

**Prince George's County, Maryland  
Office of Audits and Investigations**

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**Health Department**

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**Permit and Fee Revenue Collection Process**

**August 2013**



**David H. Van Dyke  
County Auditor**

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August 2013

The County Council and County Executive  
of Prince George's County, Maryland

We have conducted a performance audit of the

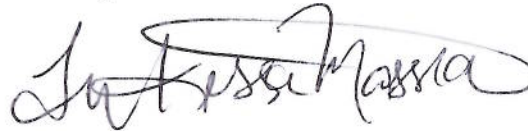
**HEALTH DEPARTMENT'S PERMIT AND FEE  
REVENUE COLLECTION PROCESS**

in accordance with the requirements of Article III, Section 313, of the Charter for Prince George's County, Maryland. Our Report is submitted herewith.

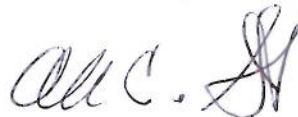
We have discussed the contents of this Report with appropriate personnel of the Health Department and wish to express our sincere gratitude to them for the cooperation and assistance extended to us during the course of this engagement.



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County Auditor



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## Results In Brief

The County's Health Department provides health and sanitary services to and for the welfare of the residents of Prince George's County. These services are provided for little to no fee. Our Office conducted an audit of the Health Department's permit and fee revenue collection process and the internal controls surrounding this process.

The following are the major findings addressed in our report:

- Adequate documentation for permit and fee revenue collections was not maintained by the Health Department's Fiscal Services Office.
- Fiscal Services does not record daily receipts and journal entries in a timely manner to accurately reflect daily fee collections in the general ledger.
- Lack of management review of the revenue accounts for reasonableness resulted in occasional errors throughout the permit and fee revenue collection process.
- Adequate segregation of duties is not maintained between the authorization of fees and the collection of fees in some Divisions within the Health Department.
- Administrative Procedure 346 (Revenue Collection) has not been updated since July 1988.

Internal control activities are an important part of an agency's ongoing planning, implementation, and review of programs and services. They are essential for effective and efficient operations and proper accountability of county, state, and federal resources. Hence, several recommendations for its improvement are made throughout this Report.

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## Background

The Prince George's County Health Department's mission is to service its residents by:

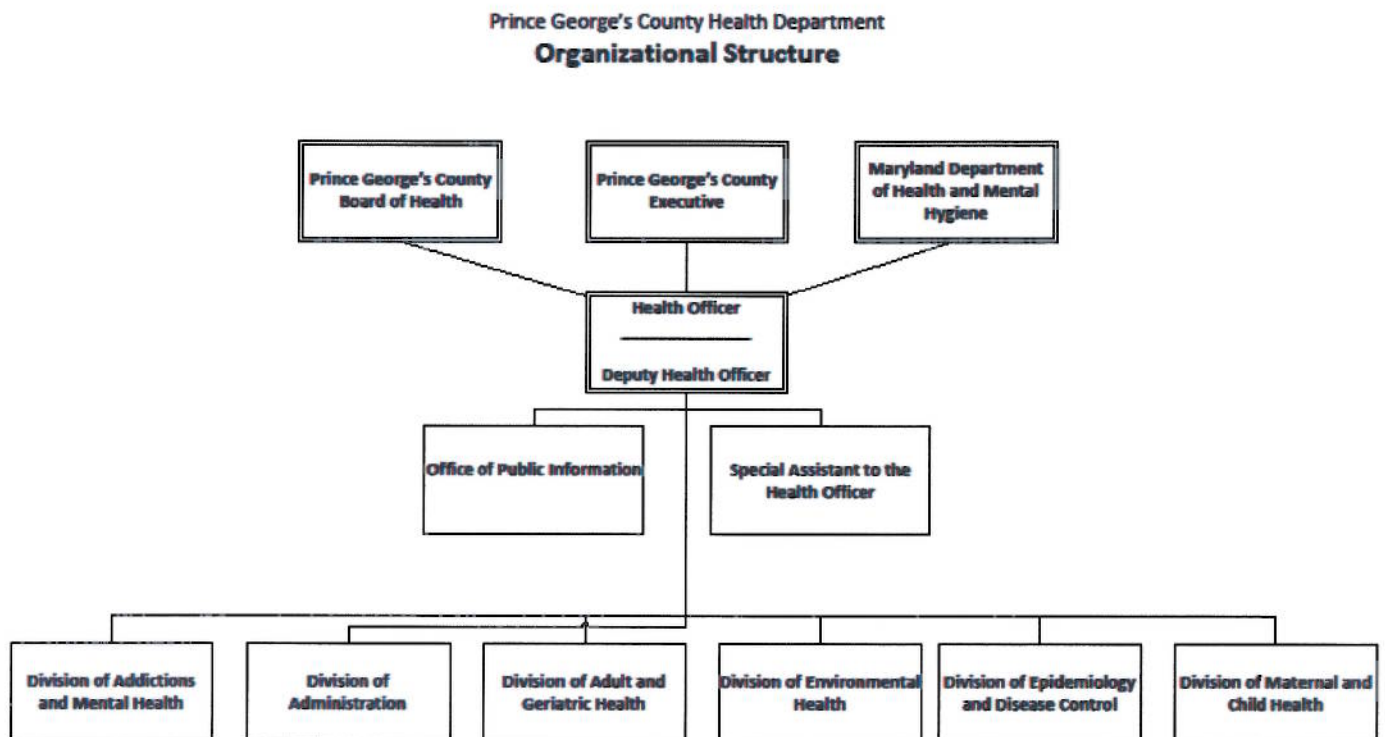
- aiming to protect the public's health;
- assuring availability of and access to quality health care services; and
- promoting individual and community responsibility for the prevention of diseases, injury, and disability.

The State of Maryland's Department of Health and Mental Hygiene (DHMH) establishes the general goals and policies for the Maryland health care system, which encompasses local governing bodies. The Annotated Code of Maryland Health – General Article, Title 3, established and defines the County Board of Health and the Health Officer. County Boards of Health were established to locally enforce laws set forth by the DHMH Secretary of Health and Mental Hygiene. A Health Officer for each county is appointed by and reports to the County Council and County Executive to enforce and execute State health laws, policies, rules, and regulations that the DHMH Secretary adopts. County Code Section 12-101 designates the County Council as the County's Board of Health and also designates the County Health Officer's appointment, qualifications, and duties.

The Health Officer currently oversees the Office of Public Information, the Division of Administration, and five fee-for-service divisions:

- Division of Addictions and Mental Health
- Division of Adult and Geriatric Health
- Division of Environmental Health
- Division of Epidemiology and Disease Control
- Division of Maternal and Child Health

Below is an organizational chart outlining the Prince George's County Health Department (effective as of December 2011):





An average of \$4.1 million in health permit and fee revenue (general and special revenue funds) was collected each year by the County over the last five fiscal years. Below is a breakdown of the total collections by year:

<b>Fiscal Year</b>	<b>Total Dollars Collected</b>
FY08	\$3.9 million
FY09	\$3.8 million
FY10	\$3.5 million
FY11	\$4.3 million
FY12	\$5.0 million

As previously mentioned, five (5) of the six (6) Health Department Divisions operate on a fee-for-service basis. Often fees are based on a sliding fee scale mandated by the DHMH. Procedures set forth in Administrative Procedure 346 (Revenue Collection) should be followed by all County departments and agencies that collect revenue. Fees are collected by the various programs then forwarded to the Health Department's Fiscal Services Office (Fiscal Services) for deposit. Fiscal Services is also responsible for ensuring the revenue collected is recorded in the County's financial system.

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## **Objective, Scope, & Methodology**

The purpose of this audit was to (1) assess the adequacy and performance of designed control activities in place for the Health Department's permit and fee revenue collection process; (2) determine adherence to applicable laws, regulations, and internal policies and procedures; and (3) identify factors inhibiting satisfactory performance and recommend corrective action.

To conduct this audit, journal entry detail of all the revenue accounts for Fiscal Year 2012 was obtained from the general ledger and we judgmentally selected 60 daily fee collections to test that the fee revenue of the Health Department was collected, adequately safeguarded, deposited, accurately recorded, and in compliance with County Administrative Procedure 346 (Revenue Collection). We also conducted Program location walk-throughs and interviewed key personnel involved in the revenue collection process. All significant field work was completed by November 9, 2012.

Based on the amount of revenue collected annually, our audit of the internal controls over the permit and fee revenue collection process concentrated on the Divisions of Environmental Health, Maternal and Child Health, and Addictions and Mental Health. The Vital Records and Fiscal Services offices, within the Department's Division of Administration, were also included in the scope of our audit. Fee collections for the Division of Epidemiology and Disease Control are less than 1% of the total annual revenue collected and was excluded from our

Division walk-through testing. The revenue collection for the Division of Adult and Geriatric Health is solely from reimbursement through the DHMH and was not included in our testing.

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## Management's Responsibility for Internal Controls

Internal control is a process, effected by people at every level of the organization, designed to provide reasonable assurance that the following objectives are being achieved<sup>1</sup>:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Management is responsible for establishing and maintaining an environment that sets a positive and supportive attitude towards internal control. When the importance of internal controls is communicated to employees, particularly through management's own actions and beliefs, the process is more likely to function effectively.

A strong internal control environment is essential in minimizing operational risks and improving accountability. This further helps an agency to achieve its mission.

We noted the following strengths in relation to the internal controls we reviewed for the Health Department's permit and fee revenue collection process:

- Written policies are in place for the fee collection process performed by Fiscal Services.
- The Division of Environmental Health utilizes an automated system, ePermits, in their fee collection process.
- Division heads meet monthly with Fiscal Services to discuss monthly collection activity, differences, and process concerns.
- The Division of Maternal and Child Health utilizes an automated system, ICIS, in their fee collection process.

We also observed several control weaknesses in the permit and fee revenue collection process that require management's attention. The following sections detail the items noted during our review.

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<sup>1</sup> Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission, Copyright 1994

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## Incomplete Documentation in the Fiscal Services Fee Collection Files

We selected a sample of 60 days during Fiscal Year 2012 and reviewed corresponding daily fee collection packages maintained by Fiscal Services to determine whether permit and fee revenue collected by the Health Department was adequately safeguarded, deposited in a timely manner, accurately recorded, and in compliance with County Administrative Procedure 346 (Revenue Collection).

A complete daily fee collection package includes:

- Report of Client Fees Collected (log sheet) for each Program
- Daily Cash Summary for applicable programs
- Record of Collections form for each Program
- Bank deposit slips
- Copies of checks (for customer check payments)
- Cash Verification Sheets for each Program
- Delivery Receipts for each Clinic location where payments were collected
- Daily Fee Collection Report

Based on our sample, we determined that the Health Department's Fiscal Services fee collection files were incomplete. The following observations were noted:

- For two of the 60 days selected for testing (3%), Fiscal Services was unable to provide the Daily Fee Collection Package. However, the Fiscal Services manager was able to provide a copy of the Daily Fee Collection Report and monthly bank statement activity report as evidence that the fees were collected.
- The collection amount reported on Fiscal Services' Cash Verification Sheets was incorrect in four (4) instances. In addition, the Fiscal Services manager signed off on the incorrect amount on the Cash Verification Sheet and on the corresponding Record of Collections forms. We compared the Record of Collection forms to the Cash Verification Sheets for each Program then compared the total for all Cash Verification Sheets to the deposit ticket for the selected days. In each of these instances, the deposit ticket had the correct amount of cash received from the Programs.
- We discovered three (3) instances where Program staff either filled out the Record of Collections form or Report of Client Fees Collected log incorrectly with the wrong amount of cash or checks collected.
- For one of the days selected (2%), the Vital Records daily fee amount was short \$59 and no Cash Receipts Difference Report was completed, nor were fee collection personnel held responsible for the discrepancy.



- Our sample testing uncovered an instance where a \$67 check was received from a patient that contained missing information, was illegible, and was accepted by the Program. This check was also deposited into the bank by Fiscal Services. The bank did not accept the check, which caused a \$67 reconciling item for that day's daily fee collection totals. This is an indication that the fee collection staff did not review the check for accuracy, as required in Fiscal Services' procedures.

We also selected two days in Fiscal Year 2012 to test the journal entry posting of monthly mail-in checks. A complete Monthly Mail-in Package includes:

- Copies of all the mail-in checks for the month
- Daily Fee Collection Report (for mail-in checks only)

We attempted to review copies of all checks that make up the monthly mail-in checks entry but encountered 13 (8%) missing checks out of the total 168 checks for the two days selected.

According to Fiscal Services' Fee Collection Manual Procedures, clinical staff responsible for revenue collection should:

*Count and reconcile money on hand with the total of collections on "Report of Client Fees Collected" form (BF 17A or 17B).*

*If the total of collections on hand does not agree with the total in the Amount Paid column, complete a Cash Difference Report form (BF-13) and attach it to the original of the Report of Client Fees Collected.*

*Complete Collections Record form BF-16A. Fill in date, name of a clinic and program, your initials, amount of cash and checks enclosed, and total enclosed.*

*Complete Delivery Receipt form (A-63) or (FS-63). Fill in requestor name, requestor location, and requestor program.*

Banking & Collections staff within Fiscal Services who are responsible for handling collections received from the various Programs should:

*Request the assistance of another staff member, and they should verify the amount of cash in each bag received. Both employees will initial the Cash Verification Sheet (FS-64)*

*UNDER NO CIRCUMSTANCES should one person (Cashier) count the cash by his or her self. An employee (Cashier) who follows these instructions will be indemnified when disputes occur over amounts transmitted and amounts received in the Banking & Collections office. If an employee (Cashier) fails to follow these instructions, he or she may be*

*personally liable for any discrepancies between amounts the clinics indicate were sent and the amounts received by the Banking & Collections Office.*

*Verify that all checks are made payable to Prince George's County Health Department, the dollar amount and the written amount are the same, and the checks are signed. If they are not, notify the clinics of the problem and return if necessary.*

Also, in the publication on standards for internal controls (GAO/AIMD-00-21.3.1) (11/99) the Government Accountability Office (GAO) states that:

*"Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained."*

The magnitude of paper documents involved in the fee collection process, any delay in counting and verifying the Program fee collections due to the lack of staff resources in Fiscal Services, and the manner in which the packages are being filed may have contributed to pertinent documents being misplaced.

In addition, Programs and Fiscal Services do not strictly adhere to procedures outlined in the Fee Collection Manual. Furthermore, Management does not enforce these written procedures and does not hold staff accountable for not adhering to procedures.

Inadequate documentation and not following procedures increase the likelihood of errors, resulting in inaccurate records and information, reducing the reliability of collection documents for recording financial transactions in the County's accounting system.

**1a) We recommend** that the Health Officer consider implementing an automated process, where practical, to reduce the amount of paper used in the Department's permit and fee revenue collection process.

With an automated system, Programs can electronically store patient information and capture daily activity. Programs should continue to make copies of checks for submission to Fiscal Services. However, all documents submitted to Fiscal Services can be scanned and sent electronically. Only the actual cash and physical checks should be put in the envelope for courier pick up and sent to Fiscal Services. Scanned documents will alleviate the risk of misplacing documents and can be used for backup.

**1b) We also recommend** that the Health Officer review various documents in the revenue collection process to determine if all are necessary and, where possible, combine or eliminate any documents that appear to be redundant.

**1c) Lastly we recommend** that the Health Officer establish and implement a written records management policy to ensure comprehensive documentation of collection activity is prepared and maintained by the Programs and Fiscal Services. Procedures should also include guidelines to ensure documentation is properly secured, accounted for, and retained for an appropriate amount of time.

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## Untimely Daily Receipts and Journal Entry Postings

During testing of the sample of 60 daily fee collections, we noted a delay between the time the fees are collected by Programs and the time they are deposited into the bank by Fiscal Services. We noted six (6), or 10%, out of the 60 daily collections from Programs took five (5) or more days to be deposited into the bank and 27 (45%) took four (4) or more days.

We also reviewed each Daily Receipt (DR) entry transmitted to the Treasury Division for Fiscal Year 2012, and discovered that entries are being posted, on average, 88 days after fees have been collected by Programs.

According to the Fiscal Services' Fee Collection Manual Procedures, clinical staff responsible for collections should prepare a bank deposit bag and collections record slip *"for each scheduled pickup, even if there is no fee to be forwarded that day"*.

Additionally, according to Administrative Procedure 346 (Revenue Collection) *"collections over \$100 should be deposited daily" and "the bank validated deposit ticket and Agency/Activity Collection/Transmittal Report should be transmitted to the Treasury Division as soon as possible after the deposits are made."* At the end of the month, *"transactions should be transmitted immediately in order for all transactions to be received by the Treasury Division no later than the close of business on the 4<sup>th</sup> working day after the end of the month for accurate month end reporting and reconciliation."*

Furthermore, in the publication on standards for internal controls (GAO/AIMD-00-21.3.1) (11/99) the Government Accountability Office (GAO) states that:

*Transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records. In addition, control activities help to ensure that all transactions are completely and accurately recorded.*

The delay in depositing collections resulted from some Programs holding fees for more than 24 hours. Also, Fiscal Services does not process the fees collected on the day it was actually received by the Program. We also noted that the six items that took 5 or more days to be deposited occurred around holiday weekends, which likely contributed to the delay.

The delay in posting deposits to the County's financial system is attributed to the lack of staffing in various Programs and offices within the Health Department.

Untimely deposits of fees collected increase the opportunity of loss of County or State funds, occurrence of errors, or fraudulent activity. Untimely posting of daily fee collections to the financial system may result in the understatement of County revenue.

**2a) We recommend** that the Health Officer ensure that the fees collected by Programs each business day be deposited in accordance with Administrative Procedure 346 (Revenue Collection).

**2b) We recommend** that the Health Officer ensure that bank validated deposit tickets and Agency/Activity Collection/Transmittal Reports are transmitted to the Treasury Division as soon as possible after the deposits are made (at least weekly, but no later than the 4<sup>th</sup> working day of the following month).

**2c) Lastly, we recommend** that the Health Officer enforce its written policy (and Administrative Procedure 346 – Revenue Collection) of submitting fees collected to Fiscal Services on a daily basis to ensure timely deposits and posting of entries to the County's financial system.

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## **Lack of Reconciliation of Revenue Accounts**

We discovered that Fiscal Services does not perform a periodic review of the Health Department revenue accounts for reasonableness. After submitting the journal entry upload for daily fee collection activity to the Office of Finance, Fiscal Services does not review the monthly financials to ensure entries have been accurately posted to the County's financial system.

We reconciled Fiscal Services' monthly revenue reports for Fiscal Year 2012 to the County's financial system (GEAC) account detail for each month and noted various differences for each month. However, the overall variance for the fiscal year was approximately \$5,000, less than 1% of the total revenue collected for Fiscal Year 2012.

It was also brought to our attention by Program personnel that during monthly meetings with management, Program revenue reported by Fiscal Services may differ from the daily receipts submitted by the Programs.



According to Administrative Procedure 346 (Revenue Collection),  
*“departments that collect substantial amounts of revenue should request  
and review the monthly accounting system revenue reports for  
reasonableness to detect potential account distribution errors”.*

In addition, in the publication on standards for internal controls (GAO/AIMD-00-21.3.1) (11/99) the Government Accountability Office (GAO) states that:

*Internal controls should generally be designed to assure that ongoing  
monitoring occurs in the course of normal operations. It is performed  
continually and is ingrained in the agency’s operations. It includes  
regular management and supervisory activities, comparisons,  
reconciliations, and other actions people take in performing their duties.*

Some of the differences noted may be attributed to the timing of deposits and the recording of deposits in the financial system. However, we were not able to determine the actual cause of the differences noted, since the Health Department does not perform periodic reconciliation of the Programs’ revenue data to the amount recorded in the County’s financial system.

The absence of periodic reconciliation of the Health Department revenue reported by the Programs to the amount of revenue recorded in the County’s financial system may cause errors in the fee collection and recording process to go undetected, resulting in inaccurate records, information, and reports.

**3) We recommend** that the Health Department implement a monthly review process of Program revenue data to the County’s financial system for reasonableness and accuracy. The process should be incorporated into its written procedures and should include prompt review and resolution of variances identified during the review.

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## **Lack of Segregation of Duties**

Through individual Program process walk-throughs and inquiries, we discovered several instances of a lack of segregation of duties within the Health Department revenue collection operations.

We performed process walk-throughs and inquiries with key Program personnel for Environmental Health, Addictions (Dyer location), Maternal and Child Health (Cheverly location), and Vital Records. We discovered a lack of segregation of duties within two (2) of the four (4) Divisions we performed walk-throughs for – Addictions and Maternal and Child Health.

The Addictions program (Dyer location) has two (2) Administrative Aide II positions that process payments; however a manager does not review the payments prior to submitting collections to Fiscal Services.

The Maternal and Child Health Program (Cheverly location) uses their four (4) interpreters and four (4) clerical staff to also process payments at their Fiscal Registration Desk. These staff split their time between fiscal registration and clerical/interpretation duties. Part of the clerical duties performed is the clinical registration of patients. Clinical registration gives the authority to complete a Fee Visit Encounter Form, which is key in determining how much a patient pays for their visit. These same staff members also have authority to process payments at the Fiscal Registration Desk.

According to Administrative Procedure 346 (Revenue Collection), *“the employee assigned to the bookkeeping duties or someone other than the cashier should:*

*...Issue the license, permit, etc. for which payment has been made; and*

*...Reconcile the total collections indicated on the Treasury...Report.”*

Administrative Procedure 346 (Revenue Collection) also states that *“the cashier should not have access to documents and records under the bookkeeper’s control and the bookkeeper should not handle any money.”*

Furthermore, in the publication on standards for internal controls (GAO/AIMD-00-21.3.1) (11/99) the Government Accountability Office (GAO) states that:

*Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.”*

GAO also states that:

*Access to resources and records should be limited to authorized individuals, and accountability for their custody and use should be assigned and maintained. Periodic comparison of resources with the recorded accountability should be made to help reduce the risk of errors, fraud, misuse, or unauthorized alteration.*

The Programs reported that lack of staff is the reason for cross-training employees and leveraging staff resources. However, inadequate segregation of duties increases the risk that errors or fraud in the revenue collection process may occur and remain undetected.

**4a) We recommend** that the Health Officer ensure that duties in the permit and fee revenue collection process are individually assigned so that the cashier and bookkeeping duties within each program are properly segregated.

**4b) We also recommend** that each Program have an onsite manager review all daily fee collection activity prior to courier pickup and delivery to Fiscal Services, particularly in locations where it may not be feasible to fully segregate all cash-related duties.

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## **Update Administrative Procedures 346 (Revenue Collection)**

Administrative Procedure 346 (Revenue Collection) is a critical procedural document that establishes a standard for the collection, transmittal and depositing of revenues by County Departments and Agencies and is authorized by Article VIII, Section 801 of the Prince George's County Charter.

Currently Administrative Procedure 346 (Revenue Collection) does not address credit card processing, daily receipts processing via the Intranet, the increase in the amount of revenue now being collected, the increase in the number of revenue transactions, and the increased involvement of other agencies/departments in the revenue collection process. Agencies, such as the Health Department, now collect revenue directly from patients/clients and make their fee collection deposits directly to the bank. The Treasury Division does not get involved in the process until after the fees have been deposited into the bank.

These procedures have not been updated since July of 1988, since periodic updates to County Administrative Procedures are not required. Process changes, technological advancements, and increases in fee collection activity create the need for procedures to be updated to remain relevant to the current process.

In addition, up-to-date procedures are essential for effective management of County processes. Current approved procedures allow staff to effectively and consistently perform their duties and responsibilities.

Without periodic review and updates to Administrative Procedure 346 (Revenue Collection), County Departments and Agencies may engage in revenue collection procedures that are outdated and no longer applicable. There is also a risk that revenues may not be properly recognized and recorded.

**5a) We recommend** that the Chief Administrative Officer (with input from the Office of Finance and other user agencies) review, update, and re-issue Administrative Procedure 346 (Revenue Collection) to all County Departments and Agencies involved in the revenue collection process and ensure that personnel are properly trained on the new procedures.

**5b) We also recommend** the Chief Administrative Officer implement a process to review (and revise, if necessary) Administrative policies and procedures every 5-10 years.



**Prince George's County Health Department  
Audit Responses to Audit Report dated 7-10-2013**

**Finding: Incomplete Documentation in the Fiscal Services Fee Collection Files**

Agency Response: Management concurs with the finding and recommendation.

The Health Department's Banking unit (Client Information Services) continues to adhere to processes identified in the Fee Collection Manual. The agency's goal was to implement an automated system by the end of July 2013. This system will eliminate duplicate paperwork and streamline the fee collection process. The agency has identified a position to support the Banking unit to assist with areas involving segregation of duties as well as consolidating fee collection services at several facilities. Many programs have also obtained new staff involved with the fee collection process. The Banking unit is in the process of updating the Fee Collection Manual and implementing training to all staff involved with the fee collection process within sixty (60) days of this response.

**Finding: Untimely Daily Receipts and Journal Entry Postings**

Agency Response: Management does concur with this finding with some exceptions.

The Health Department ensures all bank deposits are deposited daily, except when a holiday falls on a weekday or during inclement weather. Also, the agency contracts with Dunbar Armored car services. Dunbar retrieves the agency deposit between 10:30 a.m. to noon. If the bank does not receive the deposit prior to 2:00 p.m., the deposit is then recorded the next business day. The agency plans to discuss the daily pick-up with Dunbar Armored car services to determine the cost feasibility on having deposits picked up at each Health Department site and then immediately deposited at the bank to ensure deposits are recorded on the same day the deposits are made. In regards to the Daily Receipt, the Banking Unit experienced staff shortages during Fiscal Year 2012. This unit is supported by two staff positions and a Manager. There were many instances during Fiscal Year 2012 where this unit experienced multiple absences among the two staff. The agency has provided additional support to the Banking unit to assist with the day-to-day functions to ensure reports and postings of Daily Receipts are submitted to the Treasury Division in a timely manner. The agency will also submit weekly reports to the Treasury so that the deposits are posted by Treasury weekly versus monthly.

**Finding: Lack of Reconciliation of Revenue Accounts**

Agency Response: Management concurs with the finding and recommendation with exceptions.

The Health Department provides monthly revenue reports to the Division Managers, Program Administrator's and Budget Analyst to review for accuracy. If there is revenue posted to the wrong account number or cost center, the program contacts the Manager of Client Information Services to correct. The Health Department will provide a written process to all staff involved in the Fee Collection Process on "How to Review and Reconcile Revenues" within sixty (60) days of this response.



**Finding: Lack of Segregation of Duties**

Agency Response: Management does concur with the finding.

The Health Department will implement a centralized cash collecting unit at each facility and ensure that there is a supervisor/manager's review of the daily collections. The Health Department will have to identify staff in order to segregate duties to ensure that the same person collecting fees is not the same person recording the fees.

**Finding #5: Update Administrative Procedure 346**

Agency Response: Management concurs with the finding and recommendation.