual food inspections have increased the potential for the loss of Dallas County revenue due to the misappropriation of funds and aged receivables that become uncollectible.

Recommendation

HHS and EH Prior Audit Follow-Up & ICQ Review

The management of HHS has made significant improvements to strengthen the internal control environment and should continue the majority of processes initiated in response to the fiscal years 2013 and 2014 audit to maintain State compliance and provide the best client services in accordance with Dallas County policies.

However, for issues identified as still outstanding from the prior audit, management should:

- Eliminate cashier access and ability to perform voids, overrides, cancellations, and adjustments to minimize responsibility conflicts and the potential for misappropriation. No user should be able to void/adjust/cancel/override their own

receipt.

- Adopt a more consistent collection process for food inspection billings that includes vendor follow-up and second notices sent with deadlines for submissions indicated.

Management Action Plan

Auditors Response

cc: Darryl Martin, Commissioners Court Administrator