



Date: 8/12/15

Scope: The County Auditor examined the Department of Mental Health for the period of 1/1/14-12/31/14.

Objectives: The objective of this audit was to review the internal controls over Cash Receipts, Accounts Receivable/Revenue, and Petty Cash to ensure compliance with policies and procedures. This audit addressed the following related questions:

- Do proper controls over Cash Receipts exist?
- Do proper controls over Accounts Receivable/Revenue exist?
- Do proper controls over Petty Cash exist?
- Are policies and procedures followed?

Report:

Cash Receipts:

During the course of our audit we found that most payments (grants, state funding, insurance payments, etc.) are received electronically via wire transfers received by the County Treasurer's Office. The Mental Health department does receive cash at the check in window or through the mail for co-payments from patients. This money is received by the person collecting it and then reviewed and deposited by another account clerk. We found sufficient controls in place to mitigate the chance of misappropriation of cash receipts.

Accounts Receivable/Revenue:

We reviewed the processes in place to bill patients and insurances for services rendered. We found that Mental Health has an account clerk that specializes in doing the billings for each insurance source (Medicaid, Medicare, Private Insurance, etc.). This allows them to fully understand the requirements for each sources' billing submissions to increase accuracy and to allow for faster collections. The billing system that is used includes many checks and balances to reduce the risk of double billing and incorrect billing. The staff is working towards doing more billing electronically Insurance Companies will allow, this too will allow for faster collections.

Petty Cash:

The Department of Mental Health has one of the largest petty cash funds of all the County Departments. Our audit sought to verify the balance and transactions within the

petty cash fund. Board of Supervisors Resolution 153-13 reduced the balance of petty cash from \$6,100.00 to \$4,000.00 based on a previous internal audit. We found that petty cash is broken up into two “sub funds”: Wrap Funds and Social Club /ITT /Admin Fund. During our field work we found that the Wrap Funds had a balance of \$4,093.20 and the Social/ ITT /Admin Fund had balance of \$575.10; thus a total of \$4,668.30 in petty cash on hand. Resolution 153-13 does not provide enough detail for us to determine if the \$4,000.00 authorized is for all petty cash or for just Wrap Funds. When looking through the workpapers of the previous internal audit, the \$6,100.00 amount in Resolution 153-13 includes only the Wrap Funds. We could not find any authorization for the Social Club/ ITT/ Admin fund.

Resolution 153-13 was approved by the Board of Supervisors on March 19, 2013. Our audit found that the Wrap Funds did not actually start being reduced until March of 2015. We reviewed with staff and management the process they used to reduce the fund and provided guidance on a more effective way to do so.

Further we found that old outdated transactions were showing up on the department reconciliation reports totaling \$65.00. We discussed these items with staff and management and it was determined that Wrap Funds (petty cash) were given out for use but receipts were not received back due to issues with a previous employee. We discussed with Staff and Management how to handle this issue going forward.

We also found that checks written to replenish the petty cash fund are paid to the order of the Mental Health Director. Doing this provides a breakdown in internal controls as the Director is responsible for cashing the check (which can be over \$1,000.00) and turning those funds over to the account clerk in charge of the petty cash fund. This is not an appropriate way to replenish petty cash.

Recommendations

- 1) A resolution stating the total amount of Petty Cash for the Mental Health Department and the amount of Individual funds making up the total should be submitted to the Board of Supervisors for approval. This will provide a clear picture of how much petty cash is the department and how much should be in each individual fund when doing a reconciliation.
- 2) All individual funds should be kept separate from others, mixing funds together complicates reconciliations and can allow funds from one fund to be used for another funds expenditures.
- 3) Merging and adjusting the amounts of the petty cash funds should only be done by board resolution.
- 4) The County should develop a different procedure for replenishing petty cash funds.

Management Response:

Per an email on 8/18/15:

Hello Patrick:

In follow-up to our conversation, let me thank you for completing the audit, for providing the report and guidance, and for making the sound recommendations that you have offered.

We will certainly move forward to implement all of the recommendations that you have made. To provide a very brief historical background... the various petty cash accounts predate my arrival, and I don't know the clear history on how they were created or when, etc. I did attempt to do a quick search of past Board resolutions, and I only found Resolution 427-02, which spoke to one of the WRAP fund account which was established in the amount of \$500. Obviously this is only one account and is a small portion of a bigger picture, but I didn't spend a great amount of time extensively researching the historical records. With all that in mind and given the unclear history of these various accounts, I believe it's much more important to rectify the current situation and move forward and make the appropriate changes. In terms of the petty cash checks being made out to the Director, this once again is something that predates my arrival to the County in 2005. This process is not something that I developed, but I believe it is perhaps a Treasurers Office procedure that is long standing and we simply have followed it for all these years. I agree with you that the County should develop some other more appropriate process, and we will certainly comply once the County determines what that new process is.

A brief comment on your predecessors past report and his decision to present Resolution 153-13 to the Board. I'm sorry to say that he made that recommendation in isolation and unbeknownst to me. He never consulted with me at the time of his audit and I was completely unaware that he was putting forth that resolution. It was an inappropriate decision at the time on his part, as we were utilizing those funds at a pace that warranted maintaining that amount on-hand. In addition, due to the possible immediate urgent nature of a variety of circumstances that could arise at a moments notice, I needed to have an ample amount of funds available on hand for my immediate use to address client needs. This after all is one of main purposes of being provided with these funds. Given the fact that the county had moved to a two audit cycle each month did not afford the ability for me to address satisfactorily alleviate the dynamics I was concerned with and my need to potentially access larger amounts of funds at a moments notice. Once I learned of Resolution 153-13 and changes associated with it, I subsequently did have a discussion with the County Administrator and I raised my objections to him and informed him this was not practical or acceptable. We did not propose a new resolution to make any further changes. Also in my consideration was the fact that these funds are provided for very specific Office of Mental Health initiative and they really are not a traditional petty cash account, and the Director of Community Services is afforded statutory authorities which include wide latitude and sole discretion on how these funds are utilized to address immediate client needs. However, despite all this, as time has gone on, changes in our spending practices with regards to these funds has

allowed us to decrease the amount funds we now need, and as you found we have reduced the amount of funds that we have on hand. We will address the issue as you recommended and formally present resolution to Board in order obtain further clarity of the issue.

Thank you once again.

James M. Haitz, LCSW-R
Director
County of Wayne
Department of Mental Health
Wayne Behavioral Health Network

Patrick Schmitt
County Auditor
8/18/15