



Health and Social Services

Internal Audit

September 2013

# Bernalillo County Internal Audit Health and Social Services

## Executive Summary

### SUMMARY OF PROCEDURES

REDW performed an internal audit over selected areas within the Health and Social Services Department. Our internal audit focused on testing internal controls for various Health and Social Services processes including the Health Promotion Program and health permitting and inspections.

The procedures performed include:

- Obtaining an understanding of the Health Promotion Program and Health Inspection and Permitting procedures through reading relevant Administrative Instructions and Health and Social Services specific policies and procedures, and through interviewing various Health and Social Services personnel;
- Testing a sample of Health Promotion Program expenditures to determine if expenditures were made in accordance with the cooperative agreement with the U.S. Department of Human and Health Services (DHHS), OMB Circular A-87, and County policies and procedures;
- Testing a sample of required reports for the Health Promotion Program to determine if reports were accurately prepared and supported, approved, and submitted timely;
- Analyzing the Health Promotion Program yearly budgets to determine if expenditures were within budgetary requirements;
- Testing a sample of health permits issued to determine if a complete and accurate application was on file, the fees assessed and collected were accurate, the proceeds collected agreed to the cash desk posting and bank statement, and that regular inspections occurred and the results were documented in the public KivaNet database; and,
- Comparing the calendar year 2012 and 2013 listing of permits to determine if follow-up on permitting renewals was occurring.

## SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

We found areas during the course of the audit where controls were functioning properly and established procedures were followed. All Health Promotion Program expenditures tested were reasonable and processed in accordance with the cooperative agreement with the U.S. Department of Human and Health Services (DHHS), OMB Circular A-133, County policies and procedures, and were within the budgetary requirements. Additionally, the required reports tested for the Health Promotion Program were filed timely, adequately supported, and approved. Furthermore, adequate follow-up was occurring for health permits renewal fees.

The significant high/moderate risk observation is presented below:

- **Health Inspections**—Regular health inspections were not always occurring, inspection results were not always entered into the database available to the public, inspections reports were not always retained, and annual gross revenues were not always reported by vendors renewing health permits.

\* \* \* \* \*

Further detail of our purpose, objectives, scope, procedures, observations, and recommendations are included in the internal audit report. In that report, management describes the corrective action taken for each observation.

We received excellent cooperation and assistance from the various departments during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

*REDW LLC*

Albuquerque, New Mexico  
October 23, 2013

# **Bernalillo County Internal Audit Health and Social Services**

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# **Bernalillo County Internal Audit Health and Social Services Report**

## **INTRODUCTION**

We performed the internal audit services described below solely to assist Bernalillo County in evaluating the internal controls over selected processes within the Health and Social Services Department. Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants, Generally Accepted Government Auditing Standards, and the terms of our contract agreement for internal audit services. Since our procedures were applied to samples of transactions and processes, it is possible that significant issues related to the areas tested may not have been identified.

An entrance conference was held on August 15, 2013, at which time most items needed for the audit were requested. Fieldwork began the week of September 9, 2013. An exit conference was held on October 15, 2013, and final management responses were received on October 23, 2013.

Although we have included management's responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

## **PURPOSE AND OBJECTIVES**

Our internal audit focused on evaluating the health permitting and inspections process and the Health Promotion Program to determine if these processes and program were in compliance with policies and procedures (P/Ps), reflected best practices and sound internal controls. We evaluated adequacy and reasonableness of the internal controls surrounding the health permitting and inspections process including the safeguards surrounding the cash receipts process. We also assessed the internal controls surrounding the Health Promotion Program and compliance with U.S. Department of Health and Human Services requirements.

## **SCOPE AND PROCEDURES PERFORMED**

**In order to gain an understanding of the processes and internal controls surrounding Health and Social Services, we interviewed the following personnel:**

- George Schroeder, Office of Environmental Health Manager
- Angelica Solares, Collective Impact for Neighborhood and County Health (CINCH) Coordinator

- Anita Felts, Administrative Officer
- Lucas Tafoya, Inspection and Compliance Manager
- Darlene Beard, Administrative Officer
- Linda McCalister, Financial Services Administrator

**In order to understand Health and Social Services’ policies and procedures we read relevant portions of:**

- Cooperative Agreement between the County and the U.S. Department of Health and Human Services;
- Community Transformation Grant Proposal;
- Office of Management and Budget (OMB) Circular A-87;
- Administrative Instruction No. SG01 “Grants”;
- Food Safety Inspection Schedule Based on Risk policy; and
- Policy for Grading of Food Establishments; and
- Chapter 42 Health and Sanitation of the Bernalillo County Code.

**We performed the following testwork:**

*Health Promotion Program Expenditures:* We obtained listing of all expenditures related to the Health Promotion Program from July 1, 2012 through June 30, 2013. We selected a sample of 52 expenditures (based on 95% confidence level (CL) 10% tolerable deviation (TD)) and tested to determine if each expenditure agreed to source documentation, was properly approved, accurately recorded in the general ledger, costs and activities were allowable under the cooperative agreement and OMB A-87, incurred within the correct funding period, and purchased in accordance with the County’s procurement policies.

*Health Promotion Program Reporting Requirements:* We obtained a listing of all Health Promotion Program reports required to be submitted during the timeframe of July 1, 2012 through June 30, 2013, and selected a sample of 6 reports. As applicable, for each report we tested to determine if amounts reported agreed to supporting detail, the report was properly approved, the report was clerically accurate, the report was submitted within the required timeframe, and the report was prepared using the proper accounting method.

*Health Promotion Program Budgets:* We obtained the Appropriations and Expenditure reports for grant years 2012 and 2013 and assessed the expenditures incurred to determine if there were significant budget to actual variances.

*Health Inspections and Permitting:* We obtained the listing of all health permits issued during calendar year 2013 and selected a statistical sample (based on 95% CL and 5% TD) of 54 health permits. We also selected 5 special event permits issued during 2013. For each permit in the sample we tested to determine if a complete and accurate application was on file, the fees assessed and collected were accurate, the proceeds collected agreed to the cash desk posting and bank statement, and that regular inspections occurred and the results were documented in the public KivaNet database. For 10 of the permits, we also obtained all inspection reports conducted

in calendar year 2012 and 2013 and tested to determine if the results and dates of the inspections agreed to the information posted in KivaNet.

*Permitting Renewals:* We obtained a listing of all health permits issued during calendar year 2012 and 2013 and compared the listings to identify any vendors not on the 2013 listing. We then determined if permit renewal efforts were adequately conducted by the Health and Social Services Department.

## **OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES**

We identified the following weaknesses relating to the Bernalillo County Health and Social Services' processes:

### ***1) Health Inspections***

The Health and Social Services Department internal goal was to conduct regular inspections according to risk. In May of 2013 this goal was formalized into a policy entitled "Policy-Food Safety Inspection Schedule Based on Risk". Additionally, the Health and Social Services Department utilizes a publicly available database to log the results of health inspections. During our testing of 54 health permits and 5 special event permits we observed the following:

- Eighteen of 54 health permits did not have regular inspections performed appropriate to the vendor's risk level.
  - Of these 18, eight were assessed at the incorrect risk level, as determined by management, increasing the required number of inspections.
  - The average days between inspections related to these instances was approximately 383 days. The longest time period between inspections for a vendor was 909 days or approximately 2.5 years.
- Three inspections did not have the results posted to the public permitting database. Two of the three were special event permits and one was a food establishment permit. Hardcopies of the inspection reports were available for two of the three vendors.
- Three permit renewal applications did not indicate the annual gross income; therefore, we were unable to determine that the correct fee was paid.

**Risk: High/Moderate-**Regular inspections should occur to ensure public health and safety. Additionally, the results of inspections should be made publicly available. Furthermore, attempts to verify gross revenues should be conducted in order to ensure the correct assessment of permit fees.

### **Recommendation**

Processes should be re-evaluated to ensure that inspector work lists are current and that inspectors are notified of key vendor inspection dates. Consider the feasibility of implementing this into the new electronic permitting system. Also consider evaluating the current process for reviewing or monitoring the assessed risk level, inspecting mobile units with both an annual permit and a special event permit to determine documentation needs, entering the results of inspections into the public database, and retaining inspection reports. Lastly, develop a process for ensuring vendors verify annual gross revenues when renewing health permits. All processes

should be formally documented and training should be provided to all inspectors to help insure consistent application of health inspection policies and procedures.

### **Management's Response**

The Health Protection Team is working to achieve the Retail Food Program Standards promoted by the Food and Drug Administration. To meet one of the standards, the team developed a risk-based inspection program in May 2013 which established an inspection frequency policy. Several of the deficiencies in the frequency of inspections were due to a higher than necessary risk designation of the food establishment. Compounding the problem, staff maintained data in multiple systems. This led to incomplete data entry and an incomplete picture of the need for inspections in some establishments.

Corrective Action-Our multiple data systems have been replaced with Accela, a web-based program. All inspections will be entered in Accela only and not duplicated in Access and Excel files. This will address issues with missing data. All inspections will soon be conducted on tablets in the field. These completed inspections will be immediately available on the internet for public viewing. The risk designations for all food establishments have been re-assessed and corrected. Inspection frequency will be automated in the new system. Inspectors are provided flexible schedules or overtime pay in order to complete required inspections in establishments that maintain irregular hours of operation.

At permit renewal, we will require that establishments provide an accurate amount of gross receipts for the previous calendar year in order to ensure permit fee payments are correct. Applications received without this information will be incomplete and not processed until that information has been provided by the permit holder. Some food establishments will be exempt from this requirement because they pay a flat fee (ex. Institutional, Seasonal, Mobile Unit, etc.).

\* \* \* \* \*

This report is intended for the information and use of Bernalillo County management, the audit committee, members of the Board of Commissioner of Bernalillo County and others within the organization. However, this report is a matter of public record, and once accepted its distribution is not limited.

We discussed and resolved other minor observations with management and received excellent cooperation and assistance from the various departments during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

*REDW LLC*

Albuquerque, New Mexico  
October 23, 2013