



INTERNAL AUDIT DEPARTMENT



**Internal Control Audit:
Health Care Agency
Environmental Health Division Cash Receipts**

**For the Year Ended
December 31, 2022**

**Audit No. 2325 (2214)
Report Date: April 18, 2024**

Number of Recommendations

- 0** Critical Control Weaknesses
- 3** Significant Control Weaknesses
- 7** Control Findings

OC Board of Supervisors

CHAIRMAN DONALD P. WAGNER
3rd DISTRICT

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5th DISTRICT



INTERNAL AUDIT DEPARTMENT

Internal Control Audit:
Health Care Agency Environmental Health Division Cash Receipts

April 18, 2024

AUDIT HIGHLIGHTS

SCOPE OF WORK	Perform an internal control audit of Health Care Agency Environmental Health Division's (HCA/EH) cash receipts process for the year ended December 31, 2022.						
RESULTS	<ul style="list-style-type: none"> We concluded that HCA/EH should improve internal control over the cash receipts process to ensure cash receipts are properly collected, recorded, deposited, and safeguarded. We concluded that the efficiency of HCA EH's cash receipts process could improve. 						
RISKS IDENTIFIED	<p>As a result of our findings, potential risks include:</p> <ul style="list-style-type: none"> Errors going unnoticed and inaccurate accounting records. Identity theft, loss of the public's trust, legal liability, and remediation costs. Fraudulent activity/misappropriation or theft of County assets. Undetected control weaknesses. 						
<p>NUMBER OF RECOMMENDATIONS</p> <table border="1" data-bbox="99 1304 391 1831"> <tr> <td data-bbox="99 1304 201 1409">0</td> <td data-bbox="201 1304 391 1409">CRITICAL CONTROL WEAKNESSES</td> </tr> <tr> <td data-bbox="99 1409 201 1514">3</td> <td data-bbox="201 1409 391 1514">SIGNIFICANT CONTROL WEAKNESSES</td> </tr> <tr> <td data-bbox="99 1514 201 1831">7</td> <td data-bbox="201 1514 391 1831">CONTROL FINDINGS</td> </tr> </table>	0	CRITICAL CONTROL WEAKNESSES	3	SIGNIFICANT CONTROL WEAKNESSES	7	CONTROL FINDINGS	<p>Opportunities for enhancing internal control include:</p> <ul style="list-style-type: none"> Develop a formal cash receipt document review process. Ensure cash receipt modifications are properly justified, adequately reviewed, and timely approved. Ensure authorized staff are adequately trained to complete Health Service Order (HSO) forms. Retain sufficient supporting documentation to support cash receipt amounts. Perform documented supervisory review of applicable cash receipt documents. Ensure forms containing Personally Identifiable Information (PII) are accessible only by staff with a direct business need.
0	CRITICAL CONTROL WEAKNESSES						
3	SIGNIFICANT CONTROL WEAKNESSES						
7	CONTROL FINDINGS						

Report suspected fraud, or misuse of County resources by vendors, contractors, or County employees to 714-834-3608.



INTERNAL AUDIT DEPARTMENT

Audit No. 2325 (2214)

April 18, 2024

To: Veronica Kelley, DSW, MSW, LCSW
Agency Director

From: Aggie Alonso, CPA, CIA, CRMA
Internal Audit Department Director

Subject: Internal Control Audit: Health Care Agency Environmental Health Cash Receipts

We have completed an internal control audit of Health Care Agency Environmental Health's (HCA/EH) cash receipts process for the year ended December 31, 2022. Due to the sensitive nature of specific findings (restricted information), results are redacted from public release. Additional information including background and our objectives, scope, and methodology is included in Appendix A.

HCA concurred with all our recommendations and the Internal Audit Department considers management's response appropriate to the recommendations in this report.

We will include the results of this audit in a future status report submitted quarterly to the Audit Oversight Committee and the Board of Supervisors. In addition, we will request your department complete a Customer Survey of Audit Services, which you will receive shortly after the distribution of our final report.

We appreciate the courtesies extended to us by HCA personnel during our audit. If you have any questions regarding our audit, please contact me at (714) 834-5442 or Assistant Deputy Director Michael Dean at (714) 834-4101.

Attachments

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- County Executive Office Distribution
- Health Care Agency Distribution
- Auditor-Controller Satellite Accounting Operations Distribution
- Robin Stieler, Clerk of the Board
- Foreperson, Grand Jury
- Eide Bailly LLP, County External Auditor

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RESULTS

BUSINESS PROCESS & INTERNAL CONTROL STRENGTHS

Business process and internal control strengths noted during our audit include:

- ✓ The department complies with the Payment Card Industry Data Security Standards (PCI DSS) to safeguard customer card data.
- ✓ The division has controls to ensure there are adequate segregation of duties associated with staff counting mail, cash handling, and posting cash receipts.
- ✓ Office Support and Accounting have established written internal policies and procedures for cash handling.
- ✓ Accounting maintains a daily cash receipt folder which includes a log and other pertinent documentation for daily cash receipts to ensure all money received is recorded correctly and deposited promptly.
- ✓ Accounting performs a review of all daily cash receipts which is documented in their daily cash receipts log to ensure all money received is recorded correctly and deposited promptly.
- ✓ Accounting maintains a courier deposit pickup log.
- ✓ Accounting performs a monthly reconciliation of Certified Unified Program Agency (CUPA) payments which accounts for a large portion of customer payments to ensure cash receipts are posted correctly and reconciled to the General Ledger.
- ✓ Cashiers use counterfeit detection devices (i.e. pen and counter machine) to detect counterfeit bills.
- ✓ Office Support has security surveillance systems to monitor cashiering activities and prevent unauthorized access into the cashiering room.
- ✓ Office Support has a comprehensive desk reference manual for their Point-of-Sale (POS) system to ensure proper processing of POS cash transactions.
- ✓ The division uses a secured, locked payment drop box as a contactless option for customer payments.

FINDING NO. 1

Content has been removed due to the sensitive nature of the finding.



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FINDING NO. 2	<p>Cash Receipt Modifications and Health Service Orders (HSO)</p> <p>HCA/EH does not have a formal documented review process to ensure cash receipts are adequately reviewed, include sufficient supporting documentation, and are approved timely. Although HCA performs monthly reconciliations to detect errors, we noted numerous cash receipt modifications were needed due to coding errors, and the modifications were not always processed timely. Specifically, from a review of nine cash receipt modifications, we noted five (56%) were due to coding errors including two modifications that took over 200 days for the error(s) to be identified after the original cash receipt posted. In addition, it took an average of 28 days to process the correction once the error was identified for the five modifications with coding errors. We also noted one (11%) cash receipt modification that did not include any reason for the modification.</p> <p>The coding errors appear to originate from incorrect entries on the manual pre-numbered receipt forms referred to as long Health Service Order (HSO) forms that HCA/EH uses to process mailed check payments and over-the-counter payments. The HSO forms contain multiple “tech” codes, which identifies how a payment should be applied. If the wrong payment category is marked on the HSO form and recorded, it will result in the need for a cash receipt modification. Since the EH division handles a high volume of payments, it is imperative that only authorized staff who are trained and understand the tech codes complete the HSO forms.</p> <p>Based on the issues noted above, it also does not appear that cash receipts and supporting documentation such as HSO forms and cashiering closing documents are adequately reviewed prior to approval which contributes to the need for so many cash receipt modifications.</p>
CATEGORY	Significant Control Weakness
RISK	Completing forms incorrectly and the inadequate review of cash receipt documents can result in errors going unnoticed, inaccurate accounting records, and the need to process corrections/modifications. Processing numerous modifications is also time consuming and ties up staffing resources.
RECOMMENDATION	<p>HCA/EH management:</p> <ul style="list-style-type: none"> A. Develop a formal cash receipt document review process to ensure that cash receipt documents as well as source documentation are adequately reviewed and include sufficient supporting documentation. B. Ensure cash receipt modifications are properly justified, adequately reviewed, and timely approved. C. Ensure authorized staff are adequately trained to complete HSO forms.
MANAGEMENT RESPONSE	Concur. HCA concurs with the finding.



INTERNAL AUDIT DEPARTMENT

- A. HCA, in consultation with HCA Accounting, has developed and implemented a formal cash receipt document review process. HCA and HCA Accounting will ensure the required signatures are in place for all cash receipt document review process.
- B. HCA will continue to work with HCA Accounting to properly justify modifications by including backup documentation, will provide adequate review of correct revenue coding, and will provide timely approval of all cash receipt modifications.
- C. HCA will provide training to authorized staff to ensure accuracy in completing HSO forms. Training is scheduled for 4/10/24.

FINDING NO. 3

Documentation Adequacy and Supervisory Review

HCA/EH does not ensure sufficient documentation is maintained to support the cash receipt amounts, or that appropriate supervisory review is performed and documented. We noted cash receipt documents did not always sufficiently support collection totals, did not always include evidence of supervisory review and approval, and sometimes contained typos.

Insufficient Support

For one (25%) of four cash receipts tested, there was insufficient documentation to support the reported total of check payments received. As a result, we were unable to reconcile approximately \$17K in check payments.

Documented Supervisory Reviews

During our process walk-through, we observed that the cashier prepared and signed a cash envelope as part of the close-out procedure, but a supervisor did not sign as the reviewer to certify the supervisor observed this process and verified cash collections for the day. We also tested four cash envelopes and noted all four did not contain the supervisor's (reviewer) signature.

In addition, we observed that the Accounting Unit's daily cash receipt log was missing the supervisor's signature. We tested four daily cash receipt logs and noted two (50%) were missing the supervisor's signature on all pages, and the other two only contained signatures on the first page. Per the unit's cash handling policy, the supervisor should sign each page of the daily cash receipts log to document weekly reviews.

Typos

During our preliminary review of HCA/EH's cash receipt listing, we noted three cash receipts had incorrect dates in the document description. For example, one cash receipt had a document description "Tech Receipts Dated 01/07/2021," but the document Receipt Date section indicated 01/07/2022. In addition, one of the four cash receipts reviewed during



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	testing had a 'Deposit Date' that occurred before the 'Receipt Date' which is inaccurate.
CATEGORY	Significant Control Weakness
RISK	Not documenting supervisory review of cash receipt documents or having insufficient documents to support collections increases the risk of errors going undetected, inaccurate accounting records, and/or employee theft.
RECOMMENDATION	HCA/EH management ensure: A. Sufficient supporting documentation is retained to support the cash receipt amounts. B. Supervisory review of applicable cash receipt documents is performed and documented.
MANAGEMENT RESPONSE	Concur. HCA concurs with the Finding. HCA will ensure sufficient documentation is retained to support the cash receipt amounts and will ensure supervisory review (by HCA and HCA Accounting) of applicable cash receipt documents is performed and documented. HCA together with HCA Accounting have provided training regarding adequate documentation and supervisory review; trainings were conducted on 3/22/24 and 3/25/24.

FINDING NO. 4	Credit Card Information HCA/EH occasionally handles after-hours payments in which Personally Identifiable Information (PII), such as the customer's full name and credit card number are written on a form. Since after-hour payments cannot be processed until the next business day, the forms are kept overnight in a safe. As a Payment Card Industry (PCI) requirement, credit card information should be secured with limited access to credit card processors only. Although the safe in which the forms are stored is secured via a combination lock and only accessible to authorized employees, we noted four employees with access did not have any cashiering duties and should not have access to view credit card information since they do not process credit card transactions.
CATEGORY	Control Finding
RISK	Inadequate security over PII, such as customer card data, could result in identity theft. If this PII was accessed via unauthorized means, the impact to the County could include loss of the public's trust, legal liability, and remediation costs.
RECOMMENDATION	HCA/EH management ensure forms containing PII, such as customer name and credit card information, are adequately secured and accessible only by staff with a direct business need.



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MANAGEMENT RESPONSE	Concur. HCA concurs with the finding and has implemented the recommendation. HCA has secured PII information in a separate locked bag that only staff with a direct business need are able to access.
FINDING NO. 5	Payment Drop Box HCA/EH does not have documented dual custody policies and procedures in place for collecting customer payments from the drop box. We noted that one employee collects the payments without a second employee to observe.
CATEGORY	Control Finding
RISK	Not having dual custody over drop box payment collections increases the risk of lost or stolen cash receipts.
RECOMMENDATION	HCA/EH management: A. Develop written policies and procedures for dual custody collection of payments from the drop box. B. Ensure payments from the drop box are collected in dual custody.
MANAGEMENT RESPONSE	Concur. HCA concurs with the finding and will implement the recommendation. The drop box was installed during the COVID pandemic to receive payments when the lobby was closed to the public during business hours. Now that the lobby is open during business hours, the drop box is obsolete and has been closed. Written procedures for dual custody of payment and collection will be written by October 1, 2024, and procedures will be implemented should the need for the drop box arise.

FINDING NO. 6	Cashier Till HCA/EH utilizes only one cashier till for collections through the point-of-sale (POS) system, allowing multiple cashiers to use the same till. Although POS transactions can be tracked by unique user IDs, and there is typically only one cashier assigned for the day, it would be difficult to identify the cashier responsible in the event of a cash shortage if more than one cashier processed cash.
CATEGORY	Control Finding
RISK	Shared cashier tills limits accountability and increases the risk of theft.
RECOMMENDATION	HCA/EH management ensure each cashier is assigned a separate cash till.
MANAGEMENT RESPONSE	Concur. HCA concurs with the finding. HCA will consult with HCA Accounting to either assign additional tills or to count/reconcile drawer



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	content at change of cashier, in a method which is operationally feasible and in accordance with policy requirements.
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FINDING NO. 7	Review of Voided Transactions
	HCA/EH indicated that only EH supervisors are assigned the ability to process a void for the lead cashier. While this is appropriate, separate documented reviews of voided transactions are not performed.
CATEGORY	Control Finding
RISK	Lack of supervisory review of voided transactions could increase the risk of fraud, theft, and accounting errors.
RECOMMENDATION	HCA/EH management ensure periodic, documented supervisory reviews of voided transactions are performed.
MANAGEMENT RESPONSE	Concur. HCA concurs with the finding and will implement the recommendation. HCA will conduct separate documented reviews of voided transactions.

FINDING NO. 8	HSO Books Custodian and Inventories
	HCA/EH uses pre-numbered cash receipt forms referred to as long Health Service Order (HSO) forms to process mailed check payments and over-the-counter (OTC) payments. While HCA does not consider this form as a proof of payment because a separate POS receipt is also given to the customer for OTC payments, the HSO forms are ancillary to the receipt and can potentially be misused as a cash receipt form. While HCA maintains activity logs of all HSO books issued, periodic inventories of the HSO books are not performed. In addition, the Accounting Unit does not have an assigned HSO book custodian.
CATEGORY	Control Finding
RISK	Not performing a physical inventory of cash receipt forms increases the risk of theft of cash assets, misplacement, or misappropriation.
RECOMMENDATION	HCA EH management: <ul style="list-style-type: none"> A. Assign an employee with no custodial or cashiering duties to periodically perform documented inventories of HSO books. B. Ensure all units that maintain HSO books have an assigned custodian.



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MANAGEMENT RESPONSE	<p>Concur. HCA concurs with the finding.</p> <p>A. HCA will implement the recommendation. HCA has assigned a non-cashiering, non-custodial Staff Assistant to perform quarterly inventories of HSO books. A documented inventory will be conducted by June 30, 2024.</p> <p>B. HCA has implemented the recommendation. HCA Accounting's Accounting Office Supervisor II is assigned as custodian of the HSO books. HCA 's Cashier is assigned as the custodian of HSO books that are checked out from HCA Accounting for HCA staff use.</p>
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FINDING NO. 9	<p>Monitoring Activities</p> <p>COSO, the internal control framework adopted by the County, requires ongoing monitoring activities including conducting separate evaluations to ascertain whether the components of internal control are present and functioning.</p> <p>Although HCA has conducted periodic internal compliance reviews related to cash receipts at various clinic locations, the Accounting Unit had to put these reviews on hold due to limited staffing and workload impacts due to the COVID pandemic. We noted the last review conducted for Environmental Health was in May 2009.</p>
CATEGORY	Control Finding
RISK	Not performing ongoing or separate evaluations of internal controls could lead to undetected control weaknesses.
RECOMMENDATION	HCA management allocate resources as feasible to enhance monitoring activities by ensuring internal cash handling compliance audits are conducted.
MANAGEMENT RESPONSE	Concur. HCA concurs with the finding. HCA is working with HCA Accounting to establish a process to have the cash handling (compliance) audits resumed for all HCA locations that handle cash.

FINDING NO. 10	<p>Policies and Procedures</p> <p>While HCA/EH has established written internal policies and procedures for cash handling, some are outdated. For example, the accounting policies pertaining to mail payments, posting batches, and HSO payments contain outdated information, such as references to EH's legacy data management system that is no longer in use and procedures for delivering payments to the EH Program unit, which is no longer performed.</p>
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	In addition, HCA has written procedures regarding periodic, documented changes to the safe combination, but in practice does not maintain activity logs documenting combination changes for their safes.
CATEGORY	Control Finding
RISK	Outdated policies and procedures could cause inconsistencies that lead to errors and ineffective accounting processes. Not following procedures could increase the risk for misappropriation or theft.
RECOMMENDATION	HCA/EH management: <ul style="list-style-type: none"> A. Ensure policies and procedures are updated and reviewed periodically to ensure accurate and relevant information. B. Ensure activity logs are maintained documenting all safe combination changes.
MANAGEMENT RESPONSE	Concur. HCA concurs with the finding. <ul style="list-style-type: none"> A. HCA is reviewing and updating the policies and procedures to ensure accurate and relevant information. B. HCA has implemented the recommendation. HCA will document all safe combination changes in an activity log; a process is in place to ensure safe combination changes are made when there is staffing changes.

AUDIT TEAM	Michael Dean, CPA, CIA, CISA Gianne Morgan, CIA, CISA Mary Ann Cosep Stephany Franco Thuy Luu	Assistant Deputy Director Senior Audit Manager Lead Senior Auditor Senior Auditor Staff Specialist
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APPENDIX A: ADDITIONAL INFORMATION

OBJECTIVES	<p>Our audit objectives were to:</p> <ol style="list-style-type: none"> 1. Evaluate the effectiveness of internal controls over the cash receipts process to ensure cash receipts are properly collected, recorded, deposited, and safeguarded. 2. Review the cash receipts process for efficiency.
SCOPE & METHODOLOGY	<p>Our audit scope was limited to internal controls over the HCA Environmental Health Division’s cash receipt process for the year ended December 31, 2022. Our methodology included inquiry, observation, examination of documentation, and testing of relevant transactions.</p>
EXCLUSIONS	<p>Our audit scope did not include a review of the accounts receivable process or the cash receipts process for the other program divisions separate from Environmental Health. In addition, we did not perform a comprehensive review of IT general controls or application controls over HCA/EH’s information systems used to process cash receipts.</p>
PRIOR AUDIT COVERAGE	<p>We have not issued any audit reports for HCA with a similar scope within the last ten years.</p>
BACKGROUND	<p>The Orange County Environmental Health Office (EH) is a division of the Health Care Agency (HCA). EH is a regulatory agency and its services include retail and wholesale food protection, foodborne illness investigations, public pool inspections, water quality, ocean water protection, solid waste facility oversight, hazardous materials surveillance and mitigation oversight, body art facility and practitioner oversight, medical waste management and a used oil recycling education program.</p> <p>During the audit period, HCA’s total daily deposits were approximately \$73 million, of which \$24 million (34%) was generated by EH. HCA indicated on average, approximately 9% of the payments are received through the EH front counter cashier, of which over half represent cash and checks, 26% are received online via credit card payments, and 65% of payments received with EH Office Support staff and Accounting opening the mail with checks.</p> <p>Cash receipts accounting services are provided by the HCA Environmental Health Accounting unit. The unit is staffed by the Auditor-Controller and is within HCA’s Accounting Division. Payments received through the mail are collected and opened by the Environmental Health Office Support staff together with Accounting and recorded. Payments sent electronically are directly deposited to the bank and recorded by Accounting.</p>



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PURPOSE & AUTHORITY	We performed this audit in accordance with the FY 2022-23 Audit Plan and Risk Assessment approved by the Audit Oversight Committee (AOC) and Board of Supervisors (Board).
PROFESSIONAL STANDARDS	Our audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board.
FOLLOW-UP PROCESS	<p>In accordance with professional standards, the Internal Audit Department has a process to follow-up on its recommendations. A first follow-up audit will generally begin six months after release of the initial report.</p> <p>The AOC and Board expect that audit recommendations will typically be implemented within six months or sooner for significant and higher risk issues. A second follow-up audit will generally begin six months after release of the first follow-up audit report, by which time all audit recommendations are expected to be implemented. Any audit recommendations not implemented after the second follow-up audit will be brought to the attention of the AOC at its next scheduled meeting.</p> <p>A Follow-Up Audit Report Form is attached and is required to be returned to the Internal Audit Department approximately six months from the date of this report in order to facilitate the follow-up audit process.</p>
MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL	In accordance with the Auditor-Controller's County Accounting Manual Section S-2 Internal Control Systems: "All County departments shall establish effective internal controls as department management is responsible for internal control. Department management shall also continuously assess and strengthen internal control by evaluating internal control systems and promptly correcting weaknesses when detected." The criteria for evaluating internal control is the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. Our audit enhances and complements, but does not substitute for department management's continuing emphasis on control activities and monitoring of control risks.
INTERNAL CONTROL LIMITATIONS	Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in the department's operating procedures, accounting practices, and compliance with County policy.



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APPENDIX B: FINDING TYPE CLASSIFICATION

Critical Control Weakness	Significant Control Weakness	Control Finding
<p>These are audit findings or a combination of audit findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the department's or County's reputation for integrity. Management is expected to address Critical Control Weaknesses brought to its attention immediately.</p>	<p>These are audit findings or a combination of audit findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.</p>	<p>These are audit findings concerning the effectiveness of internal control, compliance issues, or efficiency issues that require management's corrective action to implement or enhance processes and internal control. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.</p>



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APPENDIX C: HEALTH CARE AGENCY MANAGEMENT RESPONSE

Some content has been redacted due to the sensitive nature of the management response to a specific finding.



VERONICA KELLEY, DSW, LCSW
AGENCY DIRECTOR

VACANT
ASSISTANT AGENCY DIRECTOR

405 W. 5th STREET, 7th FLOOR
SANTA ANA, CA 92701

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OFFICE OF THE DIRECTOR

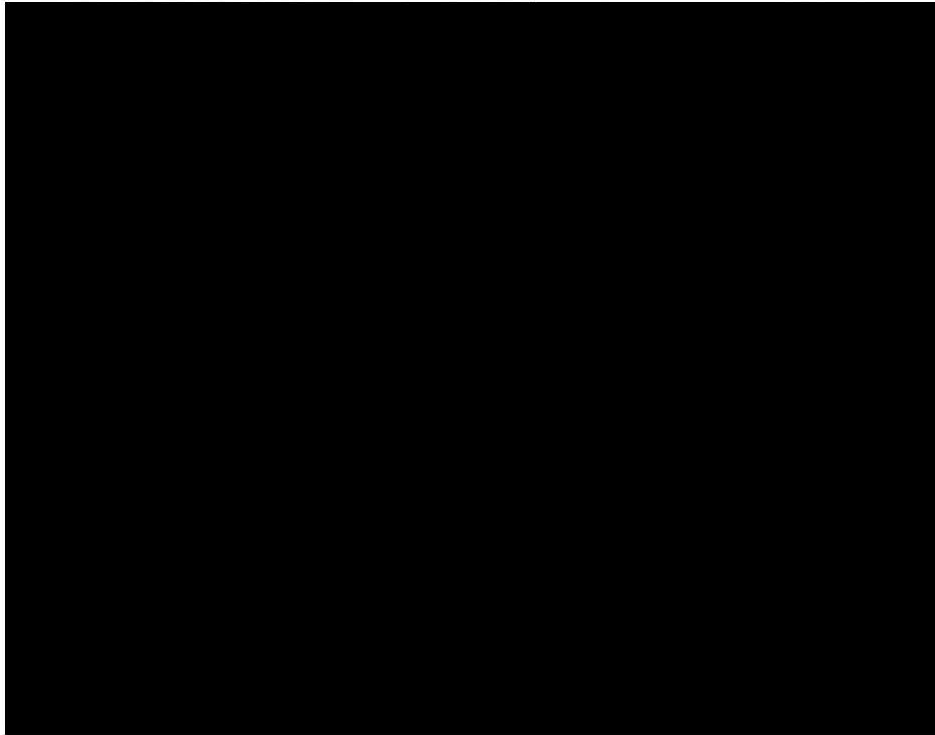
April 4, 2024

TO: Aggie Alonso, CPA, CIA, CRMA
Internal Audit Department Director

SUBJECT: Response – Audit No. 2214: Health Care Agency/Environmental Health Cash Receipts

The Health Care Agency (HCA) has received the draft report of the Internal Control Audit of the HCA Environmental Health’s Cash Receipts process for the calendar year ended December 31, 2022, Audit No. 2214. As requested, the following narrative summarizes the three (3) significant control and seven (7) control findings and responses from HCA’s management.

FINDING NO. 1 - [REDACTED]



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Aggie Alonso, CPA, CIA, CRMA
Response – Audit No. 2214: Health Care Agency/Environmental Health Cash Receipts
April 4, 2024
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FINDING NO. 2 - Cash Receipt Modifications and Health Service Orders (HSO)

A. Develop a formal cash receipt document review process to ensure that cash receipt documents as well as source documentation are adequately reviewed and include sufficient supporting documentation.

HCA Management Response No. 2.A:

HCA concurs with the finding. HCA, in consultation with HCA Accounting, has developed and implemented a formal cash receipt document review process. HCA and HCA Accounting will ensure the required signatures are in place for all cash receipt document review process.

B. Ensure cash receipt modifications are properly justified, adequately reviewed, and timely approved.

HCA Management Response No. 2.B:

HCA concurs with the finding. HCA will continue to work with HCA Accounting to properly justify modifications by including backup documentation, will provide adequate review of correct revenue coding and will provide timely approval of all cash receipt modifications.

C. Ensure authorized staff are adequately trained to complete HSO forms.

HCA Management Response No. 2.C:

HCA concurs with the finding. HCA will provide training to authorized staff to ensure accuracy in completing HSO forms. Training is scheduled for 4/10/24.

FINDING NO. 3 - Documentation Adequacy and Supervisory Review

A. Sufficient supporting documentation is retained to support the cash receipt amounts.

B. Supervisory review of applicable cash receipt documents is performed and documented.

HCA Management Response No. 3:

HCA concurs with the Finding. HCA will ensure sufficient documentation is retained to support the cash receipt amounts and will ensure supervisory review (by HCA and HCA Accounting) of applicable cash receipt documents is performed and documented. HCA together with HCA Accounting have provided training regarding adequate documentation and supervisory review; trainings were conducted on 3/22/24 and 3/25/24.

FINDING NO. 4 - Credit Card Information

HCA/EH management ensure forms containing PII, such as customer name and credit card information, are adequately secured and accessible only by staff with a direct business need.

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Aggie Alonso, CPA, CIA, CRMA
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HCA Management Response No. 4:

HCA concurs with the finding and has implemented the recommendation. HCA has secured PII information in a separate locked bag that only staff with a direct business need are able to access.

FINDING NO. 5 - Payment Drop Box

- A. Develop written policies and procedures for dual custody collection of payments from the drop box.
- B. Ensure payments from the drop box are collected in dual custody.

HCA Management Response No. 5:

HCA concurs with the finding and will implement the recommendation. The drop box was installed during the COVID pandemic to receive payments when the lobby was closed to the public during business hours. Now that the lobby is open during business hours, the drop box is obsolete and has been closed. Written procedures for dual custody of payment and collection will be written by October 1, 2024, and procedures will be implemented should the need for the drop box arise.

FINDING NO. 6 - Cashier Till

HCA/EH management ensure each cashier is assigned a separate cash till.

HCA Management Response No. 6:

HCA concurs with the finding. HCA will consult with HCA Accounting to either assign additional tills or to count/reconcile drawer content at change of cashier, in a method which is operationally feasible and in accordance with policy requirements.

FINDING NO. 7 - Review of Voided Transactions

HCA/EH management ensure periodic, documented supervisory reviews of voided transactions are performed.

HCA Management Response No. 7:

HCA concurs with the finding and will implement the recommendation. HCA will conduct separate documented reviews of voided transactions.

FINDING NO. 8 HSO Books Custodian and Inventories

- A. Assign an employee with no custodial or cashiering duties to periodically perform documented inventories of HSO books.

HCA Management Response No. 8.A:

HCA concurs with the finding and will implement the finding. HCA has assigned a non-cashiering, non-custodial Staff Assistant to perform quarterly inventories of HSO books. A documented inventory will be conducted by June 30, 2024.

- B. Ensure all units that maintain HSO books have an assigned custodian.

HCA Management Response No. 8.B:

HCA concurs with the finding and has implemented the recommendation. HCA Accounting's Accounting Office Supervisor II is assigned as custodian of the HSO books. HCA's Cashier is assigned as the custodian of HSO books that are checked out from HCA Accounting for HCA staff use.



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Aggie Alonso, CPA, CIA, CRMA
Response – Audit No. 2214: Health Care Agency/Environmental Health Cash Receipts
April 4, 2024
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FINDING NO. 9 - Monitoring Activities

HCA management allocate resources as feasible to enhance monitoring activities by ensuring internal cash handling compliance audits are conducted.

HCA Management Response No. 9:

HCA concurs with the finding. HCA is working with HCA Accounting to establish a process to have the cash handling (compliance) audits resumed for all HCA locations that handle cash.

FINDING NO. 10 - Policies and Procedures

A. Ensure policies and procedures are updated and reviewed periodically to ensure accurate and relevant information.

HCA Management Response No. 10.A:

HCA concurs with the finding. HCA is reviewing and updating the policies and procedures to ensure accurate and relevant information.

B. Ensure activity logs are maintained documenting all safe combination changes.

HCA Management Response No. 10.B:

HCA concurs with the finding and has implemented the recommendation. HCA will document all safe combination changes in an activity log; a process is in place to ensure safe combination changes are made when there is staffing changes.

The Health Care Agency appreciates the collaborative approach taken by Internal Audit in drafting the audit report and the courtesy extended to staff involved. Should you have any further questions, please contact Darwin Cheng, Interim Environmental Health Director, at (714) 433-6471.

Thank you.

Dr. Veronica Kelley
Agency Director

VK:jm

cc: Frank Kim, County Executive Officer
Lilly Simmering, Deputy County Executive Officer, County Executive Office
Liz Guillen-Merchant, Performance Management and Policy Director, County Executive Office
Michael Dean, Senior Audit Manager, Internal Audit Department
Jenna Sarin, Executive Director of Public Health Services and Nursing, Health Care Agency
LaRisha Baker, Deputy Chief of Public Health Services, Health Care Agency
Darwin Cheng, Interim Director of Environmental Health, Health Care Agency
Lorraine Daniel, Executive Director of Administrative Services, Health Care Agency
Cindy Wong, HCA Accounting Manager, Auditor-Controller