

# **HEALTH CASH HANDLING AUDIT**

## **INTERNAL AUDIT REPORT 08-16**

### **INTRODUCTION**

The City of Sioux Falls City Council authorized this audit in the 2008 Annual Audit Program. Cash Handling Audits determine whether cash resources are handled in a manner consistent with established City requirements and whether there is adequate safeguarding against loss. They also assess the adequacy and effectiveness of internal controls within various cash handling locations. Cash Handling Audits consist of an objective review and evaluation of the cash handling practices and procedures relating to the receiving, transporting, storing, depositing, recording and safeguarding of City money (including cash, checks, money orders, credit cards and debit cards).

### **BACKGROUND**

The Health Department is comprised of four divisions: Administration, Falls Community Health, Public Health Laboratory and Environmental Health. Falls Community Health provides medical and dental care for individuals and families without health insurance or other resources to meet their health care needs. The Public Health Laboratory provides environmental and clinical laboratory testing services. The laboratory serves Falls Community Health, City of Sioux Falls departments, agencies, commercial businesses, private citizens and the State of South Dakota. Environmental Health serves the people of Sioux Falls by providing health inspections and environmental sanitation. This division addresses the issues of food safety, food service inspections, lodging sanitation inspections, pest control, day cares and tattoo parlor inspections. Environmental Health also conducts a comprehensive mosquito control program in addition to community programs such as Project NICE/KEEP. This annual neighborhood cleanup project is a multi-departmental effort.

In addition to City taxes that help support the Health Department, Falls Community Health collects patient fees at the medical and dental clinics. The administrative division receives revenue for copy services, laboratory test fees, permits, licenses and inspections. A large federal grant helps to subsidize the Community Health Center services. Various other grants and programs also provide revenue for the department.

The Board of Health and the Falls Community Health Center Governing Board help set policy and make recommendations for administration action to the Health Director. The management of the Health facilities and services is the responsibility of the Health Director and staff.

### **OBJECTIVES**

The objectives of this audit were to determine:

1. If controls over all money, cash receipts and bank deposits are appropriate and functioning properly.
2. If cash receipts are deposited in a timely, secure and accurate manner.

3. If an adequate separation of duties exists and if physical security procedures are in place and being followed.
4. If written cash handling policies and procedures are current, properly documented and being followed.
5. If the Health fees and charges are consistent with the City of Sioux Falls ordinances and if the appropriate charges are being accurately assessed and recorded in their financial records.

## **SCOPE AND METHODOLOGY**

The Health Cash Handling Audit primarily involved the three locations within the Health system that collect various forms of money. The three locations are the administrative division, the medical clinic and the dental clinic.

For objective one, all the cash related reports, controls and procedures were observed and reviewed at each of the three locations. For objective two, cash receipts were tracked from collection at the three Health locations to the consolidated deposit that is prepared by the administrative staff and then forwarded to the Finance Department. Thirteen consolidated deposits from January 25, 2008 to December 16, 2008 were verified with the Finance Department files.

For objective three, we interviewed Health supervisors and staff about segregation of duties. Staff duties and physical security procedures were discussed and observed at all three locations. We reviewed City accounting records for 2008, including the approved budget and the general ledger, to achieve audit objective four. Documentation reviewed at the three Health locations and at the Finance Department included original records and computer records. Objective five was verified by checking the City of Sioux Falls Revised Ordinances. Other fees and charges are consistent with board approval.

## **RESULTS**

### **Audit Objective 1**

A review of the cash related reports, controls and procedures revealed that the controls over all money, cash receipts and bank deposits are appropriate and functioning properly. Such controls include restrictively endorsing checks, issuing and recording receipts for each transaction and reconciling daily activity reports to bank deposits. The practices and procedures are consistent throughout the three audited areas.

### **Audit Objective 2**

By observation and review of City accounting records, we determined that Health administrative staff deposits cash receipts in a timely and accurate manner.

### **Audit Objective 3**

We determined that adequate segregation of duties exists. No one employee performs all the steps involved in receiving money, making entries in the accounting system and preparing the consolidated deposit. All three Health locations follow physical security controls.

#### Audit Objective 4

The Health staff keeps the written cash handling policies current and updates these policies, as need dictates. See Recommendations for a recommendation concerning the handling of voids and refunds. The Health Cash Procedures are readily available and the staff consistently follows the policies.

#### Audit Objective 5

The Health fees and charges are consistent with the City of Sioux Falls ordinances. The Community Health Center charges on a sliding scale based according to gross income and number of family members. The sliding fee scale is a discounted fee per service. The fees are based on the ability to pay, at 0, 20, 40, 60 or 80 percent of standard patient fees. The remaining amount of the fee is covered by a grant from the Public Health Service. The sliding fee schedule is based on the federal government's poverty guidelines, which are updated annually. Health staff accurately assesses and records the appropriate amounts in the financial documents.

### **RECOMMENDATIONS**

In all cash reviews, one of Internal Audit's goals is to provide assistance in helping the Administration to strengthen internal controls. During the course of this audit, it was noted that the Health Standard Operating Procedures and Policies do not address the handling of voids and refunds. While an informal policy is currently in place, it is our recommendation that a formal policy be incorporated into the written department procedures. This additional policy should also address the use of supervisory or management oversight concerning the handling of voids and refunds.

### **CONCLUSIONS**

The Health administration and staff continue to do a good job in implementing the practices and procedures outlined in the established cash related policies. Overall, internal controls regarding the collection of revenue and the handling of money are properly designed and working well. The entire Health staff is very professional in their interactions with other City personnel and with the public.

We wish to thank the administration and staff of the Health Department for their cooperation and assistance during this review.