

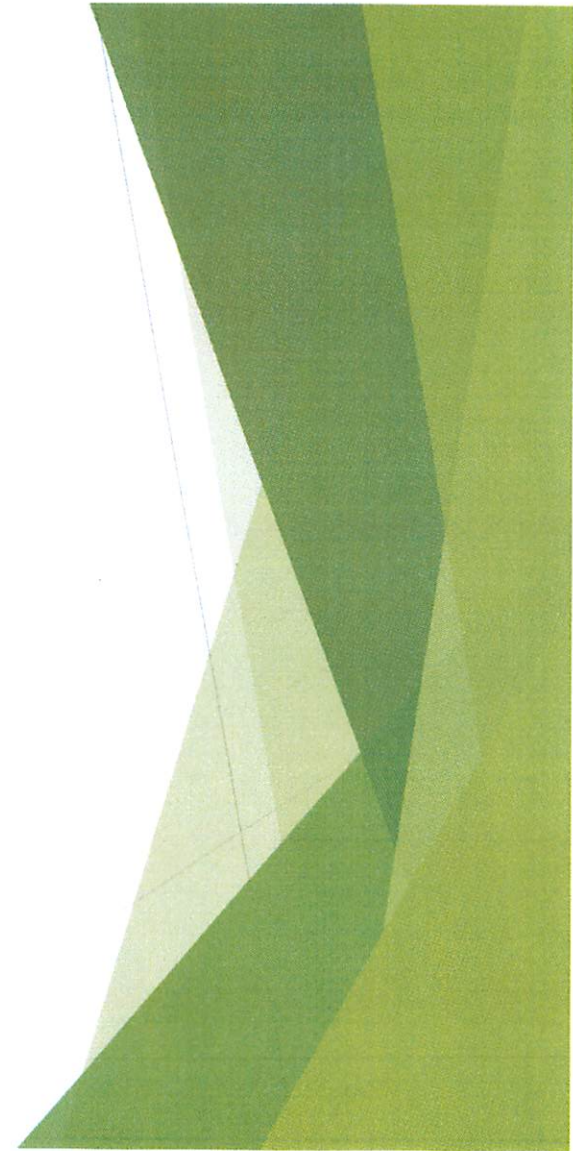


FINANCE DEPARTMENT REVIEW

Andrew J. Glass, Director of Administration
SNHD Board of Health Meeting
March 22, 2018

Observations by City of Henderson

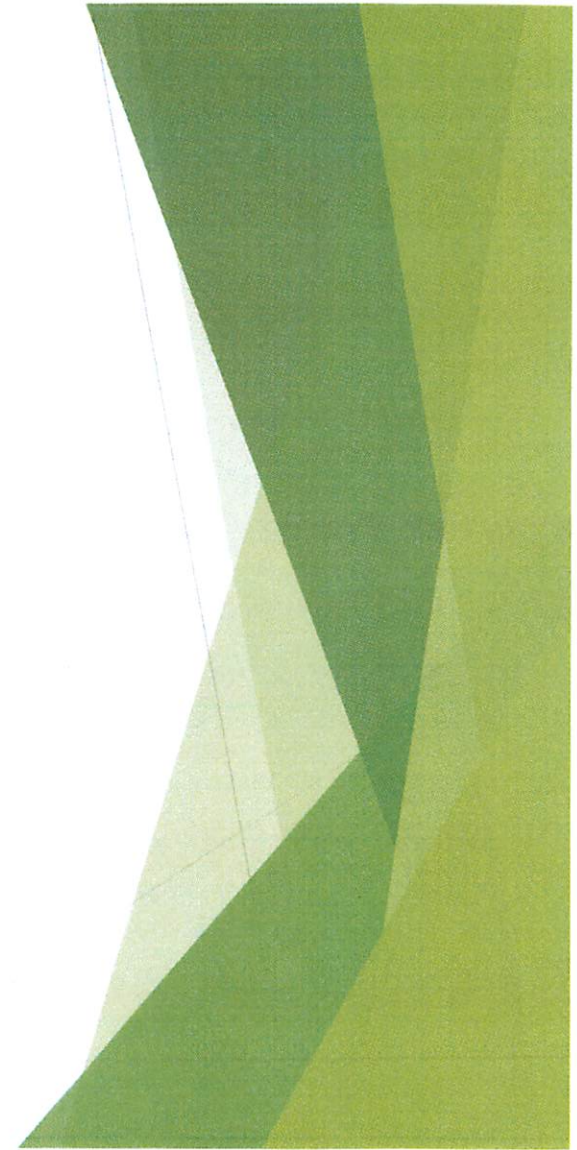
- ▶ Strengths
 - Healthy fund balance
 - Positive revenue stream
- ▶ Opportunities for Improvement
 - Development of policies and procedures
 - Hire an internal auditor
 - Create grant administration position
 - Staffing dependent on organization
 - Provide on-going continuing education



Management Plan

- ▶ Plan in place for policies and procedures review
- ▶ Internal auditor recruitment in process
- ▶ Grants administration function in place (accountant)
- ▶ Staffing adjustments, if necessary, following internal audit
- ▶ Monthly internal education plan. External available.

* ERP Analyst (IT) recruitment in process



Memorandum



Date: December 5, 2017
To: Joseph P. Iser, Chief Health Officer
From: Sharon McCoy-Huber, Financial Services Manager
CC: Andy Glass, Director of Administration
RE: Response to Schedule of Findings, Year Ended June 30, 2017

2017-A Material Weakness in Financial Close and Reporting Controls

Criteria: Governmental entities should have a robust system of internal controls over the financial close and reporting process so as to prevent, detect, and correct potential misstatements. These robust processes should include the timely reconciliation of significant account balances.

Condition: The District's financial close and reporting processes were not performed in a timely manner for the year ended June 30, 2017. In our testing of significant account reconciliations, including those over Cash and Medical Accounts Receivable, we noted that reconciliations of the year end balances were not completed until two or more months after year-end. Additionally, it was noted that monthly reconciliations over cash disbursement accounts were not performed during the year from September 2016 through June 2017.

Cause: Staffing shortages, and the reassignment of responsibilities in these areas, was the primary cause of the breakdown in controls.

Effect: A breakdown in controls of this magnitude could lead to a material misstatement of an account or balance that the District would not detect or correct in a timely manner.

Recommendation: We recommend management revisit the assignment of staff to these critical controls to ensure that reconciliation processes are regularly performed by a knowledgeable staff member in a timely manner.

Views of Responsible Officials: Agree

Response:

1. Cash Reconciliations – The Health District maintains 2 accounts with Wells Fargo Bank, which began July 1, 2016. A depository account that handles all deposits that come into the Health District and a disbursement account that handles all checks and EFTs that pay out from the Health District, including payroll. Both bank accounts were reconciled timely as of the end of August 2016.

In early October, the accountant responsible for the Bank Reconciliations passed away. His supervisor, who was also the back-up for reconciliations resigned. In the time from October through December neither account was reconciled. The disbursement account was reconciled in January for September through December and monthly afterwards.

I, the Financial Services Manager take full responsibility for not getting the reconciliations completed timely. Leadership allowed overtime during the year. I made the decision that staff use the overtime to maintain the day-to-day operations of the Health District was a higher priority than completing these reconciliations timely.

The depository account was attempted to be reconciled multiple times. All deposits for cash, checks, and ACH, were reconciled. The deposits that were received by the Health District via credit card were a

challenge to reconcile. Finance reconciled all credit card deposits made by the cashiers, the only issue was the task with the credit card payments made online. Finance requested Wells Fargo to assist staff with this challenge. It appeared that the payments that were being uploaded in the system were from midnight to midnight and the payments that were being uploaded into the bank were daily through 9:00 pm.

To reconcile these credit cards, Finance began the process in July 2017 of looking at each credit card processed online daily and matching over to the amount which was recorded in the bank statement. This was completed in October 2017. The lack of internal controls for bank reconciliation resulted in a journal entry of \$21,233 to miscellaneous revenue.

Recommendation:

Staff has now been trained and reconciles the bank. The Accounting Supervisor reviews and approves the reconciliations and balances to the general ledger monthly.

Response:

2. Medical Billing Accounts Receivable – The medical billing is completed monthly by a company contracted with the Health District. The billings and adjustments were entered monthly into the general ledger by Finance staff. Finance staff did not reconcile the accounts receivable on a timely basis.

Recommendation:

Staff has now been trained and reconciles medical billing accounts receivable.

2017-B Noncompliance with Nevada Revised Statutes Budget Requirements; Material Weakness in Internal Control Over Compliance

Criteria: Nevada Revised Statute (NRS) 354.626, *Unlawful expenditure of money in excess of amount appropriated; penalties; exceptions*, states that “No governing body or member thereof, officer, office, department or agency may, during any fiscal year, expend or contract to expend any money or incur any liability, or enter into any contract which by its terms involves the expenditure of money, in excess of the amounts appropriated for that function, other than bond repayments, medium-term obligation of repayments and any other long-term contract expressly authorized by law.”

NRS 354.598005, *Procedures and requirements for augmenting or amending budget*, allows for the transfer of budget appropriations between functions and/or funds if such a transfer does not increase the total appropriation for any fiscal year and is not in conflict with other statutory provisions. Budget appropriations may be transferred in the following manner:

- (a) The person designated to administer the budget for a local government may transfer appropriations within any function.
- (b) The person designated to administer the budget may transfer appropriations between functions or programs within a fund, if:
 - (1) The governing body is advised of the action at the next regular meeting; and
 - (2) The action is recorded in the official minutes of the meeting.
- (c) Upon recommendation of the person designated to administer the budget, the governing body may authorize the transfer of appropriations between funds or from the contingency account, if:
 - (1) The governing body announces the transfer of appropriations at a regularly scheduled meeting and sets forth the exact amounts to be transferred and the accounts, functions, programs and funds affected;
 - (2) The governing body sets forth its reasons for the transfer; and
 - (3) The action is recorded in the official minutes of the meeting.

Condition: The Health District transferred \$826,000 from the General fund to the Capital Projects fund, however, this transfer was not a part of the final approved budget, nor did the Health District follow the procedures required by NRS 354.598005 (c) above to amend its budget. Additionally, the Health District's Bond Reserve Capital Projects fund exceeded available budget appropriations in the amount of \$58,033 and the Internal Service fund exceeded available budget appropriations in the amount of \$33,874.

Cause: Controls over adhering to the NRS budget requirements were not properly implemented to prevent material noncompliance from occurring.

Effect: The Health District is in material noncompliance with the NRS budget requirements identified above.

Recommendation: We recommend management revisit the Health District's process for monitoring, amending, and augmenting its final budget.

Views of Responsible Officials: Agree

Response:

The Health District's Bond Reserve Capital Projects Fund exceeded appropriations by \$58,033. In May 2017, a budget augmentation was prepared to appropriate what was thought to be the funds needed for the renovations to the Public Health Laboratory, but as with many construction contracts, the augmentation was not enough to fund the full amount of expenditures.

The Health District's Internal Service Fund – Insurance Liability Reserve Fund total expenses exceeded appropriations by \$33,874. The Liability Reserve Fund can only be used to pay for expenses relating to workers compensation and management continued to fund the administrative expenses in fiscal year 2016/17. The estimated cost of administrative fees exceeded the actual billings, the budget was not updated.

NRS 354.598005 states budget appropriations may be transferred between funds with Board approval. During the fiscal year the Health District made a transfer of \$826,000 from the General Fund to the Capital Projects Fund without obtaining Board approval. Finance staff having made a similar transfer in the previous year was not aware of this provision and thus did not inform the Board of Health at a regularly scheduled meeting and setting forth its reasons for the transfer. Due to time restrictions and purchasing mandates, funds were transferred for purchasing capital assets.

Recommendation:

Staff is now aware of responsibilities in reporting budget changes per NRS 354 and NAC 354 and will review budget reports quarterly for Board of Health notification.

2017-001 Direct Program, Department of Health and Human Services, CFDA # 93.217, 2017

Family Planning Services, Program Income

Material Noncompliance

Material Weakness in Internal Control over Compliance

Criteria: As a condition of receiving Federal awards, non-Federal entities agree to comply with laws, regulations, and the provisions of grant agreements and contracts, and to maintain internal control to provide reasonable assurance of compliance with these requirements.

The Family Planning Services program requires that patients served under the federal program may only be charged for the services if they are able to demonstrate the ability to pay. It is the responsibility of the District to obtain verification of each patient's ability to pay, and to apply a sliding discount to the patient's charges based upon their income level as it relates to the Federal Poverty Guidelines.

Condition: Four encounters were identified where the patients were placed into payment brackets which were not supported by proof of income verifications obtained by the District.

Cause: Controls over patient income verification were not properly designed to ensure the adequate information was obtained to justify the patient's payment bracket.

Effect: A patient could be charged despite the patient not having the ability to pay.

Questioned Costs: None reported

Context/Sampling: A nonstatistical sample of 40 encounters, from a complete population in excess of 1,000 of the District's encounters for the Family Planning Services program, was tested for proper income verification support.

Repeat Finding from Prior Year(s): No

Recommendation: We recommend management revisit the patient enrollment process with the Family Planning department, to correct the breakdown in controls over the process, to avoid noncompliance in the future.

Views of Responsible Officials: Agree

Response:

The Health District's Family Planning Program went through supervisory changes during the fiscal year. New supervisory staff were unaware that they should be monitoring the administrative staff's documentation for verification of patients ability to pay and applying the sliding discount according to the verification received.

Recommendation:

Supervisory staff is now reviewing all application data that is submitted by the client to verify that the client is being charged for services based on the Federal Poverty Guidelines.