



DATE: December 18, 2014

To: Board Of Estimate & Taxation Audit Committee Members

From: The Internal Audit Department

Subject: Internal Audit Report: Limited Scope Review of the Health Department's Internal Controls for Cash Receipts.

Enclosed for your review is the Internal Audit's report entitled "Limited Scope Review of the Health Department's Internal Controls for Cash Receipts. The report contains observations and recommendations addressing internal controls in place for cash collections by the Health Department.

We would like to express our appreciation for the excellent cooperation extended to us by the personnel of the Health Department during the course of this review.

Enclosure

cc: P. Mynarski, Comptroller
C. Baisley, Director of Health
J. Crary, Town Administrator

**TOWN OF GREENWICH
INTERNAL AUDIT**

**Limited Scope Review
of the Health Department's Internal Controls
for Cash Receipts**

Audit Scope, Objective and Background

The Internal Audit Department recently completed a review of the Health Department's internal controls for cash handling and receipting on December 18, 2014. The Health Department's Environmental Services Office, the Laboratory and the Family Health Office were visited by Internal Audit during this review.

The primary objective of this review was to determine if policies and procedures for cash handling and receipting are established and effectively operating. Our review focused on specific audit objectives to determine if cash and checks received during the business day are deposited daily, proper cash receipting practices are in place and cash and checks received are properly safeguarded. The Health Department generates approximately \$346,000 in revenue from the issuance of permits, licenses, testing fees, immunizations, home care visit fees and other miscellaneous services. Environmental Services generates \$194,000, Laboratory Services collects approximately \$67,000 and Family Health \$85,000 in revenues.

Summary Opinion

It is Internal Audit's findings that internal controls over cash collections for the Health Department are adequate. To obtain optimal controls and consistency with other Town Departments we make several recommendations to improve internal controls in this report.

Summary Findings and Observations

Environmental Services:

Environmental Health Services provides licenses for beauty and body care businesses, food trucks, restaurants and other services. Well water and sewage permits are also issued by Environmental Health. The normal renewal process starts when Environmental Services mails the license renewal applications to business owners. Applicants have the option to pay in person or by mail. A completed license renewal application is required to be submitted with the payment fee. Cash and checks are accepted. If cash is received with the license application at the counter, the customer receives a word document generated non-numbered receipt. If renewal licenses received by mail are not processed on the date of receipt, applications and payments are stored in a locked file cabinet. The Department does not have a safe. License and permit applications are entered and processed into proprietary software entitled "City View". The initial reconciliation process requires the City View data and the dollar value of the cash and checks balance. The money and report is placed in an envelope and walked to the mail box for pick up by the Account Clerk. The Account Clerk completes the final reconciliation and prepares the deposit ticket. Deposits are usually made daily. The review process conducted by the Account Clerk is a strong internal control practice as the Account Clerk is not involved in the initial cash receipt transaction and does not prepare the initial reconciliation. The deposit summaries are hand delivered to the Finance Treasury Department. Internal Audit notes that the overall

security over cash and checks could be improved. Our observations lead us to several recommendations.

Recommendation I:

In accordance with a Finance Department's Accounting Manual requirement, all checks should be immediately endorsed as soon as possible upon receipt with a restrictive endorsement.

We observed that checks received during day are not endorsed early in the receipt process. The checks are endorsed when the Account Clerk prepares the final reconciliation and the deposit slip. As part of that process, the Administrative Staff Assistant will stamp endorse the checks. We recommend that the checks be endorsed as soon as possible upon receipt as opposed to the end of the process as currently practiced. The Accounting Manual requires that checks be immediately endorsed upon receipt.

Response from Environmental Services:

We will obtain an endorsement stamp from Finance and will start this practice as soon as the stamps are received.

Recommendation II

The Department should consider the feasibility of obtaining a safe to store cash and checks.

Internal Audit recommends that a safe be used to store the currency. We noted that whenever a renewal of license applications cannot be entered in City View, funds and applications are locked in a file cabinet overnight. The current practice of using a cabinet file for this type of storage is not optimal. Internal Audit notes that a fire resistant safe is required per the Accounting Policy Manual issued by the Finance Department.

Response from Environmental Services:

We are in the process of buying reasonably priced safes that meet the requirements as stated in the Town's Accounting Manual.

Recommendation III

Receipts should be given to all customers.

Environmental Services provides a receipt to all cash customers. Applicants that pay by check do not receive a receipt. For all point of sale transactions a pre numbered receipt should be issued. Internal Audit also notes that the issuance of receipts is required by Accounting Policy Manual issued by the Finance Department.

Response from Environmental Services:

As Internal Audit indicates, receipts are already provided to cash customers. We will also issue receipts to customers that pay by check. The Division will also work towards pre numbering all our receipts over time.

Recommendation IV

The daily funds received and the reconciliation documentation produced should be directly handed to the Account Clerk who is responsible for the preparation of daily deposit.

We noted that the daily funds received and the reconciliation documentation produced are placed in an unsecured mail box readily accessible many members of Department, including, outside visitors like ourselves.

Response from Environmental Services:

We will require a direct handoff to the Account Clerk that prepares the deposit ticket.

Laboratory Services:

The Laboratory performs test screening for lead in water, ceramics and paint chips, well water bacteria and chemical levels and tick testing associated with Lyme disease. With each fee collected, the customer receives a receipt. The receipts are not numbered. Cash and checks are accepted. Internal Audit received testimonial that check payments are not immediately endorsed. At the end of the business day, receipts are tabulated with actual fees collected by the Health Laboratory Director. The money and receipts are placed in an envelope and brought to the mail slot for pick up by a Health Department Administrative Account Clerk. There are no computerized reconciliations. The Accounting Clerk prepares the reconciliation and the deposit ticket. The deposits are made daily in accordance with Town policy. The deposit summaries are hand delivered to the Finance Treasury Department. The Laboratory also accepts deposits for testing bottles that are returned to the customer when the bottle is returned. These bottle deposits are only receipted to revenue when the bottle is not returned for thirty days.

Recommendations I:

Receipt of laboratory fees should be sequentially numbered.

The receipt of laboratory fees should be numerically controlled and issued in sequence. Absent numerical sequencing it is difficult to obtain assurance that the receipts from laboratory services are deposited. Sequential numbered receipts could be readily monitored through the daily reconciliation.

Response from Laboratory Services:

We already provide receipts to all customers and will work toward pre numbering all our receipts over time.

Recommendations II:

In accordance with a Finance Department's Accounting Manual requirement, all checks should be immediately endorsed as soon as possible upon receipt with a restrictive endorsement.

We observed that checks received during day are not endorsed early in the receipt process. The checks are forwarded via hand delivering to the Account Clerk's mail box. The following day, the Account Clerk prepares the reconciliation and the deposit slip. As part of that process, the Account Clerk will stamp endorse the checks. We recommend that the checks be endorsed as soon as practicable upon receipt as opposed to the end of the process as currently practiced. Internal Audit notes that the Finance Department's Accounting Manual requires that the checks should be immediately endorsed upon receipt.

Response from Laboratory Services:

We will obtain an endorsement stamp from Finance and will start this practice as soon as the stamps are received.

Recommendations III:

The Department should consider the feasibility of obtaining a safe to store cash and checks.

Cash and checks received during the business day for bottle deposits are stored in a drawer. The bottle deposits are returned back to the customer when bottles are returned. Laboratory Services could potentially hold on to cash or checks for thirty days. Internal Audit notes that a fire resistant safe is required per the Accounting Policy Manual issued by the Finance Department.

Response from Laboratory Services:

We are in the process of buying reasonably priced safes that meet the requirements as stated in the Town's Accounting Manual.

Recommendation IV

The daily funds received and the reconciliation documentation produced should be directly handed to the Account Clerk who is responsible for the preparation of daily deposit.

We noted that the daily funds received and the reconciliation documentation produced are placed in an unsecured mail box readily accessible many members of Department, including, outside visitors like ourselves.

Response from Laboratory Services:

We will require a direct handoff to the Account Clerk that prepares the deposit ticket.

Family Health Services:

The Family Health Division provides dental health, immunization, screening services, maternal, child, adult health and home health maintenance programs to Greenwich Community. A receipt is provided for most Family Health services but not for all services. For example, receipts are not issued for the influenza clinic. Cash and checks are accepted for all services Division wide. Internal Audit received testimonial that check payments are not immediately endorsed. At the end of the business day, all the receipts are tabulated with family health fees collected. The money and receipts are placed in an envelope and brought to the mail slot for pick up by the Account Clerk. There are no computerized reconciliations. The Accounting Clerk prepares the reconciliation and the deposit ticket. The deposits are made daily in accordance with Town policy. The deposit summaries are hand delivered to the Finance Treasury Department.

Recommendations I:

In accordance with a Finance Department’s Accounting Manual requirement, all checks should be immediately endorsed as soon as possible upon receipt with a restrictive endorsement.

We observed that checks received during day are not endorsed early in the receipt process. The checks are forwarded via had delivered to the Account Clerk’s mail box. The following day the Account Clerk prepares the reconciliation and the deposit slip. As part of that process, the Account Clerk will stamp endorse the checks. We recommend that the checks be endorsed as soon as possible upon receipt as opposed to the end of the process as currently practiced. The Finance Department’s Accounting Manual requires that the checks should be immediately endorsed upon receipt.

Response from Family Health:

We will an obtain endorsement stamp from Finance and will start this practice as soon as the stamps are received.

Recommendations II:

Receipt for family health fees should be sequentially numbered.

The receipt of family health fees should be should be numerically controlled and issued in sequence. Absent numerical sequencing is difficult to obtain assurance that the receipts from the family health services are deposited. Sequential numbered receipts could be readily monitored through the daily reconciliation.

Response from Family Health:

We already provide receipts to all customers and will work toward pre numbering all our receipts over time.