

AUDIT REPORT

CITY OF MANCHESTER

NEW HAMPSHIRE



Health Department
Fiscal Year Ended June 30, 2015
Prepared by
City of Manchester, NH
Office of the Independent City Auditor

**INDEPENDENT AUDIT REPORT
CITY OF MANCHESTER, NEW HAMPSHIRE
HEALTH DEPARTMENT
FISCAL YEAR ENDED JUNE 30, 2015
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March 23, 2016

Committee on Accounts, Enrollment and Revenue Administration
City of Manchester, New Hampshire
Honorable Aldermen: Levasseur, Hirschmann, Ludwig, Sapienza and Katsiantonis

Dear Honorable Committee Members:

Per the Independent City Auditor five year audit plan a performance audit of the Health Department's compliance with the City's policies and procedures over revenues and expenditures has been conducted.

I have completed my audit of the Health Department for the fiscal year ended June 30, 2015. My audit was conducted for the purpose of determining whether the department was complying with certain City policies governing the processing of expenditures and revenues.

I conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that I plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for my findings and conclusions based on my audit objectives. I believe that the evidence obtained provides a reasonable basis for my findings and conclusions based on the audit objectives.

Scope and Audit Objectives

- This engagement was to be a performance audit of the Health Department's compliance with the City's policies and procedures over revenues and expenditures during the fiscal year ended June 30, 2015.

Procedures

The engagement procedures began with interviews of officials and employees at the Health Department.

Reviewed the City and Department policy and procedures manuals as well as the City of Manchester Code of Ordinances. For possible compliance points.

Reviewed financial information from the HTE financial information system for the past 5 fiscal years.

Evaluated the department's system of internal and management controls over financial and program objectives.

Sampled expenditures and revenues for testing of compliance points and control points to test the effectiveness of the control system in place at the department during the audit period.

Findings and Conclusion

My audit revealed the following minor observations:

Observation-1 No Supervisory approval needed to void a transaction in the cash register

Observation-2 Incompatible segregation of duties over cash handling

Observation-3 The Department is not following the City's cash deposit policy

Except for the observations noted above the Health Department appeared to be in compliance with City policies over expenditures and revenues during the audit period.

Respectfully Submitted,



Kevin Buckley, CPA
Internal Audit Manager

CITY OF MANCHESTER HEALTH DEPARTMENT

The City of Manchester Code of Ordinances chapter 91 and pursuant to the City Charter chapter 3.02 there is established in the City of Manchester a Health Department headed by the Health Officer who is appointed as provided by the City Charter chapter 3.03.

The Health Department also includes a Board of Health which consists of five members appointed by the Mayor and confirmed by a vote of at least eight Aldermen.

The Department is responsible for routinely and periodically assessing the public health of the community and recommending appropriate policies, ordinances and programs to improve the health of the community, investigation and control of communicable diseases and shall complete environmental inspections and investigations necessary to protect the public health. The Department is also responsible for the provision of general school nursing services for Manchester school children.

The Department consists of four divisions:

- Division of Community Health
- Division of School Health
- Division of Environmental Health and Emergency Response
- Division of Chronic Disease Prevention and Neighborhood Health

Programs and Operations

Day care facilities inspections
Lead poisoning prevention
Regulate the construction and operation of swimming and bathing facilities
Mosquito Control operations
Food service permitting and inspection
Public Health Education
Chronic Disease prevention
Vaccines for adults, children and teens.

Mission Statement

To improve the health of individuals, families, and the community through disease prevention, health promotion and protection from environmental threats.

Personnel

As of June 2015 the Department had 63 positions which include three vacant positions. The number of positions has decreased from 71 in 2005 to its current 63.

2015 GENERAL FUND BUDGET TO ACTUAL

REVENUES

Description	Budget	Actual
Dental Reimbursement non-Medicaid	\$ 150.00	\$ 150.00
Flu Vaccine Revenue	\$ -	\$ 140.00
Copying Receipts	\$ 200.00	\$ 77.00
Bounced Check Charge	\$ -	\$ 60.00
Research Fee - Hourly	\$ 200.00	\$ 305.00
Testing Fees	\$ 9,000.00	\$ 8,687.50
Day Care Health Inspection	\$ 550.00	\$ 725.00
Food License Fee	\$ 205,000.00	\$ 200,715.00
Septic Inspection Fee	\$ 1,000.00	\$ 1,275.00
Bathing Facilities per spa/hot tub	\$ 9,400.00	\$ 11,075.00
School Charge Backs	\$ 2,168,148.00	\$ 2,112,717.45
Total Revenues	\$ 2,393,648.00	\$ 2,335,926.95

EXPENDITURES

Description	Budget	Actual
Administration		
Regular Salary	\$ 729,475.00	\$ 724,222.47
Overtime Salary	\$ 1,822.00	\$ 45.58
Taxes and Benefits	\$ -	\$ 342,156.36
Non-Payroll	\$ 112,417.00	\$ 108,954.63
Environmental Health		
Regular Salary	\$ 249,858.00	\$ 248,029.13
Overtime Salary		\$ 338.16
Taxes and Benefits		\$ 92,848.97
Non-Payroll	\$ 1,830.00	\$ 3,296.17
School Health		
Regular Salary	\$ 1,364,861.00	\$ 1,325,520.44
Taxes and Benefits		\$ 722,639.38
Non-Payroll	\$ 31,190.00	\$ 32,811.70
Community Health		
Regular Salary	\$ 306,972.00	\$ 308,656.69
Taxes and Benefits		\$ 162,921.13
Non-Payroll	\$ 14,897.00	\$ 9,943.56
Total Expenditures	\$ 2,813,322.00	\$ 4,082,384.37

SOURCE: HTE Financial System budget to actual report

EXPENDITURE TESTING

For testing purposes I randomly selected 10 weekly payrolls and 30 non-payroll expenditures for testing. Testing consisted of determining if the internal and management controls that were in place were working as designed and to determine if the correct amounts were paid, posted to the correct account and posted in the correct time period. In addition I determined if the expenditure was made in accordance with City policies.

My test work revealed no instances of non-compliance with any of the tested compliance points tested and that the system of internal and management controls were working as designed.

REVENUES

During revenue I selected the 4 largest revenue sources for testing. They were:

- School Chargebacks
- Food and License Fees
- Bathing Facility Permits
- Testing Fees

I tested the School Chargeback calculation for June 2015, 20 food permits, 10 bathing facilities, 10 testing fees. In addition I tested three drawdowns of various grants.

I traced payments from the permits/license files up through deposit and posting to the HTE Financial System. My testing involved tests of compliance with internal and management controls as well as compliance with associated City Policies. My test work with revenues revealed the following three observations.

OBSERVATION 1: VOIDING CASH TRANSACTIONS

Observation:

Based on a review of the department's Policy and Procedures Manual and interviews with department personnel it was noted that the employees who enter revenue into the cash register can both enter and void a transaction without supervisory approval. This gives an employee the ability to enter a transaction, collect the cash and then void the transaction in the system without putting the cash into the deposit without the ability for supervisory personnel to discover the missing cash.

Recommendation:

All voids should require the approval by supervisory personnel prior to being entered into the system and documented the reason for the void.

Auditee Response:

We will require now voids to be approved by supervisory personnel (i.e. Business Services Officer; Administrative Services Manager; Public Health Director) and that the reason be void be documented.

OBSERVATION 2: INCOMPATIBLE DUTIES OVER CASH HANDLING

Observation:

Based on a review of the department's Policy and Procedures Manual and interviews with department personnel it was noted that the Administrative Assistant reconciles the cash drawer on a daily basis to the register. She also receives the some fees and enters them into the cash register. She also enters the information into an Excel spreadsheet, prepares the deposit and reconciles the deposit to HTE. These duties are incompatible in that they do not reduce to a relatively low risk that errors could occur or a fraud perpetrated and be caught by another employee in a timely manner during the regular course of their duties. My test work revealed no instances of or indications of any errors or fraud occurring at the Department during the audit period.

Recommendation:

The duties of collecting, recording and reconciliation of revenues should be segregated among the employees of the department.

Auditee Response:

Reconciliation of revenues will now be performed by the Business Services Officer.

OBSERVATION 3: UNTIMELY CASH DEPOSITS

Observation:

The City of Manchester Code of Ordinances chapter 35.021 requires that the Finance Officer to establish deposit procedures for all City departments' receiving money for the City. The Finance Office's revenue policy requires that "Departments shall make daily deposits unless funds to be deposited are less than \$100".

My test work has revealed that the Health Department does not make daily deposits as required by the Finance Office's policy. I noted in three instances out of 25 tested where checks received were not deposited for 7 days. The average days from collection to deposit were 2.5 days for the entire sample. In the majority of selections the revenue was deposited within the required amount of time.

Recommendation:

The Department should follow the Finance Officer's requirement whenever it is feasible.

Auditee Response:

With regards to the 7 days, there are times when food service establishment permit renewals are returned with either incomplete or inaccurate information. This delays the issuance of the permit and subsequent deposit until we received corrected information from the applicant.

The Department will make every effort to follow the Finance Officer's policy and make daily deposits when funds on hand are greater than \$100.

All three observations are considered minor and my testing did not indicate any instances of errors or fraud. Except for the issues noted I noted no instances of non-compliance with any of the tested compliance points or internal and management controls.

CONCLUSION:

Based on the test work performed, except for the three minor observations noted in the report it appears that the Health Department is complying with City policies relating to revenues and expenditures. It also appears that the Health Department's system of internal and management controls over revenue and expenditures was adequately designed and operating as designed.