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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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Comptroller

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June 22, 2005

Melba Moore, Commissioner of Health & Hospitals
634 N. Grand, 9th Floor
St. Louis, MO 63103-1002

RE: Follow -Up Review of Department of Health and Hospitals Receipts Process (Project #2005-F3)

Dear Ms. Moore:

We have conducted a second limited follow-up review on the Department of Health and Hospitals (DOHH) Receipts Process Report (Project #2002-12) issued July 19, 2002. This follow-up review was made under authorization contained in Article XV, Section 2 of the Charter, City of St. Louis, as revised and conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. A limited follow-up review does not necessarily involve detailed testing or verification, but instead relies on communication with department management and staff, as well as limited observations. The purpose of this follow-up review is to determine the status of the observations that remained unresolved in the first follow-up report issued December 31, 2003 (Project #2003-F33) as of January 31, 2005.

We determined that the following observations have been resolved:

- Opportunity to Update and Revise Written Procedures Manual for Food Control (Observation #4)

Food Control and DOHH management provided written procedures on December 22, 2003. Internal Audit Section (IAS) reviewed those procedures and they appear to be adequate.

- Opportunity to Improve Food Control Goals and Objectives (Observation #5)

Written procedures have been updated and copies provided. Goals and objectives were specifically identified and provided after the exit conference.

- Opportunity to Improve Controls Over Animal Regulation Center (ARC) Dog Pound Receipts (Items B & D, Observation #6)

B. Animal Regulation and DOHH management reviewed this transaction for the Queeny Park adoption event and determined that the check in the amount of (\$1,910) paid by Adopt-A Stray was correct. Of the amount paid, \$1,700 was for the event and \$210 was a donation. We were provided a statement from Adopt -A-Stray confirming the allocated amounts of the check as determined by Animal Regulation and DOH management.

D. We received updated procedures since Animal Regulation Center and DOH management obtained a new software package (Chameleon). A supervisor now reviews the daily transactions and verifies the cash register money then counts and observes the clerk placing the money into the envelope, sealing and initialing the sealed envelope. The supervisor then places the sealed envelope and daily deposit slip into the safe until collected by Brinks for deposit. We were provided documentation of the supervisor's review and verification after the exit conference.

- Opportunity to Improve Efficiency of Revenue Process-Animal Regulation Center (Observation #9)

A new accounting software (Chameleon) has been purchased to improve documentation and tracking of revenues received by the office clerks. Also, management controls and review procedures have been implemented to address concerns over segregation of duties. We were provided sample documentation of tracking and revenue reports and they appear to be adequate.

- Opportunity to Update Written Procedures-Animal Regulation Center (Observation #10)

ARC has updated its written procedures to include general receipts and differential licenses. However, the written updated procedures we were provided did not specifically address the issuance of refunds. Subsequently, we were provided a copy of the refund procedures included in the accounting software (Chameleon). The Chameleon software allows management to adequately account for refunds issued by Animal Regulation as any refund issued is included in the reports generated by the software. We were also informed that refunds are rarely issued by Animal Regulation. We reviewed a sample of reports and determined that the latest refund issued would have been between July 1, 2003 and December 31, 2004. We did not specifically locate the refund due to time constraints, and the volume of daily transactions requiring review.

- Opportunity to Improve Controls Over Hepatitis Shots in One Grand Family Center [Immunization Clinic] (Items D & E, Observation #12)

D. Hepatitis shots are no longer administered in One Grand Family Center (Immunization Clinic). As of July 1, 2004, DOHH has outsourced to the People's Health Clinic to provide the shots. All duties relating to the shots (reconciling number of shot administered to payments and receipts) are performed by the People's Health Clinic.

E. As of July, 1 2004, DOHH has outsourced to the People's Health Clinic and revenues for Hepatitis Shots are no longer collected at One Grand Family Center (Immunization Clinic), thus written procedures for revenue processing are no longer required.

- Opportunity to Improve Controls Over Hepatitis Shot Receipts-Communicable Disease (Items A, C & D, Observation #13)

A. As of July 1, 2004, DOHH has outsourced to Connect Care to administer Hepatitis shots, thus checks for the shots are no longer collected by Communicable Disease.

C. As of July 1, 2004, DOHH has outsourced to Connect Care to administer Hepatitis shots, and as such, it is no longer required for records of shots administered to be reconciled to the corresponding records of receipts and deposits as these duties are now performed by Connect Care.

D. As of July 1, 2004, DOHH has partnered with Connect Care to administer Hepatitis shots, thus written procedures for Communicable Disease to administer the shots are no longer required.

We determined that the following observations have been **partially resolved**:

- Opportunity to Improve Controls Over Food Control Permits (Items A3, C & D, Observation #2)

A3. We received a copy of procedures on December 22, 2003 and determined they were adequate. We were provided sample documentation of how permits issued are reconciled to fees collected after the exit conference.

- C. Food Control and DOH management received a written opinion from the City Counselor's Office on Feeral Income Tax return to verify gross income, and as such, Food Control would update its procedures. We were provided a copy of the legal opinion at the exit conference. However, the current Environmental/Food Control Supervisor was unaware that such an opinion had been obtained, and therefore, procedures that incorporate the verification of gross income have been developed, but not implemented. Food Control should have the recently developed procedures fully implemented by July 1, 2005.
- D. Controls over revenue collection and depositing procedures have been implemented to address the concerns of adequate segregation of duties of the two clerks performing these duties as well as supervisory review. However, after the exit conference, we were provided documentation of the supervisory review and verification of the cash in the drawer to transactions on the tape and to the funds placed in the money bags forwarded to the Fiscal Section to be collected and deposited by Brinks.
- Opportunity to Improve Follow-Up Procedures for Differential Licenses - Animal Regulation Center (Observation #7)

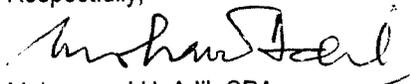
Procedures have been developed to document and summarize follow-up activities and the results of those activities for differential licenses. However, we were not provided sample documentation of the follow-up activities and results because the supervisor who performed these duties is no longer employed and a permanent supervisor has not been reassigned. The Department of Health and Hospitals has submitted to Personnel a requisition to fill the position once the fiscal year budget is in effect July 1, 2005.

Subsequently, Differential Licenses Procedures have been revised again and the new policy was effective June 6, 2005.

We held an exit conference with department management on April 22, 2005 to discuss our determination of the status of each observation and offered them an opportunity to provide written responses to this report. Management provided written responses on June 6, 2005 which have been attached to this report.

If you have any questions, please contact me at (314) 613-7410.

Respectfully,



Mohammad H. Adil, CPA
Internal Audit Manager

cc: Honorable Darlene Green, Comptroller
Ronald Smith, City Operations Manager, Office of the Mayor
Sandra Knepp, Environmental Health Supervisor, Department of Health
Mark Ritter, Food Control-Department of Health

I trust that this should properly answer the questions concerning this issue. The new permanent staff will be trained in this issue as they are brought on board.

Observation #2 Item C Opportunity to Improve Controls Over Controls Over Food Control Permits.

A copy of an e-mail from City Counselor Jim Hartung was found and sent to justify the verification of taxes from the State of Federal Government to verify income (Gross Receipts) was found and sent. The letters that now go out to permit renewal applicants now include the necessary language to have them produce an income statement from a previous tax return. We are attaching a copy of this new letter (which went out in the June 05 mailing) as proof that we have resolved this issue. Verification of Gross Receipts will have to be proven by the applicant for renewal before a permit is granted.

We trust that these explanations and evidence we have submitted will resolve the questions that your audit has posed.

Respectfully,

A handwritten signature in cursive script, appearing to read "Melba R. Moore".

Melba R. Moore, MS
Commissioner of Health

Attachment