



# **Fairfax County Internal Audit Office**

**Health Department  
Revenue Collection Audit  
Final Report**

**September 2017**

***"promoting efficient & effective local government"***

# Executive Summary

The Health Department (HD) receives revenue for services, laboratory tests, restaurant permissions and pool licenses. They also work closely with state and federal agencies to improve the quality of health in Fairfax County. All revenue collected is reported to the County financial system (FOCUS) and reconciled by the HD fiscal office. Health Department collections are for services provided by the Elderly Day Care, City of Fairfax Contracts, Falls Church Health Department contract, licenses, permits, fees, school health reimbursement, and State reimbursements. Total revenue collected was \$19.4 million in fiscal year 2016.

This audit focused on the adequacy of controls over HD Revenue collection operations for services and billing processes. Generally, the financial process had good controls. We noted that services and billing were timely and accurate. We also noted that all delinquent accounts were properly passed on to the Department of Tax Administration for further collection. Additionally, the process of billing insurance companies, Medicare and Medicaid were reviewed for accuracy and completeness with County, State and Federal rules and regulations.

However, we noted the following exceptions where processes and controls could be strengthened:

- The controls and efficiency of the billing process for services provided to companies with Memorandums of Agreement (MOA) could be strengthened. There was no report produced by the Lab System that contained only MOA companies with billable services incurred during the billing period with a control total. As a result, staff had to manually enter all MOA companies into the system to determine which ones had services and billing reconciliations could not be done to a control total.
- At the Laboratory branch, laboratory service payments sent by mail were placed in a mail tray located the front desk of the facility which was accessible to the public and unauthorized staff.

## Scope and Objectives

This audit was performed as part of our fiscal year 2017 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit covered the period January 1, 2016, through January 31, 2017. The objectives of the audit were to determine that:

- Revenues owed to the county were properly collected.
- Amounts received were deposited, posted or reconciled in a timely and accurate manner.
- Adequate patient insurance information was collected.
- Fees due were properly calculated.
- Revenues collected were adequately safeguarded.
- Insurance billing requirements and deadlines were met.
- Follow-up was sufficiently performed on delinquent receivables.
- Segregation of duties within the collection process was proper.
- Adjustments, write-offs, or refunds on amounts due were proper and authorized.

## Methodology

Our audit approach included interviews with appropriate staff, walkthroughs of various work functions, and detailed testing of payment transaction samples. We also evaluated the processes for compliance with sound internal controls as well as County and departmental policies and procedures.

The Fairfax County Internal Audit Office (IAO) is free from organizational impairments to independence in our reporting as defined by Government Auditing Standards. We report directly and are accountable to the County Executive. Organizationally, we are outside the staff or line management function of the units that we audit. We report the results of our audits to the County Executive and the Board of Supervisors, and IAO reports are available to the public.

## Findings, Recommendations, and Management Response

### **1. Controls Over the Billing Process for Companies with Memorandums of Agreement (MOA) at the Laboratory Site**

The controls and efficiency of the billing process for services provided to companies with Memorandums of Agreement (MOA) could be strengthened. Staff manually extracted billing data from the Lab System by entering individual company account numbers for each MOA company on file based on a master spreadsheet. If a company used the County laboratory services during the billing period, the system would generate a separate report for that company. No report was generated for companies without any services. These reports were then used to enter billing information into FOCUS to generate invoices. There was weak independent review of this process. And, system generated control totals were not available from the Lab System to ensure that all transactions had been properly captured. This increased the risk of revenue loss, as there was no control to catch erroneous omissions of billable services by staff.

**Recommendation:** We recommend the Laboratory services evaluate their system and identify the possibility of improving reports generated from the Lab System. The Lab System should be able to produce a report that includes billing information only for companies incurring service for the billing period and a control total. This report should be used to enter data into FOCUS, and the control totals should be independently reconciled to FOCUS.

**Management Response:** The Laboratory billing process for MOA clients includes two independent approvers manually reviewing the invoices created by administrative staff and a reviewed supervisor to ensure that all tests ordered have been billed. However, the Laboratory testing system does not currently offer a control report as recommended by Internal Audit. We are consulting with the Laboratory system vendor (Softlab) and County Department of Information Technology staff to develop a report responsive to this recommendation. During the interim, manual reports will continue to be reviewed by staff and supervisors. The anticipation completion date is January 8, 2018.

## **2. Weakness on Safeguarding of Revenue Collected**

All daily mail received at the Laboratory branch, including invoice payments for services provided, was placed in a tray at the front desk of the facility with easy access to unauthorized employees including the public. The front desk is located at the main entrance to the building; therefore, anyone entering the building could seize envelopes in the tray including laboratory service payments sent by mail.

**Recommendation:** The mail tray should be moved to a secure location where only authorized staff have access.

*Note: During our audit, this recommendation was implemented by HD staff and verified by IAO. No follow-up is required.*