

**CITY of
SPRINGFIELD**



Internal Audit Report

Springfield/Greene County
Health Department

March 2013

2013-04

Springfield/Greene County Health Department
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March 26, 2013

Honorable Mayor and Members of the City Council:

I am pleased to present the attached internal audit report on the Springfield-Greene County Health Department (the "Health Department"). The purpose of the audit was to evaluate controls over operations of the Health Department and identify opportunities to enhance internal controls and further mitigate risks based on the audit objectives.

A draft for discussion was provided to the Director of the Health Department and the City Manager's Office prior to the release. The Health Department was very responsive to the recommendations.

The accompanying Background and Statistical section of the audit report is presented for informational purposes. This information was obtained from the Health Department's management and was not subjected to the procedures applied in the audit.

I would like to thank the staff at the Health Department for their full cooperation and assistance provided during this audit.

Respectfully submitted,

Kristy Bork, CPA
Internal Auditor
City of Springfield

Attachment

cc: Greg Burris, City Manager
Fred Marty, Deputy City Manager
Collin Quigley, Assistant City Manager

Authorization

The Internal Audit Department has conducted an audit of the operations of the Springfield-Greene County Health Department (the “Health Department”). The audit was conducted under the authority of Chapter 2, Section 15, of the Springfield City Charter and in accordance with the Annual Audit Plan approved by City Council. This audit only covers operations and financial transactions for which City Council has governance.

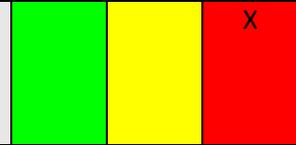
Audit Objectives Scope and Rating

This audit was performed in accordance with *Generally Accepted Government Auditing Standards*, which included tests of the controls and records and other audit procedures that the Auditor considered necessary in the circumstances. The following discussions and conclusions are based on the existing internal controls as of the date of this report. Opinions and conclusions could change as a result of changes to existing internal controls or changes in the applicable laws and regulations. This audit covered the fiscal year ending June 30, 2012, although the Auditor examined certain events and transactions occurring before and after that period.

The specific audit objectives and ratings of each objective are noted in the following table. The overall results of the audit indicate that the control environment at the Department is **yellow**. The rating definitions are included in *Appendix A* of this report. The rating system evaluates control risk, or the risk that internal controls in place will adequately prevent or detect fraud, errors, misuse of City assets, and/or maintain compliance with regulatory standards. Unless otherwise stated in the report, the ratings do not necessarily indicate that fraud and/or abuse have occurred, but indicate the need for additional controls.

	Objective Ratings		
Audit Objectives			
OBJECTIVE #1 – Evaluate the effectiveness of controls over cash collection procedures and revenue recognition and ensure such controls are in place to adequately segregate duties to minimize the risk of loss due to error or theft.		X	
OBJECTIVE #2 – Evaluate the effectiveness of internal controls over third-party patient billing.		X	
OBJECTIVE #3 – Evaluate the internal controls over budgeting and spending to ensure revenue assumptions are appropriate and ensure compliance with City purchasing policies.		X	

OBJECTIVE #4 – Evaluate controls over grants, including review of revenue recognition, and ensuring costs recorded against grants are appropriate and allowable according to grant terms.



Overall Conclusion

The Health Department needs to continue to improve review processes, not only by making sure review processes are meaningful, but also to ensure that needless and ineffective reviews are removed. Additionally, more timely and accurate reconciliation of grants will ensure that all grant funds are being used during the grant contract period and money is not being left on the table.

Background

The Health Department impacts each Springfield and Greene County resident every single day, through safe air, safe food, immunizations, disease control and prevention, and other programs that protect public health.

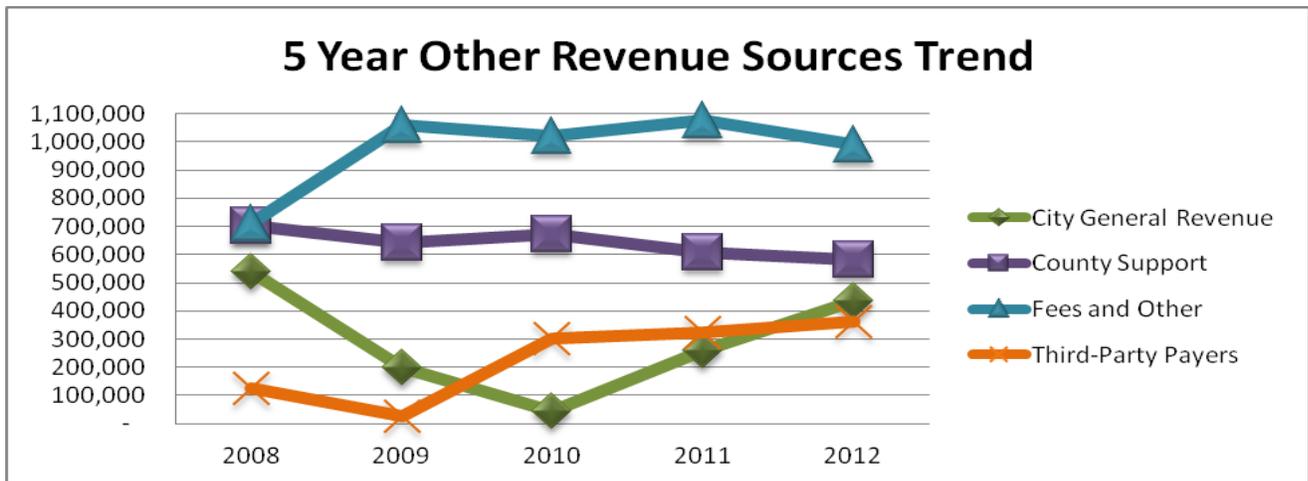
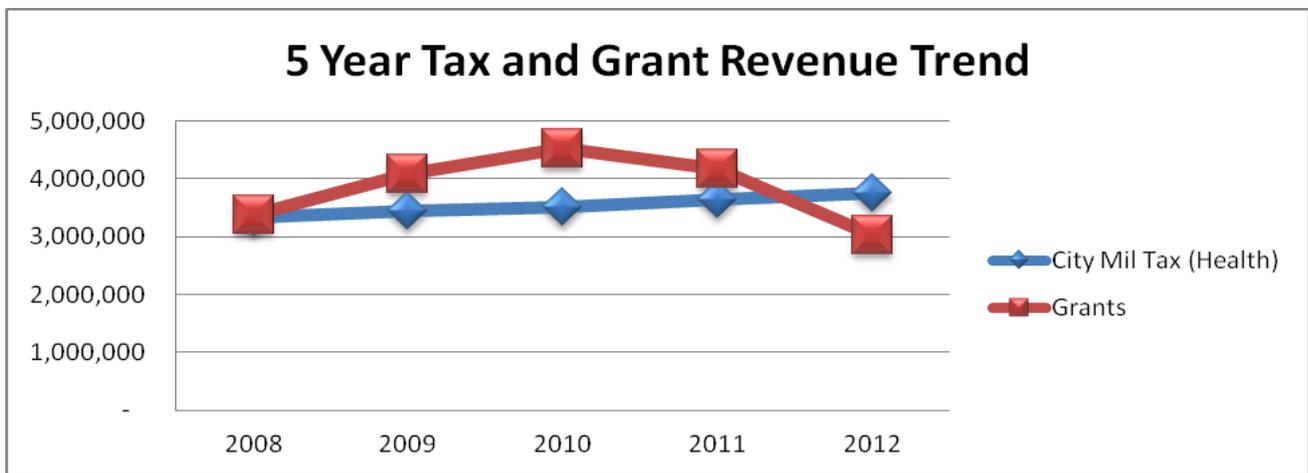
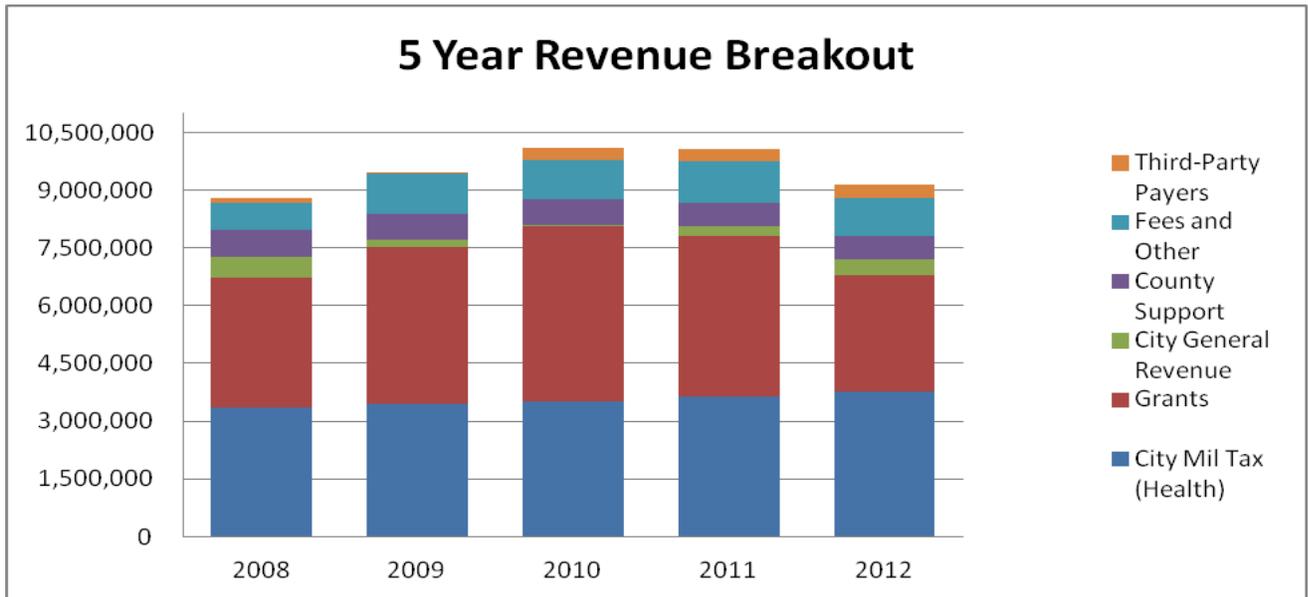
The Springfield Department of Health was established with the passage of Special Ordinance 139 on July 14, 1873. Its early tasks were operating a children’s home and a hospital. In the early 1900s, the Department prioritized controlling venereal diseases. In the 1920s and 1930s, it began expanding its environmental programs, and by the 1940s, greater emphasis was given to providing medical services to the indigent. In the 1950s and 1960s, the Department’s focus on sanitation services shifted to a broader focus on air, water, housing, insect and rodent control and environmental epidemiology.

In 1977, the City and County health departments entered into a funding agreement for selected personnel yet maintained separate budgets. Personnel were declared City of Springfield employees. The Department still prepares separate budgets for adoption by the City of Springfield and Greene County, with a unified budget approved by City Council.

Today, the Department continues to devote its efforts and resources to improving public health, with an increased focus on preventative health. The department employs approximately 102 individuals, including 10-15 temporary/seasonal and contract workers. The employees are organized under five main divisions: Community Health, Environmental Health, Administration, Chronic Disease Prevention, and Maternal, Child, and Family Health.

Staff at the Health Department work diligently to ensure the water we drink and the food we eat is safe. They slow and stop the spread of disease through immunizations, clinic testing and treatment, education, surveillance, and disease investigation. They restrict the ability of viruses, germs and bacteria to spread by reducing vectors, immunizing residents, and teaching healthy behaviors. They work to fill the gaps in medical care among the most vulnerable in our community. They offer information, resources, and services that empower members of our community to live longer, healthier, happier lives.

The Following graphs provide a historical view of revenue trends for the Health Department:



Audit Objective Analysis and Opportunity for Improvement

Objective 1: Evaluate the effectiveness of controls over cash collection procedures, and ensure such controls are in place to adequately segregate duties to minimize the risk of loss due to error or theft.

In planning and performing the audit, the Auditor considered the Department's internal control over the cash collection/revenue accounting cycle as a basis for designing auditing procedures. The Department is responsible for collecting user fees and donations. The Department should have adequate controls to ensure risks associated with the collection of program fees, recording of transactions, and proper financial reporting are properly mitigated.

To test the above-stated objective, the Auditor performed the following tests: interviewed management and staff, observed collection procedures, reviewed accounts receivable records and controls, and compared a sample of recorded transactions from the general ledger to supporting documentation. Based on these tests, the Auditor identified the following opportunities for improvement of the above-stated objective; items are considered significant deficiencies in controls, but are not considered to be material weaknesses.

Opportunities for Improvement (OFI):

- a. The Business Office of the Health Department collects fees for the issuance of vital records, i.e., birth and death certificates. Staff performing collection procedures for vital records are required to hand-write a pre-numbered receipt for each transaction. However, the pre-numbered receipt is not given to the customer if the vital record is issued on a pre-numbered certificate. Staff is also required to track both pre-numbered certificates and receipts.

It appears staff is performing dual receipting, and tracking two sets of pre-numbered receipts for the same transaction. The City's "Financial Control Procedure" manual requires receipts be issued for all transactions and considers pre-numbered official certificates to be an acceptable receipting method. This dual effort does not appear to be necessary per City policy and should be suspended as the sequential numbering of pre-numbered certificates can be tracked. Pre-numbered, hand-written receipts should still be used when no other receipting method is available.

- b. The Business Office of the Health Department requires two individuals prepare and review, plus a supervisory review of cash remittances before remittances are turned over to the cashier. In accordance with the City's "Financial Control Procedure" Manual, if staffing levels permit, an individual independent of the payment collection shall complete the remittance. The Manual does not require more than one individual to perform a review.

Management may want to limit the amount of review as it does not appear to provide any additional control over the cash collection process and promotes an environment of unnecessary review and inefficiency within the accounting processes.

- c. The Immunization Clinic of the Health Department, uses a patient practice management software package to track patient medical records. However, the Health Department does not use the billing module and issues hand-written pre-numbered receipts. Using the billing module would provide better efficiencies and controls over cash collections and receipting and limit the amount of hand-written work that is necessary in the current cash collection procedures.

Objective 2: Evaluate the effectiveness of internal controls over third-party patient billing.

To test the above-stated objective, the Auditor performed the following tests: interviewed management and staff, reviewed controls over billing patient claims to third party payers, reviewed a sample of remittances from Missouri Medicaid and reviewed correspondence received by the Health Department from Missouri Medicaid. Based on these tests, the Auditor identified the following opportunities for improvement of the above-stated objective; items are considered significant deficiencies in controls, but are not considered to be material weaknesses.

Opportunities for Improvement (OFI):

- a. The Business Office of the Health Department bills third parties manually by receiving paper billing documents from the Department's various clinic locations. This is an inefficient process that allows for the possibility of losing billing documents between the clinics and the business office. Currently, if staff destroys paper records, there would be little or no way for management to know if records were missing. Additionally, by not having a billing module, the Department does not have an outstanding patient accounts receivable listing to properly understand and manage.

Management should review the need to maintain better accounts receivable records and use an electronic billing module. If the electronic billing module were used, it would allow for a more expedient and efficient billing process, as well as provide a listing of patient accounts for which the billing data and statistics on the clinic population can be reviewed and tracked.

- b. The Business Office bills Missouri Medicaid for services performed at the clinics for which the Health Department can get reimbursement from Medicaid. The Health Department does not have any formally trained billing and coding staff. The Health Department should work to provide additional training to employees that are

performing billing functions. In addition, the Health Department should also be attempting to bill other payers such as Medicare or other third-party private insurers, as Medicaid should be the payer of last resort.

Objective 3: Evaluate the internal controls over budgeting and spending to ensure revenue assumptions are appropriate and ensure compliance with City purchasing policies.

To test the above-stated objective, the Auditor performed the following tests: interviewed management and staff, reviewed bid documents, purchase orders, and contracts for a sample of large purchases, reviewed a sample of other professional services expense, and reviewed a sample of journal entries. Based on these tests, the Auditor identified the following opportunities for improvement of the above-stated objective; items are considered deficiencies but are not considered to be material weaknesses.

Opportunities for Improvement (OFI):

- a. When testing expenses, there were certain purchase orders and contracts that were expensed to two separate accounts during the fiscal year. For example, lease payments were expensed to a miscellaneous operating supplies account for part of the year and a lease expense account for the remaining part of the year; and noted a laboratory supplies purchase order was recorded to two separate general ledger accounts. The Health Department should be consistent when coding expenses to ensure comparability and accuracy of accounting records.
- b. When testing journal entries; it was determined that the Health Department prepared a lot of journal entries in which they moved expenses from one fund to the next. The Auditor requested supporting documentation for the reclassification and noted there was little to no documentation at times. Additionally, the journal entry descriptions were vague and provided little information as to why the expenses needed to be moved.

Although there didn't appear to be any entry in which the propriety of the entry was questioned, it appears that if more time and care was taken on the front end to code expenses properly, many entries would not be necessary. Additionally, better journal entry descriptions and documentation should be maintained for all journal entries.

- c. The Business Office prepares a monthly recap of activity for the various divisions within the Health Department. However, Management does not use this information to proactively manage and discuss at administration staff meetings monthly. The Health Department should ensure that all Health Administrators understand what the financial information provided means, and how to proactively manage the division based on the actual financial data being reported.

- d. In 1977, the City and Greene County (the "County") entered into a funding agreement in which the County agreed to fund certain employees to perform public health functions in the County. These employees, funded by the County, reported to the Director of the Springfield/Greene County Public Health Department, a department of the City. Since 1977, the Greene County Commissioners have provided county budget appropriations and/or direct staffing resources to assist the Springfield/Greene County Health Department in providing public health services to all citizens in Greene County.

Over the years, the funding support from the County has changed, and due to recent budget cuts the funding has steadily decreased. In return, the Health Department has cut certain services, such as animal control, to County residents. Currently, per capita public health funding from the County is substantially less than the per capita public health funding by the city of Springfield for comparable levels of service. The City Manager is currently pursuing this issue with Greene County officials in an attempt to balance the per capita funding contributions.

The Auditor agrees with the City Manager's Office and the Health Department's management that the City should continue to work with Greene County to ensure that special revenue taxes paid by City residents are not being used to fund public health services within the County. City Management should work with Greene County officials to determine a funding mechanism and develop a written funding agreement similar to agreements entered into for the County-Wide Parks Sales Tax and the Law Enforcement Sales Tax.

- e. The Health Department needs to continue to look for ways to fund a new, expanded animal shelter. The current shelter, although workable, appeared undersized for the amount of use, and the shelter is located in a flood plain. Although local groups and Health Department Management agree a new shelter is necessary due to the continued growth and need for animal control, there have been no funding mechanisms identified to meet this need.

Objective 4: Evaluate controls over grants, including review of revenue recognition, and ensuring costs recorded against grants are appropriate and allowable according to grant terms.

To test the above-stated objective, the Auditor performed the following tests: interviewed management and staff, reviewed grant contracts and terms, and tested controls over grant compliance and grant expenditures. Based on these tests, the Auditor identified the following opportunity for improvement of the above-stated objective; item a. is considered a material weakness in control.

As the City's A-133 Single Audit reports selected the WIC and HIV grant programs as major federal programs, no additional testing was performed on these grants during this audit. Please reference the Single Audit reports for testing performed on these grants.

Opportunities for Improvement (OFI):

- a. When reconciling grants at the end of the June 30, 2012, fiscal year, the Business Office staff determined they had not received reimbursements of expenses for a State of Missouri emergency preparedness grant for which expenses had been incurred in July 2011. By the time the error was found it was too late to request reimbursement from the state of Missouri. The City's Financial Control Procedure Manual notes that City Departments have the responsibility of timely filling for reimbursements from the grantor and are to maintain complete and accurate records in accordance with grant terms and requirements.

The Health Department should ensure that grants are monitored and reconciled regularly to ensure that reimbursements for grant expenditures are properly received from the grantor. By regularly reconciling grant terms, missing payments can be followed up timelier, thus ensuring that the Department does not have unreimbursed expenses.

- b. The Missouri Department of Health and Senior Services requires all grantors to fill out an "Annual Financial Report," which provides a summary of the total amount of grant dollars received by the Health Department from the state agency. On the report that was submitted in February 2012, covering the year ending June 30, 2011, the report submitted noted it was for the year ending June 30, 2010. However, the amounts reported coincided with the year ending June 30, 2011. Additionally, this report was completed by the Fiscal Administrator and was not reviewed or signed off by another member of management before the report was submitted to the state.

All reports sent into the granting agencies should be reviewed by a supervisor prior to submission to ensure that even minor errors are corrected and amounts reported appear reasonable and appropriate.

Management's Response to Findings

The following response was provided by Kevin Gipson, Director of Public Health, Clay Goddard, Assistant Director of Public Health, and Karen McKinnis, Public Health Administrator

Objective 1:

- a. The Health Department has implemented a new daily reconciliation procedure with a form that tracks the birth certificate pre-numbered span utilized each day.

Pre-numbered, hand-written receipts are still utilized for death certificates since death certificates are charged differently, and in some instances are still issued in long form that is not pre-numbered by the state. However, management will continue to monitor and limit the use of hand-written receipts where it makes sense to do so.

- b. The Business Office has implemented a new daily reconciliation form that is prepared by one staff member and reviewed by a supervisor for accuracy and count.
- c. The patient medical records charting software (Insight) has a Patient Accounts module that can be purchased for a one-time fee of \$5,820 plus an annual maintenance fee of \$1,164; and an Encounter Processing module that can be purchased for a one-time fee of \$4,365 plus an annual maintenance fee of \$873. These additional modules, when added to the current Insight software, would allow receipting and invoicing activities to be generated at the time services are provided. By building on the current Insight software system, the Health Department agrees that routine accounting processes can be taken care of electronically. Funding options will be reviewed during the 2014 budget process.

Objective 2:

- a. The Health Department agrees and is looking into installing the Insight billing module. When purchased and implemented, the billing module should be more efficient and secure than the current paper methodology. The one area of exception is in the WIC program where Insight software is not utilized. WIC clients are mandated to be entered and tracked in a state software program. Insight would be a redundant system.
- b. The Health Department agrees with this finding. With the pending onset of the Affordable Care Act and changes in client insurance coverage, the Health Department is currently researching the potential benefit of using a third-party billing service provider. The department is actively seeking third-party billing consultation and information on

potential future services, to see if this is a more cost effective and expedient tool to bill third-party payers.

Objective 3:

- a. Efforts will be made to provide program managers with more education and instruction on purchasing activities in the future, as well as spending approvals being more consistent at the management level.
- b. Journal entries are now printed and retained with supporting documentation in a "Journal Entry" file in the business office of the Health Department.
- c. The Health Department agrees with this finding for some program managers. This will be one of the annual goals set for the incoming Health Department Fiscal Administrator.
- d. Efforts have been made and will continue to be made to decrease the amount of City health funding that supplants County public health activities; as well as negotiating for the County budget to fully fund public health activities provided to county residents.
- e. The current animal shelter needs to be replaced and built out of the flood plain. The City Council-appointed Animal Issues Task Force has also formally recommended the construction of a new animal shelter facility at a different location.

Objective 4:

- a. The Health Department has started internal quarterly contract monitoring with each contract program management team. The Health Department Business Office has implemented new procedures that monitor grant and invoiced expenses in hopes to prevent this error in the future.
- b. The Health Department has designed a new organizational structure that allows the Administrator of the Division of Administration to supervise the activities of the Business Office and review these reports.

APPENDIX A – AUDIT RATING SYSTEM

Red – An overall unsatisfactory or unacceptable state of control. The Red level of control denotes significant business risk or exposure to the City that requires immediate attention and remediation efforts. The overall control environment does not provide reasonable assurance regarding the safeguarding of assets, reliability of financial records, and compliance with City policies and/or government laws and regulations.

Yellow – A state in which the controls in place need improvement. If these controls are not improved, this could lead to an overall unsatisfactory or unacceptable state of control.

Green – An overall satisfactory or acceptable state of control, where risk is minimized and managed. The overall environment provides a high degree of assurance regarding the safeguarding of assets, reliability of financial records, and compliance with City policies and government laws and regulations. Control weaknesses noted, if any, are relatively minor.