

*Forsyth County*

**INTERNAL AUDIT REPORT**

**REVIEW OF OPERATIONS FOR  
FORSYTH COUNTY DEPARTMENT OF PUBLIC HEALTH**

**37-17-06**

**APRIL 13, 2017**

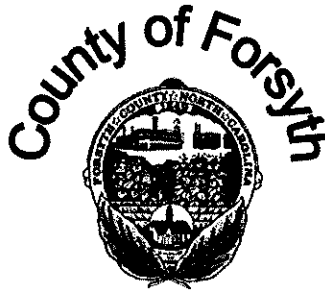
**Internal Audit Division  
Forsyth County Finance Department  
201 N. Chestnut Street  
Winston-Salem, NC 27101**

**FINANCE DEPARTMENT**

**Paul L. Fulton, Jr., CPA**  
CHIEF FINANCIAL OFFICER

**Terri L. Goodman, CPA**  
DEPUTY CHIEF FINANCIAL OFFICER

**Lee H. Plunkett**  
TREASURER



**Michael J. Phelps, CPA**  
CONTROLLER AND SYSTEMS MANAGER

**Teresa G. Everhart, CISR**  
RISK MANAGER

**M. Brandon Branscome, CPA**  
INTERNAL AUDIT MANAGER

April 13, 2017

Mr. Dudley Watts, County Manager:

A review of operations for Forsyth County Department of Public Health has been completed. The review was limited to the areas of cash receipts, procurement activities, capital assets, grants, and timekeeping.

Based on the Review, the operations appear to be satisfactory. There are six potential opportunities for improvement existing within the areas of the Review. These opportunities are summarized in the accompanying report. The full Review is available upon request.

It was a pleasure to work with the FC-DPH staff during the review, specifically Mr. Marlon Hunter, Ms. Quintana Stewart, and Ms. M. Marie Moukdarath. Their cooperation in completing this Review was appreciated.

Sincerely,

M. Brandon Branscome  
Internal Audit Manager

Enclosure

cc: Mr. Marlon Hunter, Public Health Director  
Mr. Paul L. Fulton Jr., Chief Financial Officer  
Ms. Terri L. Goodman, Deputy Chief Financial Officer  
Ms. Carla Holt, Clerk to Board of County Commissioners  
Mr. J.B. Lagnie, Internal Audit

Summary reports were provided to the Board of Commissioners:

Mr. David R. Plyler, Chairman  
Mr. Don Martin, Vice-Chairman  
Mr. Fleming El-Amin  
Mr. Ted Kaplan  
Mr. Richard V. Linville  
Ms. Gloria D. Whisenhunt  
Mr. Everette Witherspoon

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**Forsyth County Internal Audit**  
**Summary Report for Forsyth County Department of Public Health**  
**April 13, 2017**

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Internal Audit recently completed the Forsyth County Department of Public Health review of cash receipt operations, timekeeping procedures, procurement activities, fixed assets, and grants compliance.

This summary report has been prepared to give you an overview of our review. A detailed report has been prepared and is on file in the Internal Audit Department, available upon your request.

### *Background*

The Forsyth County Department of Public Health (FCDPH) has been operating since 1916 and consists of a staff of over 230 dedicated public health professionals who work diligently and inconspicuously to reduce preventable health risks to Forsyth County residents. Today, as a century ago, the resources expanded for public health activities constitute the most effective health-related expenditure of public resources by local, State, and federal governments.

Overall, the activity of the Department is divided into three (3) strategic services:

- Environmental Health
- Nursing
- Preventive Health

The Forsyth County Department of Public Health operates under the direction of Marlon Hunter.

### *Review Objectives*

The objectives of the review were:

- To ensure cash receipts are accurately accounted for and adequately safeguarded until deposited.
- To verify that hours worked and leave taken are properly recorded, reported, and in compliance with the County policy.
- To ascertain that procurement activities are in compliance with county policy and risks associated with procurement activities are minimized.
- To determine that FCDPH fixed assets are adequately recorded, maintained and safeguarded.
- To ensure FCDPH is in compliance with the requirements established in its grants.

### *Review Evaluation*

- **Report Item - Cash Receipts & Petty Cash -**  
The Department has a proactive approach pertaining to cash management. However, it needs to comply with the N.C. Department of State Treasurer Policy Manual for Local Governments (Section 30: Cash and Investments) at all times without jeopardizing the segregation of duties. Also, FCDPH carries a large amount of petty cash (\$1,300) but never uses more than one-third of its imprest. The Department should optimize its cash management practices by lowering the amount of petty cash allowed by division and make sure it replenishes these funds – at least – on a monthly basis.  
Opportunities for improvement are described below.
- **Report Item - Timekeeping Procedures -**  
Timekeeping activities appear to be in compliance with County procedures. The timesheet management appears satisfactory.
- **Report Item - Procurement Activities -**  
Overall, the segregation of duties appears satisfactory.  
Based on our limited review of expenditures, most of the purchases made appear to be for items relevant to conducting the business of the Department of Public Health. However, travel expenses should be reported following the County travel policy & documentation / substantiation procedures. Also, cell phone expenditures need to be monitored by FCDPH supervisors. Opportunities for improvement are discussed below.
- **Report Item - Fixed Assets -**  
Fixed assets appear to be maintained adequately by the Department. Following our fieldwork, an opportunity for improvement has been identified; see below.
- **Report Item - Grant Compliance -**  
Forsyth County Department of Public Health receives funding through (34) identified agreements with the North Carolina Department of Health and Human Services, Division of Public Health. Funding for those agreements is subject to the availability of State, Federal, and Special Funds for the purpose set forth in those agreements. Other sources of funding are available to the Department through professional organizations. Grant programs have been tested for

FY16 (10 programs & the consolidated agreement) and the Department appears to adhere to their requirements. However, despite its commitment to comply with State & Federal authorities, the pharmacy is not receiving any Cost Settlement Payments for FY 2014, 2015 or 2016; this situation is described below.

### Opportunities for Improvement

#### Cash Receipt Operations & Petty Cash

**Background** – (a) Internal controls must be established over incoming cash at the time of receipt. A cash collection report should be prepared daily and used to record all cash receipts. The cash collection report should be tailored to accommodate the particular operations and accounts of the unit. Whether manually created or computer generated, a cash collection report should provide documentation of the general ledger entry including the following information:

- Necessary accounting information to properly record the transaction in the general ledger,
- Debit and credit amounts,
- Reconciliation of the amount received to the amount expected for the level of activity, and
- Documentation of the dates and individuals responsible for preparation, review and approval, and posting of the entry.

(b) Petty cash change funds should be maintained as an imprest fund. An imprest fund is a fund that is periodically replenished in exactly the same amount as expended from it.

**Condition** – (a) Cash receipt operations are not documented properly. Twenty-three (23) out of forty (40) entries tested did not comply with Section 30 of the N.C. Department of State Treasurer Policy Manual for Local Governments.

(b) Petty cash change funds are not maintained as an imprest fund. During FY16 (& FY17 as of today), the Department did not use more than one-third of its imprest.

**Management Action** – (a) Internal Audit recommends the Department comply with Section 30. Cash receipt operations are expected to be properly documented in order to record the dates and individuals responsible for preparation, review and approval, and posting of the entry.

(b) Internal Audit recommends the Department review its petty cash needs. By lowering the amounts allowed by division, FCDPH would limit the risk of loss / fraud and

would allow the funds to be replenished on a regular basis (monthly, at least).

#### Procurement Activities

**Background** – Internal controls must be established to ensure that items purchased are relevant to conducting the business of the Department. Furthermore, the “purchase trail” must be adequately documented so that FCDPH is able to reconstruct processing for internal / external audits.

(a) Travel expenses incurred in the official performance of a Forsyth County employee’s duty should be reported following the County travel policy & documentation / substantiation procedures.

(b) Cell phone expenditures must be reviewed and authorized in order to identify potential abuse.

**Condition** – (a) Two (2) of the eleven (11) events tested were not accurately reported.

(b) Four (4) oddities have been identified for FY16.

**Management Action** – (a) Internal Audit recommends the Department to remind its employees and supervisors of the Forsyth County travel policy & documentation / substantiation procedures which contains guidelines to complete an Itemized Report of Travel Expenses (a sample report for field references is also included in the policy document).

(b) Internal Audit recommends the Department to pursue its effort in managing cell phones expenditures. As discussed during our review, supervisors should be contacted whenever charges – outside of the normal monthly charges – are discovered.

#### Fixed Assets

**Background** – The Department of Public Health does not maintain its own list of assets. However, as assets are moved in and out of service, or between service locations, updates are made with the Finance Department.

**Condition** – Three (3) of the eight (8) capital assets tested did not have county property tags.

**Management Action** – Internal Audit recommends the Department to order water-resistant property tags to identify the aforementioned capital assets. The Finance Department is available to help you with property IDs.

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## Cost Settlement Payments

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**Background** – The pharmacy is not receiving any Cost Settlement Payments for FY 2014, 2015 or 2016.

**Condition** – The North Carolina Division of Medical Assistance (DMA) has changed the way it processes cost report / settlement calculations. While it has never been required to do so in the past, DMA is trying to force FCDPH to do a cost report for pharmacy charges. If the Department were to lump pharmacy charge in with public health costs using the current settlement calculation, the settlement FCDPH normally receives would be adversely affected.

FCDPH estimates that \$407,228.69 is currently withheld for FY 2014. A projection based on Medicaid demographics for the County gives us \$420,667.24 for FY 2015 and \$434,549.26 for FY 2016, with a projected three-year total of \$1,262,445.19.

**Management Action** - Internal Audit wants to highlight this situation while a resolution is still being worked out at State level.

Please note that FCPDH is not the only County Public Health department affected at the moment.

### Management Response

#### Cash Receipt Operations & Petty Cash

(a) This is in reference to a discussion Internal Audit and the Department Business Manager had about the Cash Receipt entry form. The Department began correctly documenting this on February 6, 2017.

(b) The Department will remind staff to replenish their funds on a monthly basis and will monitor petty cash funds to see if lowering the amounts will be conducive for each program area.

#### Procurement Activities

(a) The Department will remind staff at the next all-staff meeting of the Forsyth County travel policy & documentation procedures and its guidelines to complete an Itemized Report of Travel Expenses. Specifically for FV622512 where audit findings were that employee over-reported her expenses in the amount of \$2.00; although the \$15.35 (breakfast) included a \$2.00 tip and should have been properly reported under the "Other Column", the \$2.00 that was reported as tips were assumed to be a separate tip for the employee's dinner.

(b) The Department has discussed with Public Health finance to ensure that when Verizon bills are received, a thorough review of charges will be completed and any

additional fees outside of the normal monthly charges will require notice to a Service Area Administrator.

#### Fixed Assets

The Department will cover existing property tags and ensure that they will be water-proof.

#### Cost Settlement Payments

The Department at this time does not have any updates on the status of Medicaid Costs Settlement Payments for FY 2014, 2015, or 2016. The NC Division of Public Health and NC Division of Medical Assistance are still reviewing settlement reports.

### Conclusion

Based on the results of the limited test work performed during the review, operations in the areas of cash receipts, timekeeping procedures, procurement activities, fixed assets, and grants compliance appear to be satisfactory.

A review will be conducted in six months to follow-up on the Opportunities for Improvement.

#### End of Report