



OFFICE OF INTERNAL AUDIT

Report to the
Board of Supervisors

Public Health

Cash Controls

Lori Stripling, Internal Audit Officer
Bill D'Elia, Senior Internal Auditor

June 2011

TABLE OF CONTENTS

Executive Summary	3
Background, Scope and Methodology	5
Overall Evaluation and Results	6
Finding A: Public Health Cash Handling	6
Finding B: County Issues	8

Attachment: Management Response and Action Plan

Executive Summary

The Office of Internal Audit has completed an audit of Public Health Cash Controls. This audit was included in the Office of Internal Audit's Fiscal Year 2010-2011 Annual Audit Plan, approved by the Board of Supervisors. Our audit was planned and conducted in accordance with Generally Accepted Government Auditing Standards. The purpose of our audit was to determine if cash handling procedures at Pinal County Public Health facilities are adequate.

The Pinal County Public Health Department's Accounting Office collects over \$3 million in checks and cash each year. They collect grant funds and payments from insurance companies, and process collections from twelve (12) public health clinics. They also manage the Vital Records office, which collects fees for birth and death certificates. Checks and cash collected at the health clinics are recorded in the County's automated 'Insight' system, while cash and checks collected at Vital Records in Florence are recorded in the state Vital Records system. These systems do not interface with the County's financial system; therefore, revenue is not recorded on the County's financial records until the cash and checks are transported from the clinics to Public Health (administration) in Florence and deposited with the County Treasurer.

Our conclusion is that cash handling procedures would be strengthened with implementation of an automated point of sale system interfacing with the County's financial system. Further, current internal controls established to compensate for this deficiency could be improved.

We noted the following during the audit:

- Unannounced cash counts confirmed cash change funds and un-deposited receipts were accounted for
- Cash is locked in secure containers and restricted to authorized personnel
- Voided receipts are approved by central accounting
- Automated systems generate customer receipts
- Cash and checks are deposited timely with the County Treasurer, as required by County financial policies and procedures
- Procedures have been established for collection on customer checks returned for insufficient funds

We also identified opportunities for enhancing the internal control environment:

- Total daily system receipts should be reconciled with the Treasurer's Report (deposit)
- Total daily system receipts should be reconciled with cash turned in from the clinics
- Controls over mail and mobile clinic receipts should be tightened

- Donations from the public should be adequately controlled
- Long term planning should include considering the purchase of an automated point of sale system and accepting customer payment by debit and credit cards

We would like to thank the management and staff of the Pinal County Public Health and Finance Departments for their assistance and cooperation during the course of this audit.

The following report provides additional details of our audit observations and recommendations.

Lori Stripling
Pinal County Internal Audit Officer

Background

The Office of Internal Audit has completed an audit of Public Health Cash Controls. The audit was conducted in accordance with Generally Accepted Government Auditing Standards and included such tests of internal controls as deemed necessary.

The Pinal County Public Health Department Accounting Office collects over \$3 million in checks and cash each year. They collect grant funds and payments from insurance companies, and process collections from twelve (12) public health clinics. They also manage the Vital Records office, which collects fees for birth and death certificates. Checks and cash collected at the clinics are recorded in the County's automated "Insight" system, while cash and checks collected at Vital Records in Florence are recorded in the state Vital Records system. These systems do not interface with the County's financial system; therefore, revenue is not recorded on the County's financial records until the cash and checks are transported from the clinics to Public Health (administration) in Florence and deposited with the County Treasurer.

Scope and Methodology

The purpose of our audit was to determine if cash handling procedures at Pinal County Public Health facilities are adequate. Our specific objectives were to determine if:

- Change funds and un-deposited receipts are accounted for at all times
- Cash is properly secured and access is limited
- Customers receive receipts for their transactions
- Cash collected is promptly deposited with the County Treasurer
- Returned checks are properly managed
- Cash collected is properly reconciled to system data and actual deposits

To accomplish our objectives, we:

- Interviewed appropriate Public Health Department management and staff
- Reviewed policies, procedures and other documents related to Cash Handling
- Performed a surprise cash count at four selected clinics
- Determined if established procedures were being followed and were adequate
- Reviewed various fees charged for services

SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS

Overall Evaluation

Our conclusion is that cash handling procedures would be strengthened with implementation of an automated point of sale system interfacing with the County's financial system. Further, internal controls established to compensate for this deficiency could be improved.

We noted the following during the audit:

- Unannounced cash counts confirmed cash change funds and un-deposited receipts were accounted for
- Cash is locked in secure containers and restricted to authorized personnel
- Voided receipts are approved by central accounting
- Automated systems generate customer receipts
- Cash and checks are deposited timely with the County Treasurer, as required by County financial policies and procedures
- Procedures have been established for collection on customer checks returned for insufficient funds

However, some improvements would enhance the internal control environment:

- Total daily system receipts should be reconciled with the Treasurer's Report (deposit)
- Total daily system receipts should be reconciled with cash turned in from the clinics
- Controls over mail and mobile clinic receipts should be tightened
- Donations from the public should be adequately controlled
- Long term planning should include considering the purchase of an automated point of sale system and accepting customer payment by debit and credit cards

Details of our findings are discussed in the audit results section below.

Audit Results

A. Public Health Cash Handling

Cash handling controls, established to compensate for the lack of an automated point of sale system that interfaces the Public Health cash receipt systems and the County Financial system, could be improved.

We specifically noted:

- Accounting personnel verify that cash and checks received from individual clinics agree with the accompanying hard copy receipts, but do not verify these receipts agree with the total of those recorded in the Insight cash receipt system. This is important because clinic receipts are not always turned in and deposited on a daily basis.
- Additionally, a supervisor does not verify the funds deposited with the Treasurer balance to the system cash receipts summary, as required by County policy.
- Checks received by mail are not posted to a log and dual signed, as required by County policies. Rather, they are opened by one individual who posts them to an automated log on a shared drive. This log is accessible by multiple personnel, including those with access to the un-cashed checks and accounting transactions.
- Controls over donation box revenues are weak. The boxes are not secured to the wall, and the monies are emptied by one individual, who is also responsible to enter the revenue in the Insight system. In addition to separation of duties, enhancements would include a donation request sign providing the public notice they should obtain a receipt for their donation. A central phone number should be displayed, as well, to allow the public to call and report any discrepancy.
- The Mobile clinic does not have access to the automated Insight system. Personnel were not using pre-numbered receipts, logged out to the clinic operator by central accounting, as required by County policies. The clinic operator was both collecting cash and managing the receipt stock. At the time of our review, the operator had run out of pre-numbered receipts and was issuing generic unnumbered receipts to customers.
- The change fund at the Apache Junction clinic is signed out to an individual no longer employed by Pinal County. Public Health personnel did not follow Pinal County Procedure 8.7 requiring a change in custodian form be completed and the fund reassigned.

Compliance with County policies and procedures, and establishing strong internal controls, reduces the likelihood of misappropriation of County Funds.

Recommendations:

1. *The Assistant Public Health Director for Accounting and Support should ensure the daily Treasurer's Report (deposit) is reconciled to cash receipts recorded in the automated Insight system and verified by a supervisor.*

2. *The Assistant Public Health Director for Accounting and Support should establish procedures to ensure all cash and checks collected at clinics are independently reconciled to revenue recorded in the Insight system.*
3. *The Assistant Public Health Director for Accounting and Support should require that checks received by mail are logged in, and the check log is dual signed. Personnel responsible for recording transactions should not have access to the checks or check log.*
4. *The Assistant Public Health Director for Accounting and Support should discontinue use of unsecured donation boxes. Donation request signs should be installed, providing public notice to obtain a receipt for all donations, and also providing a central phone number to call and report any discrepancy.*
5. *The Assistant Public Health Director for Accounting and Support should require that the mobile clinic use pre-numbered receipts, which should be logged out and reconciled by central accounting.*
6. *The Assistant Public Health Director for Accounting and Support should ensure all change funds, and specifically the Apache Junction Public Health change fund, are assigned to current responsible employees in accordance with Pinal County Policy 8.7, and when an employee terminates from Pinal County any associated change fund is immediately reassigned.*

B. County-wide Issues

The lack of modern information systems and automated interface between department cash receipting systems and the County Finance System has contributed to the cash handling deficiencies identified in Finding A. Specifically:

- Cash receipts and accounts receivable information, recorded in the Insight and Vital Records systems, do not interface with the County's financial system, which results in a delay of recording revenue. While the County is planning to modernize its financial system, it is not clear if integrating these functions or assuring interface with the stand-alone systems has been specifically addressed. We also noted certain accounts receivables, such as those for death certificates issued to funeral homes, are manually billed and tracked, and they are not recorded in the County's financial system. We noted this is a recurring problem within Pinal County.
- Management believes revenue could be enhanced, and cash collection simplified, if debit and credit cards were accepted as payment for services. Prior County Management did not support acceptance of debit and credit cards.

One final concern is that the County neither passes on the current bank fee of \$2 nor imposes an administrative processing fee to customers for their checks returned for insufficient funds. Fees could be used to offset collection costs.

To summarize, the following would provide further assurance that County funds are protected from theft or loss, and would enhance revenue collection:

- Establishing modern interface between information systems
- Recording accounts receivables
- Accepting customer payment by debit and credit cards
- Recouping collection costs for customer checks returned for insufficient funds

Recommendations:

7. *The County Manager should ensure comprehensive planning for a new County financial system includes incorporation or interface of cash receipting and accounts receivable functions throughout Pinal County.*
8. *The County Manager should explore implementing use of Debit and Credit cards for collection of County Fees.*
9. *The County Manager should consider imposing fees to offset collection costs for customer checks returned for insufficient funds.*

Attachment:

Management Response and Action Plan

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<p>1. <i>The Assistant Public Health Director for Accounting and Support should ensure the daily Treasurer's Report (deposit) is reconciled to cash receipts recorded in the automated Insight system and verified by a supervisor.</i></p>	Yes	Daily cash drawer report will be provided to supervisor. Supervisor will compare the report to the daily Treasurer's Report to verify funds received are deposited.	6/1/11	Kandi Harris Audree Unger
<p>2. <i>The Assistant Public Health Director for Accounting and Support should establish procedures to ensure all cash and checks collected at clinics are independently reconciled to revenue recorded in the Insight system.</i></p>	Yes	Central Support and Accounting staff will run a daily cash drawer report for each clinic site. A spreadsheet will be created to track the revenue and the receipt of it from each clinic site. Any discrepancies will be reported to the Clinic Operation's Manager (COM) and Assistant Director of Public Health for Operations for follow-up.	Done 5/6/11	Kandi Harris Audree Unger Gwena Vincent
<p>3. <i>The Assistant Public Health Director for Accounting and Support should require that checks received by mail are logged in, and the check log is dual signed. Personnel responsible for recording transactions should not have access to the checks or check log.</i></p>	Yes	Daily check log will be printed and signed by the individual opening the mail and a supervisor. The check log will be filed with the accountant each day.	6/1/11	Kandi Harris Audree Unger

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<p>4. <i>The Assistant Public Health Director for Accounting and Support should discontinue use of unsecured donation boxes. Donation request signs should be installed, providing public notice to obtain a receipt for all donations, and also providing a central phone number to call and report any discrepancy.</i></p>	Yes	<p>Donation boxes will be removed from the clinics. Instead signs will be created in both English/Spanish to be posted in the clinics regarding donations, receipts, and Public Health Administration phone number.</p>	8/1/11	Kandi Harris Andrea Gutierrez
<p>5. <i>The Assistant Public Health Director for Accounting and Support should require that the mobile clinic use pre-numbered receipts, which should be logged out and reconciled by central accounting.</i></p>	Yes	<p>Assistant Director of Public Health for Operations has requested VPN Access for the mobile unit so staff will have access to Insight on the unit; therefore, receipts will be printed onsite.</p>	Done 5/12/11	Kandi Harris Andrea Gutierrez
<p>6. <i>The Assistant Public Health Director for Accounting and Support should ensure all change funds, and specifically the Apache Junction Public Health change fund, are assigned to current responsible employees in accordance with Pinal County Policy 8.7, and when an employee terminates from Pinal County any associated change fund is immediately reassigned.</i></p>	Yes	<p>The Change in Petty Cash Fund or Change Fund Custodian form has been completed and forwarded to the Finance Department for their records.</p>	Done 5/19/11	Kandi Harris Andrea Gutierrez

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
7. <i>The County Manager should ensure comprehensive planning for a new County financial system includes incorporation or interface of cash receipting and accounts receivable functions throughout Pinal County.</i>	Yes	The new financial system will be evaluated to include incorporation or interface of cash receipting and accounts receivable functions throughout Pinal County and will be evaluated, based on financial resources.	1/11/12	CM C.I.O. Finance Director
8. <i>The County Manager should explore implementing use of Debit and Credit cards for collection of County fees.</i>	Yes	The County Manager will continue to evaluate the use of credit/debit cards.	9/1/11	CM Finance Director
9. <i>The County Manager should consider imposing fees to offset collection costs for customer checks returned for insufficient funds.</i>	Yes	The County Manager has already identified as a priority for FY11/12, the comprehensive review of all fees charged by County operations. We will add potential fees for returned/insufficient funds checks.	9/1/11	CM Finance Director