



DALLAS COUNTY COUNTY AUDITOR

Memorandum

To: Zachary S. Thompson
Director

From: Darryl D. Thomas
County Auditor

Darryl D. Thomas
AKW

Subject: Human Services and Environmental Health - Review for Fiscal Year 2013-2014

Date: Issued: August 2, 2017
Released: September 15, 2017

Scope:

A review was performed in accordance with statutory guidelines on the financial records, reports, and internal controls of the Human Services and Environmental Health for fiscal year 2013-2014 with an internal control procedures walkthrough completed in January, 2015.

Review 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 identified internal control weaknesses. Testing involved a review of the CLASS County Wide Receipt (CWR) system.

A partial list of the review tests include:

- Performed internal control walkthrough
- Reviewed Internal Control Questionnaire (ICQ) responses
- Performed unannounced cash counts
- Accounted for numerical sequence of manual and computer generated receipts
- Reviewed manual and computer receipts
- Reviewed contracts, receipts and controlled funds
- Reviewed fee assessments for compliance with applicable state laws and Commissioners' Court orders
- Reviewed time and attendance records for compliance with county policies
- Reviewed system access and security controls and procedures

Findings:

Cash Management

Financial Set-Up/System Controls – A limited review of CLASS County Wide Receipt system financial setup and users' access and internal controls for Human Services and Environmental Health (HHS) revealed: HHS and Laboratory do not have written daily procedures and the Medicaid Specialist reconciles payments, submits EFT payments, and bills and collects.

Departmental responses to the Internal Control Questionnaire (ICQ) and inquiry of Human Services and Environmental Health staff revealed: four users with cashier responsibility have supervisor responsibilities.

Manual Receipts – A review of manual receipts and related procedures revealed: Environmental Health (EH) uses manual receipts books that were not issued from the Dallas County Supply room; two voided EH manual receipts were missing the white copy; three voided Health Services manual receipts had no explanation indicated; six Health Services manual receipts were altered instead of being voided; the Central Cashier had four voided manual receipts with no explanation indicated; six voided manual receipts were not marked “void”; four manual receipts not used in numerical sequence; three voided manual receipts that were missing the white copy; three manual receipts that were altered instead of being voided; the Central Cashier does not include the manual receipt numbers on CWR computer receipt memo line; and the reviewed Central Cashier manual receipts reviewed did not have the computer receipts attached.

Departmental processes and responses to the ICQ and inquiry of HHS staff revealed: EH uses manual receipts when receiving overpayments and the Central Cashier does not enter the manual receipt numbers in the memo line when inputting them into the CWR system.

Risks identified during the walkthrough of department’s internal control processes revealed: the Central Cashier uses manual receipts for payments received after 4:00 p.m. when the register has been closed for the day. Manual receipts are used by the Environmental Health section and for Nursing Services Saturday operations. Approval is not required to process voids; however, receipts are reviewed by HHS-Director before submission to the Internal Audit Clerk for reconciliation.

Computer Receipts – A sample review of computer receipts, computer receipt procedures, and adjustments revealed: EH had two deposit information slips for reset numbers 22381 on 3/13/14, and 24270 on 6/25/14, that were not provided to Internal Audit for reconciliation; EH had twenty-three CWR receipts that did not reflect the manual receipt number indicated; EH had two computer receipts that had the incorrect inspection address indicated; EH had two instances where the Food Establishment Inspection fees were paid more than 3 months after the billed date; Health Services had seven (15 reviewed) manual receipts that were posted to CWR more than three business days after issuance; Lab Services had three invoice numbers that were not indicated on the CWR receipts; Lab Services had nineteen CWR receipts that do not have the Lab group code indicated (receipts included in all categories); Nursing has five CWR receipts that did not have the payer name indicated; Nursing also has five CWR receipts that did not have the Nursing group code indicated (receipts included in all categories).

Risks identified during the walkthrough of department’s internal control processes revealed: the Central Cashier and Nursing Services’ payment windows remain open from 8:00 a.m. to 4:00 p.m., Monday through Friday; cashiers and staff do not verify that the customer is not on the Treasurer’s NSF check list before accepting personal checks; Health Services and Laboratory Services have an inadequate of segregation of duties; Environmental Health section and Laboratory Services section do not log checks received through the U.S. mail; Environmental Health and Laboratory Services sections forward all payments received to the Central Cashier between 3:00-3:30 daily; and voided receipts are maintained in an envelope by the cash register.

Fee Adjustment/Cancellations/Voids – A sample review of twenty adjustments (charge reductions), and thirty cancellations/void computer receipts revealed: three users with cashier responsibility also have price adjustment responsibilities and all Nursing Services and Central Register cashiers have capability to perform price adjustments without prior approval and no explanation indicated on the receipt.

Departmental responses to the Internal Control Questionnaire (ICQ) and inquiry of Human Services and Environmental Health staff revealed: employees other than supervisory personnel are authorized to do credits, adjustments, void receipts.

Risks identified during walkthrough of department's internal control processes revealed: approval is not required to process voids, however, receipts are reviewed by HHS-Director before submission to the Internal Audit Clerk for reconciliation and verbal approval is the only requirement to post adjustments to cases in CWR. No evidence (written documentation or through system) of authorization or review of adjustments exist.

RECOMMENDATIONS:

Cash Management

Financial Set-Up/System Controls – System rights and roles should be reviewed periodically including user access lists and determining whether the access expected at necessary levels of control-access are valid. Processing of financial transactions should reflect proper segregation of duties to reduce the risk of misappropriated funds. All rights and roles should be periodically reviewed to ensure users have only the rights necessary to perform their core job functions. Due to limited staff, compensating processes such as dual sign-off on receipt corrections, till balancing documents, and deposit forms should be implemented along with management review, testing, and validation.

Management Response: *DCHHS has detailed procedures for collection of fees for services, receipting, and deposit control. We are including a copy of the DCHHS Policy, Procedures, and Best Practices (PP&BP) chapter that covers this particular function. Additionally, DCHHS does have segregation of duties as it pertains to staff receipting cash proceeds, staff performing deposit reset functions and supervisory staff sign-off on deposit forms. Furthermore, segregation of duties also addresses Medicaid, Medicare and third party billing in which the program staff performing services do not perform invoicing functions. Invoices are, specifically generated by the Medicaid Specialist within the Financial Administration section, thus ensuring that internal controls are in place. In addition, please find reference to dual sign-off for payment overrides as well as voiding transactions in section 5.1.F and 5.1.G of the DCHHS PP&BP respectively.*

Auditor's Note: *DCHHS does have detailed procedures for collection of fees for service, receipting, and deposit control. The DCHHS procedures included in management's response were last updated in June, 2016, subsequent to our Review.*

Manual Receipts – The cashier supervisor or management should periodically review manual receipts for proper usage. Funds received should be receipted with a computer generated receipt or a manual receipt if the CLASS CWR system is "down". Once CLASS CWR system is operational, any money receipted on manual receipts should be posted in full. In order to readily verify that the posting has been made, a computer generated receipt should be attached to the manual receipt. Voids should require approval before being processed as evidenced supervisory review or approval by signature or initials. Implement procedures that remove the authorization and maintenance of voids to segregated sections to minimize the opportunity for unauthorized and misuse of voided receipts. Voided receipts should be stored in a secure location in sequential order by management not involved in the receipting and approval process. Manual receipts should not be altered, but properly voided and affixed with a reason for the void with retention of all voided copies. Manual receipt should be used in numeric sequence and the numbers indicated in the comments of the CLASS CWR computer receipt. Written procedures for the receipting function should be reviewed at least annually and updated as needed.

Management Response: *The Environmental Health Division does utilize receipt books issued from the Dallas County supply room. Additionally, since the Review, Environmental Health staffs are following appropriate receipting guidelines referenced in Sections 5.1.G, 5.2 and Attachment-7 of the DCHHS PP&BP, which include:*

- *Utilizing receipt books issued from Dallas County supply room*
- *Keeping copies of all voided receipts on file*
- *Stating explanation for voids on voided receipts*
- *Manual receipts not being altered*
- *Marking "Void" on all voided receipts*
- *Using manual receipts in numerical sequence*
- *Including manual receipt number on CWR computer receipts*
- *Attaching computer receipts to respective manual receipts*

Computer Receipts – All payments should be receipted and deposited in accordance with V.T.C.A., L.G.C. § 113.022. Closeout and balancing procedures should include deposit of checks the next business day after receipt. All registers should be reconciled and closed daily and included on a CWR deposit through the DC98 deposit functionality. Computer receipts should include the manual receipt number in the memo and the proper section group name or code. Receipts should include the correct payer name, address, and invoice number where applicable and retained with all supporting documents in accordance with Records Retention guidelines. Computer receipts should not be altered, but properly voided and affixed with a reason for the void. Voids should require supervisory approval. No user should void their own issued receipt. Voided receipts should be reviewed and initialed by a supervisor at the next level up. All copies of voided receipts should be retained in a controlled area with minimum access (the latter of Records Retention requirements or audit completion date). Deposit reset information should be remitted timely to the Internal Audit section of the County Auditor's Office to ensure proper reconciliation. Food Establishment Inspection fee billings should be timely receipted through defined collection efforts. All payment windows and receipting sections should remain open from 8:00 a.m. to 4:30 p.m. Monday through Friday in accordance with Dallas County policy, Section 82.32. Cashiers and staff should verify whether each customer is not on the Treasurer's NSF check list before accepting personal checks. Cash handling and billing duties should be properly separated. Due to limited staff, compensating processes such as dual sign-off on receipt corrections, register balancing documents, and deposit forms should be implemented along with management review, testing, and validation. Consider logging / scanning checks when the mail is opened.

Management Response: *Payments are receipted in accordance with V.T.C.A., L.G.C. 113.022. Please see responses to the previous two findings above regarding controls for receipting and depositing functions.*

Fee Adjustments/Cancellations/Voids – 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 could 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).

Management Response: *DCHHS has always required supervisory approval for any price adjustments necessary. Since the Review, DCHHS has implemented procedures to ensure that all such adjustments have documented evidence of supervisory review. Additionally, controls for voids and cancellations are*

also in place. Copies of the approved void receipts are forwarded to the Accountant. The Accountant retains and reconciles the void receipts to the CWR DC7 Report on a monthly basis. The exception report is then presented to management for review. Exception reports evidence dual sign-offs.

SUMMARY

The report is intended for the information and use of the department. While internal controls and financial reports were reviewed, all matters of a material weakness may not have been identified. 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.

Highest areas of risk which need to be addressed include: inconsistent control procedures for receipting, manual receipts, disbursing, and depositing as well as lack of annual verification of investment bank balances.

Emphasis on outlined procedures should provide for improved departmental processes. Consideration of all issues and weaknesses should be incorporated by the Welfare Department as a self-assessment tool. Adherence to and follow-through with the recommendations should strengthen internal control and compliance with Dallas County policies and procedures.

cc: Darryl Martin, Commissioner's Court Administrator
Ryan Brown, Office of Budget & Evaluation