



INTEROFFICE MEMORANDUM

DATE: August 1, 2011

TO: James D. Boyd, C.P.A., M.B.A., Inspector General

THROUGH: Michael J. Bennett, C.I.A., Director of Auditing

FROM: Mark H. Boehmer, C.P.A., Senior Management Analyst II

SUBJECT: V-1011DOH-036 - *Gadsden CHD Security Controls*

Background

We were requested to assist Department of Health's (DOH) Office of Inspector General, Investigations Unit by reviewing security of facilities, access to cash, and access to equipment at Gadsden CHD pursuant to receiving an *Incident Report* May 3, 2011 from that county.

Audit staff made unannounced visits to the Chattahoochee, Havana, and Quincy facilities of the Gadsden CHD on Wednesday, May 25, 2011 to observe these controls.

What we found

This review was initiated after it was learned that numerous thefts had occurred at Gadsden CHD's Quincy facility over the last few years. Thus, our objective was to review controls currently in place regarding security of facilities, security of cash and equipment, and adequacy of record keeping and documentation. Based on our review, we found the following control weaknesses that should be addressed by management:

Documentation

1. Area of Concern – ***Gadsden CHD management did not always file police reports, complete DOH Incident Reports and submit these reports to DOH's Office of Inspector General. Additionally, Gadsden CHD management did not have a control for reviewing and maintaining a central repository of all Incident Reports.***

It was determined that Gadsden CHD management did not address some of the numerous thefts that have occurred within Gadsden CHD's Quincy facility since July 2009.

We interviewed various DOH personnel at Gadsden CHD's Quincy facility regarding verbal reports made to us during our visit of numerous thefts.

Gadsden CHD management provided us copies upon our request of all Category Two *Incident Reports* that management was aware of between July 1, 2009 and May 26, 2011. These *Incident Reports* addressed six separate incidents, including a Health Insurance Portability and Accountability Act (HIPAA) violation, serious injury, serious accident, and three reports of theft of money, keys, and equipment.

Only two of the incidents, one a HIPAA violation and the other regarding theft of money and keys (which initiated this review), were appropriately reported to DOH's Office of Inspector General at the time of the incident.

There were two Category Two *Incident Reports* initially appropriately submitted to DOH's Office of Inspector General at the time of the incident that were not provided to us following our request. It was apparent that Gadsden CHD management did not have a control for reviewing and maintaining a central repository of all Incident Reports. DOHP 5-6-08, *Incident Reporting*, encourages that CHDs, "establish an internal tracking system..., for incidents with their own unique tracking number."

Gadsden CHD's Quincy facility has experienced numerous thefts since at least 2008. Of the thefts we have become aware of:

- During 2008 or 2009 an employee's personal electronic device was stolen. The employee did not recall the date, but recalled that a police report and *Incident Report* were apparently filed. Gadsden CHD management was unable to locate a police report or *Incident Report* and did not report this incident to DOH's Office of Inspector General;
- During 2008 an employee reported having \$200 and \$300 cash stolen from her purse on two separate dates from within the Quincy facility. While she reported both incidents to her supervisor at the time, Gadsden CHD management did not complete a police report or an *Incident Report*;
- After an employee's bank statement and \$36 were reported stolen May 7, 2010 from her office, Gadsden CHD management failed to file a police report or complete an *Incident Report*. The employee's supervisor was instructed, "if the staff member wants to file a police report she can do so";
- \$100 was stolen from the "Chattahoochee Money Bag" in the Quincy dental clerical office between July 22 and 26, 2010. While a police report and *Incident Report* were completed, Gadsden CHD management failed to submit the *Incident Report* to DOH's Office of Inspector General;
- A computer and other electronic equipment purchased in May and June 2010 for \$1,548 and still in shipping boxes was stolen from a locked Healthy Start office in the Quincy facility approximately September 13, 2010. The employee filing the police report explained to us however, that she never actually saw the equipment had ever been placed in her office and could not verify the equipment's existence. It was reported to her that the equipment was placed in her office while she was on leave a few days before the theft was reported. A police report was completed, but no *Incident Report* was completed by Gadsden CHD management;
- \$50 was stolen from an employee's wallet in the Quincy dental clinic October 18, 2010, including important cards and paperwork. While an *Incident Report* was completed, Gadsden CHD management failed to file a police report and submit the *Incident Report* to DOH's Office of Inspector General;
- \$185 and master keys were reported stolen from the "Quincy Money Bag" in the Quincy dental clerical office April 28, 2011 or later.

None of the above incidents were reported to involve breaking and entering. Gadsden CHD's management asserted they were unaware of some of the thefts.

DOHP 5-6-08, *Incident Reporting*, explains that, "it is the responsibility of the director/administrator..., of each..., county health department..., to ensure that each incident is investigated, documented, and reported to the appropriate official." Category Two incidents require reporting to a number of specified offices including the Office of Inspector General. Category Two incidents include such events as, "any criminal act committed at any DOH facility..., (and) theft, loss, or intentional damage (vandalism) involving state property or personal items on DOH property."

As DOHP 5-6-08, *Incident Reporting*, explains, "The effort to report incidents and correct deficiencies results in continual process improvement and risk management of DOH operations and protection of DOH employees, clients, and visitors."

We recommend Gadsden CHD management ensure that all incidents that occur are investigated, documented, and reported to the appropriate official in accordance with DOHP 5-6-08, *Incident Reporting*. We also recommend Gadsden CHD management implement a process for reviewing and maintaining a central repository of all *Incident Reports* and police reports (as applicable).

Subsequent Event

Subsequent to our review, Gadsden CHD experienced another theft that was identified June 23, 2011. Computer equipment, a copier, and a printer valued at \$2,299 were stolen from the Chattahoochee school health clinic. Gadsden CHD management appropriately filed a police report and submitted the *Incident Report* to DOH's Office of Inspector General.

2. Area of Concern – ***Gadsden CHD did not maintain documentation of persons authorized to maintain keys to each facility and office.***

Pursuant to our request, Gadsden CHD management was unable to document maintaining a log or some other type of documentation of specific persons authorized to hold keys to each facility and office.

We recommend Gadsden CHD management maintain an accounting of all personnel provided access using a hard key to each Gadsden CHD facility, office, closet, etc.

3. Area of Concern – ***Gadsden CHD management failed to immediately address security of its facilities and change locks at Quincy and Chattahoochee facilities and Quincy Dental Clerical Office.***

Gadsden CHD's *Incident Report* of May 3, 2011 acknowledged copies of master keys to the Quincy and Chattahoochee facilities and Quincy dental clerical office were missing. The report filed with Gadsden County Sheriff's Office (police report) of the April 28, 2011 theft incident recorded that master keys to the Quincy office and Chattahoochee dental clinic were stolen.

Gadsden CHD's Dental Director later explained to us during our review that only one "master key which opens the Dental Clerical Front Desk and the Office of Dr. Tamara-Kay Tibby" was missing. She further explained, "the key does not allow access to the Chattahoochee Facility; nor does it open any other doors at the Gadsden County Health Department building." These statements are not consistent with the account made to the Gadsden County Sheriff's Office.

Pursuant to and subsequent to our request for documentation that locks were changed, Gadsden CHD management provided documentation that the lock to the Quincy dental clerical office and the combination safe within that office were changed May 27, 2011.

Although the police report stated that the master keys to the Quincy and Chattahoochee facilities were stolen, Gadsden CHD management was unable to document that security to the two buildings have been changed since the last reported theft. The locks to the Quincy dental clerical office were not immediately changed upon becoming aware of either the July 2010 or April 2011 theft incidents from that office.

We recommend Gadsden CHD management ensure all of Gadsden CHD's facilities remain secure. Locks to all Gadsden CHD facilities should be changed to develop a benchmark. The new keys should be put under the supervision of a Key Custodian that can maintain an accounting of all personnel provided access using a hard key.

4. Area of Concern – ***Documentation of Transfers of Cash from Cashier to Business Office was not sufficient.***

Documentation of transfer of cash from cashiers to supervisor was not uniformly used or sufficient to record that both the person transmitting the cash and person receiving the cash acknowledge the amount transferred. In addition, Gadsden CHD management had not implemented a control that consistently documents both parties agreement for each transfer of cash.

DOHP 57-07-10, *Cash Handling*, explains, "a receipts log should be completed each time monies/receipts are transferred."

We examined an example of documentation used by Gadsden CHD when transferring cash and other receipts from the cashier to the Business Office. Documentation from the Quincy dental clerical office and the Havana EH office did not include the cashier's signature that would document that both the cashier and person receiving the cash to take to the Business Office are in mutual agreement as to the amount.

We recommend Gadsden CHD management implement a control so that each time receipts are transferred from one staff member to another, a transfer of custody log is signed by both the person relinquishing control and the person accepting control to document the transfer. In addition, a receipts log should be developed and utilized that complies with DOHP 57-07-10, *Cash Handling*.

If a situation arises where the amount of a cash transfer is in question, management cannot readily affix responsibility to one person.

5. Area of Concern – ***Receipts documenting the daily transfer of cash from the Havana facility to the Quincy facility were not filed with the respective daily cash reconciliation at the Havana facility.***

DOHP-57-07-10, *Cash Handling*, explains that, "extra security must be given to safeguard the information contained in the daily clearing file from unauthorized use." The written policy defines the daily clearing file to include such things as, "completed manual credit card forms, copies of checks received, credit card remittance advices, receipts/transfer logs, daily closeout reports, validated deposit tickets, and records of any discrepancies and solutions."

We observed that several receipts that document the daily transfer of cash from the environmental health office at the Havana facility to the Quincy facility were not filed with the respective daily cash reconciliation sheet at the Havana facility. The receipts were found to be loosely laying in an unorganized manner in a desk drawer in the environmental health office.

We recommend Gadsden CHD's Business Office ensure its offices that collect cash maintain a complete filing system that includes documentation relevant to transfers of cash from cashiers to the Business Manager.

Safeguarding of Cash

Controls surrounding direct access by clients to cash receipts were generally found to be satisfactory. However, we noted three areas of concern related to cash receipts that should be addressed:

6. Area of Concern – ***Access to cash boxes was not completely secure.***

DOHP-57-07-10, *Cash Handling*, explains that during the day, "cash boxes/drawers are to be maintained in a secure area at all times and locked when left unattended."

The Gadsden facility is architecturally designed so that office locations used to collect cash have doors that are easily accessible to DOH personnel that are not authorized to handle cash.

We identified the following during our visit to the Quincy facility:

- A rear door was open to the cashier's station at the "Clinic Check-out" window (See Figure 1 below). The doorway was accessible by Gadsden CHD personnel throughout the day. While the entryway is not accessible by clients, most of the thefts identified at the Quincy facility have not been attributed to theft by clients. There is a risk that unauthorized personnel may access this area where cash is routinely handled during operating hours.



Figure 1 - View of "Clinic Check-out" window through a rear door from employee hallway.

- A rear door at the Quincy dental clerical office was not always secure (See Figure 2 below). Prior to our visit, clerical staff had placed items by the door to thwart unauthorized personnel from gaining access. There was also a sliding bolt on the door, but the door was reportedly accessible to unauthorized personnel on occasion, as identified in the *Incident Report* that initiated this review.



Figure 2 – View of door to employee hallway from the Quincy dental clerical office.

Gadsden CHD management explained it was policy to have these areas locked at all times with accessibility only to authorized personnel, but subsequently acknowledged this was only verbal instruction with signs posted on applicable doors.

We also identified at the Havana facility that the environmental health (EH) office has a primary cashier assigned. However, any of the other members of the EH office can handle the accounting functions including the same cash box when the primary cashier temporarily leaves (i.e., breaks, lunch) her station during the day. We also identified that the door to the cashier's office was unlocked.

DOHP-57-07-10, *Cash Handling*, explains that, "multiple cashiers are prohibited from working in the same cash drawer at the same time.

Gadsden CHD management recently completed its annual DOH *Internal Control Questionnaire* April 2011. The question "Do all cashiers operate from a specific cash drawer that only they, individually, may access (no sharing of cash drawers among cashiers)?" was

left unanswered, except to answer that the question was not applicable to mailed cash receipts.

We recommend Gadsden CHD management reevaluate access to its cash transaction areas to ensure all such locations are strictly limited to staff currently assigned cash handling responsibilities.

Inherent to the issue of staff size of any small CHD, there is a limited number of available staff to assign duties to such that the many roles and responsibilities related to cash controls are sufficiently segregated. However, we recommend Gadsden CHD management ensure that only one cashier be assigned control over and access to any specific cash box/drawer at all Gadsden CHD facilities.

7. Area of Concern – ***Gadsden CHD management has assigned responsibility of securing cash to multiple cashiers overnight rather than one central location.***

DOHP-57-07-10, *Cash Handling*, explains that during the day, "cash boxes/drawers are to be maintained in a secure area at all times and locked when left unattended."

During our on-site inspection, we identified that Gadsden CHD management did not use one locked safe at each facility to secure all cash overnight and when not assigned-out during daily operations. Gadsden CHD management purchased multiple safes. Dental clerical office staff is required to store cash for the dental clinic in its own assigned safe overnight. Gadsden CHD management did not have cashiers transmit all cash to the Business Manager or other management supervisor at night. This creates a less secure environment and raises segregation of duties issues.

Multiple persons had access to the safes. Staff at the Quincy dental clerical office explained that multiple persons, including past cashiers, knew the combination to the safe. As noted earlier, Gadsden CHD management provided us documentation that the lock to the Quincy dental clerical office and the combination safe within that office were changed May 27, 2011.

At the Havana facility three people reported they knew the combination to the EH safe. Additionally, the combination at Havana was written on a card loosely thrown into an unsecured drawer in the cashier's office.

We also identified that Gadsden CHD management did not make changes to the combinations of the safes when authorized cashiers are changed. This allows past cashiers who continue to work in the facility access to the safe.

We recommend Gadsden CHD management require all cashiers at the Quincy facility transmit all cash at the end of the day and have all cash locked in one locked safe in the locked administrative area so that the responsibility of safeguarding the cash overnight is assigned to one person rather than many.

8. Area of Concern – **Cashiers were assigned amounts of cash too large to maintain for security purposes.**

DOHP-57-07-10, *Cash Handling*, explains that the basic elements contributing to a strong system of internal accounting controls are..., an appropriate plan of organization providing for the proper assignment of authority and responsibility throughout the department and within each collection site to furnish the necessary segregation of duties."

In most instances, Gadsden CHD management has assigned large balances of cash to the cashiers to maintain as beginning amounts in the cash boxes. Except for one small "traveling cash fund" of \$50, daily starting amounts ranged from \$100 to \$200. Gadsden CHD management explained the intent was to make it easier to readily make change for clients. However, at the beginning of the day of our visit at the Havana facility, the cash box with a beginning balance of \$150 included denominations of one \$100 bill, two \$20 bills, and one \$10 bill. We also noted from an *Incident Report* that in July 2010 the dental clerical office's "Chattahoochee Money Bag" maintained a \$100 bill denomination as the starting balance.

Maintaining large denominations of bills defeats the argument of having small bills available for making change. Maintaining such large balances further increases the materiality of loss should security to the cash boxes be compromised and funds are stolen.

We recommend Gadsden CHD management re-evaluate the necessity of its cashiers maintaining large starting cash balances in the cash boxes.

Purchases and Inventory

Our review found controls and security over property inventory, purchases, and surplus to be generally weak. Three specific areas that we noted are listed below:

9. Area of Concern – **Gadsden CHD management allowed a DOH employee to purchase \$3,116 in office supplies and equipment with state funds for her job with a DOH contracted provider.**

We noted \$3,116 in supplies, including \$500 for accounting software, two packages of Microsoft Office Professional 2010 software totaling \$1,000, a Canon Rebel XSi Digital Camera for \$600, and a \$300 paper shredder were purchased June 24, 2010 that were requisitioned, "for Coalition operations". A DOH employee working at Gadsden CHD was allowed to purchase these items for the Gadsden County Healthy Start Coalition, Inc. (Coalition) with the approval of upper level management. The DOH employee was reported to be working for the Coalition at the same time. The Coalition filed its *Articles of Incorporation* with the Secretary of State's office February 24, 2010. DOH initiated its contract with the Coalition on June 30, 2010, six days after the equipment was purchased.

DOHP 250-9-10, *Purchasing*, explains, "no employee of this department should corruptly use or attempt to use his or her official position, or perform his or her official duties to secure special privilege, benefit, or exemption for himself, herself, or others." The policy also explains that, "state agencies may purchase only items necessary to carry out statutory duties.

We recommend Gadsden CHD management ensure purchases are strictly limited to authorized uses of funds.

10. Area of Concern – **Gadsden CHD has not appropriately secured and timely processed surplus equipment.**

DOHP 250-11-09, *Management of State-owned Property*, explains that, “property purchased by the state for a CHD, with the exception of Women, Infant, and Children (WIC), is owned by the county in which the CHD is located.” Property is defined to include, “assets with a value or cost of \$1,000 or more and the normal expected life of which is one year or more.” DOHP 250-11-09 further explains that CHDs should dispose of county-owned property in accordance with county rules and procedures.

We observed unused computer equipment purchased April and June 2010 still boxed and loosely stored in Gadsden CHD’s Quincy facility IT office in May 2011 (See Figure 3 below). Gadsden CHD has experienced theft of similar new equipment stored in boxes.



Figure 3 - Unused computer equipment purchased in April and June 2010 still in boxes as of May 2011.

We also observed large amounts of surplus equipment stored in Gadsden CHD facility space at Quincy and Chattahoochee that had not been sent to surplus (See Figures 4-7 next page). Some of the equipment at the Chattahoochee facility was in unlocked rooms available to the general public even when the CHD facility portion of the building is closed. A portion of the building is used by other agencies.

The equipment consumes valuable space. More importantly, there is a material risk that this equipment may be stolen.



Figure 4 – Surplus at Chattahoochee facility in a locked room.



Figure 6 – Surplus at Chattahoochee facility in an unlocked room accessible to the general public even when CHD staff are not present.



Figure 5 – Surplus at Chattahoochee facility in an unlocked room accessible to general public even when CHD staff are not present.



Figure 7 – Surplus at Chattahoochee facility in an unlocked room, but not accessible to general public.

We did not determine whether hard-drives had been sanitized or otherwise appropriately removed to destroy any confidential information that may reside.

Without strict controls over the security of and appropriate processing for the elimination of surplus property, this equipment may be susceptible to theft or misuse by unauthorized persons.

We recommend Gadsden CHD management ensure tight security over existing surplus property and equipment. We also recommend Gadsden CHD management timely dispose of property and equipment following county rules and procedures.

11. Area of Concern – ***Gadsden CHD did not ensure an inventory of property was taken upon change in delegated Property Manager duties.***

DOHP 250-11-09, *Management of State-owned Property*, explains that, “property purchased by the state for a CHD, with the exception of Women, Infant, and Children (WIC), is owned by the county in which the CHD is located.” Property is defined to include, “assets with a value or cost of \$1,000 or more and the normal expected life of which is one year or more.” The designated Inventory Taker will conduct an annual inventory. If there is a change in property custodian, an inventory of all county-owned property is to be conducted.

The current Property Manager at Gadsden CHD did not take a physical identification or count of all fixed assets of inventory at Gadsden CHD since assuming the responsibility March 2011. Gadsden CHD management explained the Property Manager reviewed the list but was unable to document a physical count was taken.

The last physical inventory taken at Gadsden CHD was July 26, 2010 by Gadsden Board of County Commissioners staff.

The current Property Manager cannot assert the existence of each specific piece of property for which he/she has assumed responsibility where an immediate physical count is not taken upon assuming the responsibility.

We recommend Gadsden CHD management implement a control to ensure regular physical counts of all fixed assets of inventory at Gadsden CHD, including each time there is a new assignment of a Property Manager, in accordance with DOHP 250-11-09, *Management of State-owned Property*.

Closing Remarks

We want to thank management and staff of Gadsden CHD for providing their cooperation and assistance to us during the course of this review.

MHB

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