



OFFICE OF INSPECTOR GENERAL
INTERNAL AUDIT UNIT

***Controls over Collection of Environmental Health Fee Receipts
and Permit Issuance at CHDs***

A-0910DOH-015

February 4, 2011

SUMMARY

The Department of Health (DOH), Office of Inspector General conducted an audit of internal controls over collection of environmental health (EH) fee receipts and permit issuance at county health departments (CHDs).

Our evaluation consisted of reviewing the controls in four selected CHDs including Alachua, Holmes, Lake, and Union counties. We judgmentally selected these CHDs in order to compare and contrast controls utilized within CHDs of various staff sizes. This affords management a better ability to assess potential control issues within all CHDs throughout the state.

The purpose of our audit was to determine whether adequate internal controls over collection of EH fee receipts were in place and operating effectively, sufficient to mitigate the risk of loss. We also wanted to determine whether EH permits were issued in accordance with applicable law, policy, and procedures.

To accomplish our objectives, we:

- reviewed applicable law, policy, and procedures;
- visited each of the four CHDs;
- interviewed appropriate personnel at Headquarters and the CHDs;

- examined a judgmental sample of EH fee receipt transactions that occurred during the month of December 2009 and reviewed supporting documentation; and,
- evaluated risks and select internal controls to determine whether the controls were in place and working effectively.

The audit was conducted in conformance with *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors (January 2009), as provided by Section 20.055(5)(a), *Florida Statutes*, and as recommended by Quality Standards for Audits by Offices of Inspector General (*Principles and Standards for Offices of Inspectors General*, Association of Inspectors General, 2004 Revision).

In general, we found controls over collection of EH fee receipts and permit issuance at the CHDs to be operating effectively and sufficient to mitigate the risk of loss. We also found that EH permits were issued in accordance with applicable policy and procedures at the selected CHDs. However, we noted a few areas where controls could be strengthened to further ensure these functions operate effectively and efficiently to mitigate risk of loss.

Although our findings are based on the results of our examinations at the selected CHDs, our general approach

was to include recommendations in this report that should be reviewed by management at all CHDs. We included a chart to summarize the prevalence of identified control weaknesses at the CHDs we examined (See **EXHIBIT A**).

The following issues were identified during our audit and should receive additional review and corrective action by management across all CHDs:

- Customer account balances could be adjusted without secondary approval.
- EH permit stock was not appropriately accounted for and lacked sufficient custody.
- User-access rights to EH systems were still authorized for past-employees and employees that no longer work in the EH program area.
- Small CHDs face challenges to sufficiently segregate duties to mitigate risk.

INTRODUCTION

Section 20.055, *Florida Statutes*, charges DOH's Office of Inspector General responsibility to provide a central point for coordination of activities that promote accountability, integrity, and efficiency in government. Audits are conducted to review and evaluate internal controls necessary to ensure the fiscal accountability of DOH.

This audit was included in the Office of Inspector General's *Three Year Audit Plan beginning 2009-2010*, which is the result of an annual risk-assessment.

Audit fieldwork took place February through June 2010 at DOH headquarters in Tallahassee, as well as at each of the CHDs included in this examination. The audit was conducted by Mark H. Boehmer, Certified Public Accountant, Senior Management Analyst II, under the supervision of Michael J. Bennett, Certified Internal Auditor, Director of Auditing.

BACKGROUND

Pursuant to Section 154.01, *Florida Statutes*, DOH and Florida's counties cooperate to maintain CHDs for the promotion of the public's health. EH services are included to protect the health of the general public by monitoring and regulating activities in the environment which may contribute to the occurrence or transmission of disease. Examples of EH services include, but are not limited to, food hygiene, safe drinking water supply, sewage and solid waste disposal, swimming pools, group care facilities, migrant labor camps, toxic material control, radiological health, occupational health, and entomology.

Section 154.06(1), *Florida Statutes*, authorizes DOH to adopt by rule a uniform statewide fee schedule for all regulatory activities performed through the EH program.

EH fee receipts included cash, checks, money orders, and credit cards for the purposes of this report.

We selected one large, one medium, and two smaller CHDs as a means of comparing and contrasting different size CHDs. There is fewer staff to assign various duties of the fee collections process to at smaller CHDs. It was particularly important to review smaller CHDs because of the inherent limitations of sufficient segregation of duties and associated risks.

During our audit period CHDs used two EH data systems: 1) Comprehensive Environmental Health Tracking System (CENTRAX); and, 2) Environmental Health Database (EHD).

**FINDINGS, RECOMMENDATIONS, AND
MANAGEMENT'S RESPONSES AND
CORRECTIVE ACTION PLANS**

Based upon the results of our audit, the following findings and recommendations address issues that should receive additional review by management:

FINDING 1 – *Customer account balances could be adjusted without secondary approval.*

DOH's policy, 11APM5-Controlling Cash Receipts Code Strip, explains that a system of good internal control for cash receipts includes procedures that provide for internal checks in transaction flows for effective organization, operation, and adequate safeguards against fraud or manipulation.

EH offices sometimes need to adjust the amount that is due on an account as reflected in CENTRAX and EHD. For example, an adjustment might be required after billing annual operating permits in batches (referred to as batch-billing). The EH office is subsequently informed a swimming pool no longer exists. The billed permit fee needs to be adjusted to zero. CENTRAX and EHD allow for a written justification for the adjustment in a "Comments" section.

Personnel in EH offices are given many responsibilities and powers that could be abused if proper controls are not in place. A way to reduce this risk would be to require secondary review and approval of any manual account balance adjustment.

We found that customer account balances could be adjusted in CENTRAX and EHD by EH directors and other senior level persons in the EH office with cash-handling responsibilities, without secondary approval and signature at three of the four CHDs we

examined. While account balances could be adjusted at Holmes CHD as well, management had segregated its entire EH fee receipts collections responsibility to a main cashier not associated with the EH office.

RECOMMENDATION:

1.1 - We recommend that the Division of Environmental Health advise all CHDs to implement a control that requires secondary documented sign-off or approval prior to making an adjustment in EHD. This documentation would be maintained by the CHD. CHDs should also perform periodic reconciliations of adjustments made in EHD to these separately-maintained approvals. Implementing such a control also provides a level of protection to EH management should a question ever arise as to the propriety of an adjustment.

**MANAGEMENT'S RESPONSE AND
CORRECTIVE ACTION PLAN:**

We concur. The Division of Environmental Health will make the following modification in EHD. On the single invoice page, once the payment has been posted, the page will not be editable by the person who posted the payment. In addition, the page will save the "payment created date" and the person who created it along with the "payment modify date" and the person who modified it.

Anticipated completion date:
March 31, 2011

FINDING 2 – *EH permit stock was not appropriately accounted for and lacked sufficient custody.*

Each of the CHDs we examined used EH Facilities Paper pre-numbered permit stock (EH permit stock) for the permittee of certain EH programs to exhibit as proof of obtaining that permit. EH permit stock was used for programs including

food, mobile homes/RV parks, pools, and tanning.

The Division of Environmental Health did not have a policy that addresses inventory logs of EH permit stock or that requires CHDs retain numbers of EH permit stock that have been voided and then mutilated. Therefore, we applied DOH's policy 11APM21-*Internal Control and Review Procedures* to EH permit stock. The policy explains that inventories shall be kept in locked areas with access restricted to designated personnel. In requiring differences between inventory counts and perpetual inventory records to be promptly resolved, the implication is that there should be inventory counts and a perpetual inventory record.

Our examination revealed three themes:

Permit Logs were not maintained or complete

Audit testing revealed that two of the four CHDs did not maintain a log to document the use of EH permit stock (e.g., the customer the EH permit stock was issued to, voided, or other result). One CHD initiated using a log as we began our audit. One CHD had a history of maintaining a log, but the log was not complete. We examined Lake CHD's log for the most recent 37 permits. The Permit Log did not include the outcome of nine permits. Another five permits were logged as voided.

Stubs or other means of documenting voided EH permit stock was not maintained

EH permit stock becomes voided when it cannot be issued to a permittee because of misprints or other errors. However, no stub of the pre-printed number of voided EH permit stock was retained by any of the four CHDs we examined. The CHDs shredded voided EH permit stock.

Periodic regular inventory counts were not performed

It was determined during audit testing that three of the four CHDs did not perform unannounced periodic counts of unissued, on-hand inventory of EH permit stock to verify control over the numbers the CHD was supposed to have in stock. One CHD initiated unannounced counts of unissued EH permit stock as we began our audit.

Some CHDs may have placed less emphasis on the importance of maintaining adequate controls over EH permit stock because the pre-printed number does not tie to the permit as recorded in CENTRAX and EHD. However, without adequate controls over EH permit stock, this paper could be inappropriately issued, lost, or stolen.

RECOMMENDATIONS:

2.1 - We recommend that the Division of Environmental Health develop a policy that requires a log of EH permit stock (Form DH-4114-*Security Paper for Permits*) be maintained at each CHD. The Permit Log should include by the control number the entity the permit was issued to or other result, such as voided.

2.2 - We recommend that the Division of Environmental Health develop a policy that requires the pre-printed number of voided EH permit stock also be maintained with the log. This will document the permit was voided.

2.3 - We recommend that the Division of Environmental Health advise CHDs to ensure that unannounced periodic counts of unissued, on-hand inventory of EH permit stock should be conducted at each CHD in accordance with 11APM21-*Internal Control and Review Procedures* to verify control over the numbers the CHD is supposed to have on-hand. Each of the CHDs had designated a custodian over EH permit stock. These inventory counts would best be performed by

someone other than the custodian. The unissued inventory should be matched against the log to determine each number is accounted for.

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN:

2.1, 2.2, and 2.3 - The security stock paper has not been a requirement for issuance of permits with the re-hosting of EHD. This has been communicated to the CHDs. CHDs will be directed by Executive Staff to destroy/return/dispose of any remaining stock. A memo directing CHDs to destroy all security paper for permits will be sent from DOH's executive office. The Division of Environmental Health will assure that this memo is provided to EH managers and will also assure that they are advised to destroy all security paper.

Anticipated completion date:
March 31, 2011

FINDING 3 – *User-access rights to EH systems were still authorized for past-employees and employees that no longer work in the EH program area.*

DOH 50-10n-07-*Information Resource Management Security*, requires that a system administrator deactivate a worker's account for termination of employment or contract, nonuse of the account for 60 consecutive days, or notification of security violation.

During testing, we determined that three of the four CHDs still had granted access rights to persons that either no longer work at the CHD or continue to work at the CHD, but in another program area.

Two of the four CHDs also had generic accounts set up for "Supervisor" in CENTRAX. DOH 50-10n-07-*Information Resource Management Security*, explains DOH will implement controls to ensure access to information technology

infrastructure resources is restricted to authorized users and uses. A generic account of "Supervisor" is not an identifiable user.

There is a level of risk to DOH from any person that has approved access and no longer works within EH. However, the risk that records could be altered or otherwise inappropriately used is increased where employees still work within the CHD, but in other programs.

The Division's plan is that all EH programs and permits were to be migrated over to EHD by July 2010. CENTRAX resides at the CHD level. CHDs will continue to have access to CENTRAX after full migration to EHD, so long as each CHD keeps CENTRAX installed. There may be some justification for keeping the system installed for future referencing of past EH permits and customers.

With attrition, management may forget to remove past employees and employees that move to other positions outside of the EH office environment within the CHD. Also, since CENTRAX is being made obsolete, some may have placed less emphasis on maintaining it.

RECOMMENDATIONS:

3.1 - We recommend that the Division of Environmental Health advise all CHDs to either uninstall CENTRAX, or where CENTRAX will continue to be required for referencing in the future, that access levels for all users should be changed to Level 1-"Lookup Only".

3.2 - We recommend that the Division of Environmental Health advise all CHDs to review their process and ensure a control is in place to routinely remove persons that leave the EH office. A control should also be in place to routinely review all access rights to ensure the list is current and accurate. Furthermore, a control should be in

place to ensure no generic accounts such as "Supervisor" are used.

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN:

3.1 – We concur. Since re-hosting EHD, the Division of Environmental Health no longer supports CENTRAX. This has been communicated to the CHDs. Because Level 1 "Lookup Only" does not offer the desired protection, CHDs will be directed to discontinue use of CENTRAX or justify exceptions and gain approval through Executive Staff.

Anticipated completion date:
March 31, 2011

3.2 – For individuals who have left the department, CHDs need to adhere to the Division of Information Technology policy. The Division of Environmental Health will assure CHDs are reminded about proper information technology protocols via a memo sent from DOH's executive office. For individuals remaining at DOH and moving to another program, access rights will be removed. Only accounts for individual employees will be used in the system; no generic accounts will be used. A SharePoint site will be created by the Division of Environmental Health so that CHDs may report individuals who are no longer in the EH program. EH will be responsible for updating Single Sign-On.

Anticipated completion date:
Complete.

FINDING 4 – *Small CHDs face challenges to sufficiently segregate duties to mitigate risk.*

Instances were noted where EH management performed multiple functions without compensating controls.

Inherent to the issue of staff size of any small CHD, there is a limited number of available staff to assign duties to, so that the many roles and responsibilities

related to cash controls are sufficiently segregated.

EH staff at Union CHD handled EH fee receipts (cash), verified applications, generated permits and licenses, maintained custody of EH permit stock, and monitored applications to services performed. In addition, these same personnel had System Administrator rights in both CENTRAX and EHD.

DOH's 11APM1-*Clearing Fund and Cash Receipts* advises that where a complete segregation of duties is not feasible due to staff size limitation, alternative procedures must be adopted that provide acceptable controls.

Despite the fact that small CHDs face the difficulty of managing functions with limited staff, it is still important that compensating controls are put into place to mitigate the risk that unacceptable activity could take place and be undetected.

Sufficient documentation was lacking during the transfer of funds between EH office and CHD cashier.

Sufficient segregation of the many duties related to cash controls is a challenge, particularly in smaller CHDs.

EH fee receipts at Union CHD were collected in the EH office and transferred to the main CHD cashier at the end of the day. Management generally implemented sufficient controls over its collections process of EH fee receipts, with each person signing-off on each transfer of EH fee receipts. However, our examination identified there was no process for both the EH staff person and the main CHD cashier to sign-off, acknowledging agreement of the amount of funds being transmitted from EH to the main CHD cashier.

DOH's policy, 11APM5-*Controlling Cash Receipts Code Strip*, explains that a

system of good internal control for cash receipts includes procedures that provide for internal checks in transaction flows for effective organization, operation, and adequate safeguards against fraud or manipulation.

Responsibility can be isolated and more easily identified in the event of a discrepancy if there is documentation via signature for each transfer of funds among personnel.

RECOMMENDATIONS:

4.1 - We recommend that the Division of Environmental Health advise small CHDs to implement additional compensating controls as a check and balance as it relates to the collection and recording of cash. Such controls could include re-assigning collecting the cash payment to another cashier. This would segregate the cash from the recording of collections.

4.2 - We recommend that the Division of Environmental Health advise CHDs to review their process to ensure there is sign-off at each transfer of funds among personnel, including transfers from the EH office to the next assignment of responsibility in the cash collections process.

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN:

4.1 - We concur for the EHD aspect. For cash payment and recording of collections outside of EHD, CHDs need to adhere to DOHP 57-07-10, the Bureau of Revenue Management's *Cash Handling* policy. The Division will assure CHDs are reminded about proper Administrative policy via a memo sent from DOH's executive office. The Division of Environmental Health will make the following modification in EHD. On the single invoice page, once the payment has been posted, the page will not be editable by the person who posted the payment. In addition, the

page will save the "payment created date" and the person who created it along with the "payment modify date" and the person who modified it.

4.2 – CHDs are responsible to adhere to DOHP 57-07-10, the Bureau of Revenue Management's *Cash Handling* policy developed by the Division of Administration. EH managers will be provided training on the policy and its application to their programs. The memo sent from DOH's executive office will include information requiring compensating controls be in place for small CHDs with limited staff resources. A Division of Administration representative will be scheduled to discuss and provide training on DOHP 57-07-10, *Cash Handling*, on a future EH managers' conference call. The memo sent from DOH's executive office will also add emphasis to the policy and the need for compliance and/or compensation controls.

Anticipated completion date:
March 31, 2011

EXHIBIT A

PREVALENCE OF IDENTIFIED CONTROL WEAKNESSES

The chart below is intended to quickly identify and summarize the prevalence of control weaknesses that we identified and which are explained in the body of this report. All CHDs should review their current controls for these issues.

| | Customer account balances could be adjusted without secondary approval. | EH permit stock was not appropriately accounted for and lacked sufficient custody. | User-access rights to EH systems were still authorized for past-employees and employees that no longer work in the EH program area. | Small CHDs face challenges to sufficiently segregate duties to mitigate risk. |
|---------|---|--|---|---|
| Alachua | ● | ● | ● | |
| Holmes | | ● | | |
| Lake | ● | ● | ● | |
| Union | ● | ● | ● | ● |

● - Control weakness identified.

REPORT DISTRIBUTION

Pursuant to Section 20.055(5)(b), *Florida Statutes*, this report is a public record as defined by Section 119.011(12), *Florida Statutes*.

CLOSING COMMENTS

We would like to thank management and staff of Alachua, Holmes, Lake, and Union CHDs for providing their cooperation and assistance to us during the course of this audit. We would also like to thank the Division of Administration and Division of Environmental Health for providing their assistance as well.