



PINAL • COUNTY

*Wide open opportunity*

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**OFFICE OF INTERNAL AUDIT**

**REPORT TO THE PINAL COUNTY  
BOARD OF SUPERVISORS**

**AUDIT OF PUBLIC HEALTH  
CASH HANDLING CONTROLS**

**Kate Witek  
Interim Internal Audit Officer**

**December 2013**

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## Executive Summary

The Office of Internal Audit has completed an audit of Public Health Cash Handling Controls. This audit was included in the Office of Internal Audit's Fiscal Year 2013-2014 Annual Audit Plan, approved by the Board of Supervisors. We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). These standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The overall objective of this audit was to evaluate the adequacy and effectiveness of the internal controls over cash handling in Pinal County public health clinics.

Our conclusion is that internal controls and procedures over cash handling in Pinal County public health clinics are appropriately designed to prevent mishandling of public funds, and safeguard employees from inappropriate charge of mishandling funds by defining their responsibilities in the cash handling process; however we believe the efficiency and effectiveness of these transactions would be strengthened with the implementation of an automated point of sale system interfaced with the County's financial system.

During this audit we confirmed:

- ✓ Unannounced cash counts verified cash change funds and un-deposited receipts were properly accounted for according to current policies (Pinal County Accounting Policies and Procedures/*Cash Receipts*, and current Public Health Policy-01:11:02 *Revenue Handling and Processing*).
- ✓ Cash was locked in secure containers and access was restricted to authorized personnel only.
- ✓ Automated system transactions are recorded and generate customer receipts

Also, we identified the following opportunities for enhancing the internal control environment. These are recurring recommendations.

1. Gain approval to use debit/credit cards for customer payment.

We would like to thank the management and staff of the Pinal County Public Health Department for their assistance and cooperation during the course of this audit.

The following report provides additional details of our audit observations and recommendations.

### **Audit Scope**

The purpose of our audit was to examine cash handling procedures at Pinal County public health clinics to ensure effective and timely cash management. Our specific objectives were to determine if clinic procedures for cash handling complied with policies and procedures; specifically:

- Change funds and un-deposited receipts are accounted for at all times
- Cash is properly secured and access is limited
- Customers receive receipts for their transactions
- Cash collected is promptly deposited with the County Treasurer
- Returned checks are properly managed
- Cash collected is properly reconciled to system data and actual deposits

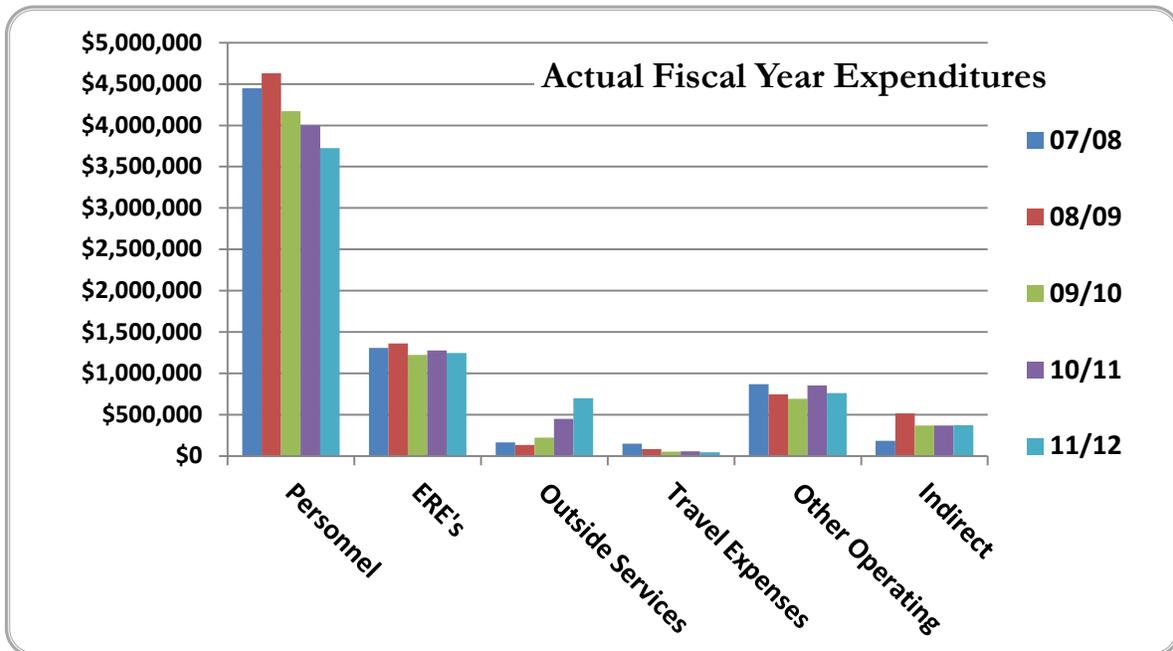
### **Audit Methodology**

To accomplish our objectives, we:

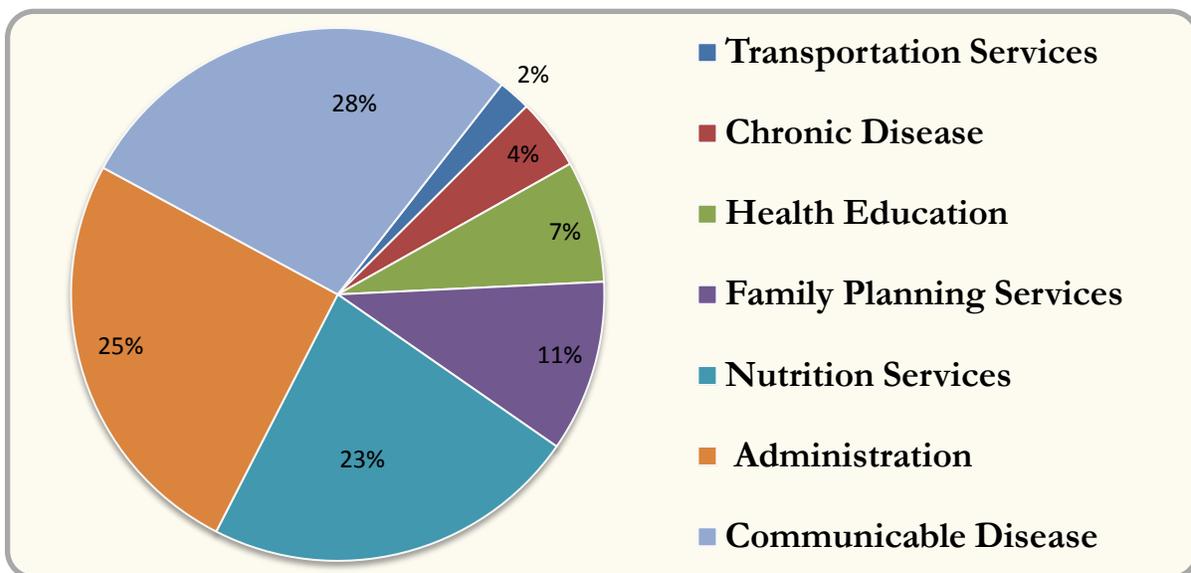
- Interviewed appropriate Public Health Department management and staff
- Reviewed policies, procedures and other documents related to Cash Handling
- Conducted a surprise cash count at four selected clinics (Casa Grande, Maricopa, San Tan Valley, and Coolidge)
- Verified compliance with established procedures

## Background

According to the FY2013-2014 adopted budget, projected expenditures for the Public Health department were \$6,425,764<sup>1</sup>. The charts on this page show a comparison of actual expenditures for Public Health for the past five (5) fiscal years and the percentage of total expenditures in each area.



Major revenue sources for public health expenditures are federal and state grants and a Public Health District sales tax collection; approved in 2007<sup>2</sup>. The graph below shows the percentage of expenditures by service category.



<sup>1</sup> Capital Project funds are not included

<sup>2</sup> [http://www.countysupervisors.org/news/view\\_article.cfm?ID=209](http://www.countysupervisors.org/news/view_article.cfm?ID=209)

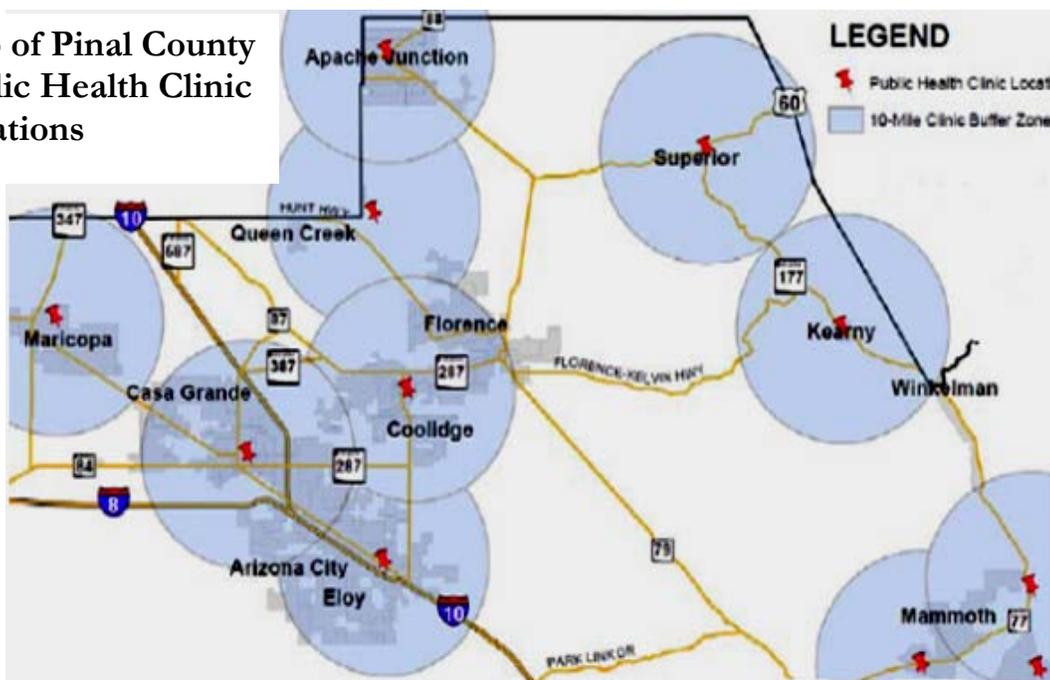
A small percentage of Public Health’s revenue in 2012 (\$42,931) was collected for clinic services at twelve (12) public health clinics located throughout Pinal County (see map)

The Clinic/Revenue chart to the right shows total revenue for 2012, by location.

When clinic services are performed, related information and any revenue collected are recorded in a local-area network (LAN) computer system.<sup>3</sup> As noted in our previous audit<sup>4</sup> the local computer system does not interface with the County’s main financial computer system; so, revenue is not recorded in the main system until cash and checks are transported from the clinics to the Public Health Administration office in Florence, and administrative staff relay these deposits to the County Treasurer’s office. \*San Tan Valley and Maricopa clinics opened in February, 2012.

Clinic	2012 Annual Revenue
Apache Junction	\$ 11,292
Casa Grande	\$ 15,442
Coolidge	\$ 3,640
Eloy	\$ 909
Kearny	\$ 179
Mammoth	\$ 1,168
Maricopa*	\$ 4,734
Mobile (Van)	\$ 478
Oracle	\$ 145
San Tan Valley*	\$ 4,812
Superior	\$ 132
<b>TOTAL</b>	<b>\$ 42,931</b>

Map of Pinal County Public Health Clinic Locations



<sup>3</sup> E-Clinical

<http://www.pinalcountyz.gov/Departments/InternalAudit/Documents/Public%20Health%20Final%20Report.pdf> <sup>4</sup>

## AUDIT FINDINGS AND RECOMMENDATIONS

### A. Public Health Cash Handling – Controls

Strong internal controls for cash collection are necessary to prevent mishandling of county funds, and are designed to safeguard and protect employees and define their responsibilities’ in the cash handling process. Cash includes currency, coins, or checks submitted as negotiable instrument for transactions. Internal Audit performed cash counts at randomly selected clinics (Casa Grande, Coolidge, Maricopa and San Tan Valley) and determined compliance with revenue handling procedures.<sup>5</sup> The following table shows the results of our cash counts and verification of compliance with established procedures:

COMPLIANCE PROCEDURE	CLINIC CASH COUNT RESULTS			
	STV	M	CG	C
Staff trained and familiar with procedures to immediately account for cash when it is received	Y	Y	Y	Y
Access to keys and cash box restricted to cashier	Y	Y	Y	Y
Staff issued pre-numbered receipts issued for all cash received (E-Clinical/computer generated)	Y	Y	Y	Y
Staff demonstrated computer sign-in, proper receipt sequence	Y	Y	Y	Y
Staff prepared a log or listing of all cash receipts	Y	Y	Y	Y
Checks restrictively endorsed “Pinal County Public Health” and/or “For Deposit Only”	Y	Y	Y	Y
Staff prepared daily summary of cash receipts (Daily Cash Drawer report) ; signed by two employees	Y	Y	Y	Y
Staff prepared Cash Transmittal receipts in pre-numbered order (voids included)	Y	Y	Y	Y
Determine adequate physical (i.e. fireproof safe, locking file cabinet, locking cash bags, etc.) safeguarding of cash prior to deposit.	Y	Y	Y	Y
Accounting of all cash funds (\$50 / \$100)	Y	Y	Y	Y

***Recommendation***

***No exceptions noted***

During our procedures Internal Audit noted the following related issue:

- Public Health management stated transactions could be simplified, and customer satisfaction could be enhanced, if debit/credit cards were accepted for clinic services. This is a recurring issue.

***Recommendation***

1. ***Internal Audit recommends the Public Health Director and County management perform an analysis to determine the cost/benefit of implementing debit/credit cards in Public Health clinics.***

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<sup>5</sup> Public Health Policy 01:11:02 and Pinal County Policy ‘Cash Receipts’

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<p><i>1. Internal Audit recommends the Public Health Director and County management perform an analysis to determine the cost/benefit of implementing debit/credit cards in Public Health clinics.</i></p>	<p>Yes</p>	<p>Public Health has been in discussions with the Treasurer's Office and the Point &amp; Pay representative to get the debit/credit card machines in the clinics. Public Health has decided to implement the machines in January 2014.</p>	<p>1/1/14</p>	<p>Public Health Management</p>