



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#121934

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DATE: 02/09/2016

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT OF THE MEDICAL EXAMINER'S OFFICE CONTROLS OVER FINANCIAL OPERATIONS**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report of the Medical Examiner's Office Controls over Financial Operations.

BACKGROUND:

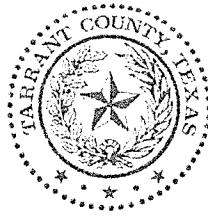
In accordance with Local Government Code Chapter 115, Audit of County Finances, the Auditor's Office reviewed the financial operations of the Medical Examiner's (ME) Office for the fiscal year ending September 30, 2015. The objective of the review was to determine whether controls were adequate over the ME's financial processes and the various automated systems.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY: Auditor's Office

PREPARED BY: S. Renee Tidwell
APPROVED BY:



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January 26, 2016

Dr. Nizam Peerwani, M.D., P.A., Chief Medical Examiner
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

RE: Auditor's Report – Medical Examiner's Office, Controls over Financial Operations

SUMMARY

In accordance with Local Government Code Chapter 115, *Audit of County Finances*, we reviewed the financial operations of the Medical Examiner's (ME) Office for fiscal year ending September 30, 2015. The objective of our review was to determine whether controls were adequate over the ME's financial processes and the various automated systems.

As previously reported in 2009, a material weakness continues to exist over the billing process. The ME's Office uses four separate software applications to complete the billing cycle: *CRYPT*, *LabWorks*, *Microsoft Office*, and *QuickBooks*. Since the applications are not integrated, we could not determine whether all ME services were appropriately billed, paid, recorded, and subsequently deposited. Furthermore, a complete reconciliation between the various applications to the invoiced amounts recorded in *QuickBooks* is not possible. *QuickBooks* was designed for "small businesses," and is not an acceptable financial application for the ME's Office. The Information Technology Department (ITD) is currently developing a new case management system, called *LIMS*, for the ME's Office. As part of development, we recommend that IT provide either financial functionality to *LIMS* or the ability for *LIMS* to interface with another financial application. *LIMS* is expected to be implemented in late 2017.

We observed the following issues that require management's attention:

- Observation 1 Procedures related to the monitoring and collection of unpaid account balances were not adequate.
- Observation 2 Deposits were not always made by the fifth business day as required by statute.
- Observation 3 Management did not review the accuracy of billings.
- Observation 4 Segregation of duties was not adequate between certain incompatible tasks.

We discussed our observations and recommendations with appropriate ME staff during the audit.

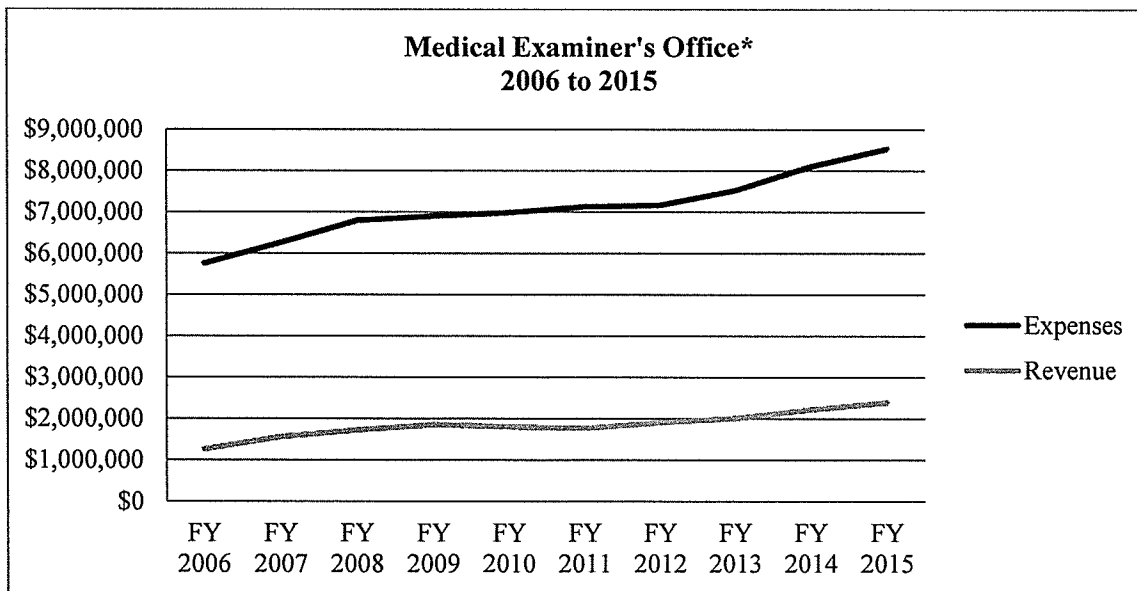
BACKGROUND

Tarrant County contracts the operation of forensic services with Dr. Peerwani's Professional Association (PA). The contract is a five-year renewable professional service contract that requires the PA to provide all professional services, as defined by the Texas Professional Association Act, including all inquests in Tarrant County, such as external examinations, autopsies, death scene investigations, dental charting, and human remains identification services. The Commissioners Court provides oversight and the necessary facilities, equipment, supplies, and support staff for the operation of the PA.

The County's contract with the PA is a unique arrangement in that it also allows the ME to engage in private practice. The District Attorney's Office reviewed and approved the contract between the PA and the County. According to the ME, five doctors are currently employed by the PA. The ME also stated that no County employees are employed by the PA. However, the County's contract with the PA allows for a potential conflict of interest.

The Commissioners Court approved the ME's District Agreement between Tarrant County and Denton, Johnson, and Parker County. Per the respective contract, each county pays a quarterly installment to the Auditor's Office. The PA also provides services to justices of the peace and law enforcement agencies in other counties (non-jurisdictional services) on a fee-per-case basis in accordance with the annual fee schedule adopted by the Commissioners Court.

During fiscal year 2015, jurisdictional and non-jurisdictional revenue totaled approximately \$2.4 million and expenses totaled approximately \$8.5 million. As illustrated in the graph below, revenues and expenses associated with the ME's office have steadily increased over the years.



*Expenses include both capital and operating expenses.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 *Procedures related to the monitoring and collection of unpaid account balances were not adequate.*

Background

The *CRYPT* application, installed in approximately 2002, is strictly a case management software used to track cases handled by the ME's Office. *CRYPT* does not have any financial functionality. The individual ME departments generate monthly activity reports from *CRYPT*. The departments provide the reports to the Bookkeeper so she can input the appropriate information into *QuickBooks* to generate invoices for services rendered. The terms of the invoices are net 30 days.

Observation

During our review, we identified unpaid account balances totaling approximately \$40,800. About \$25,700 of this amount has been outstanding more than 180 days. Some of these agencies continue to request and obtain services from the ME's Office. The outstanding balances continue to exist because *CRYPT* does not have the functionality to provide an alert to indicate agencies with unpaid account balances. ME staff had implemented routine procedures to monitor and identify unpaid account balances.

Recommendation

Until the new *LIMS* software is implemented, account balances should be monitored on a monthly basis. A list of agencies with outstanding balances should be provided to each of the ME departments so that management has the information necessary to determine whether additional services should be rendered to those agencies. Furthermore, management should implement procedures to collect any outstanding account balances.

As previously stated, we recommend that the ME consult with ITD about including financial functionality to *LIMS*. This functionality should allow users the ability to flag agencies with unpaid account balances.

Observation 2 *Deposits were not always made by the fifth business day as required by statute.*

Background

Local Government Code, Section 113.022, *Time for Making Deposits*, states that a county officer who receives money "shall" deposit the money with the county treasurer on or before the next regular business day after the date on which the money is received. The Tarrant County Auditor has the role of treasurer. The statute also states that if this deadline cannot be met, then the money must be deposited no later than the fifth business day after the day the money is received.

Observation

We tested 4,958 receipts and identified 578 receipts totaling approximately \$403,700 that were not deposited with the Auditor's Office by the fifth business day after the date the receipts were recorded in the *QuickBooks*. This occurred because the Business Manager was not aware that the statute had changed, requiring deposits be made by the fifth business day after the money was received rather than the seventh business day. Money is vulnerable to theft and loss until deposited with the Auditor's Office.

Recommendation

To reduce the risk of loss, deposits should be made to the Auditor's Office within five business days after receipt of the funds as required by Local Government Code.

Observation 3 Management did not review the accuracy of billings.

Observation

During our comparison of the Cremation Permit List to *QuickBooks*, we identified 32 permits totaling \$800 that were not invoiced. This condition occurred because an independent review of the accuracy and completeness of the invoices prepared by the Bookkeeper did not exist.

Recommendation

Upon communication of this issue, the Business Manager implemented procedures that requires ME staff to enter service requests into *CRYPT* for all cremation permits. We also recommend that the Business Manager review the monthly reports provided by the various ME departments and verify the accuracy of the invoices prepared by the Bookkeeper.

Observation 4 Segregation of duties was not adequate between certain incompatible tasks.

Background

Lack of segregation of duties occurs when a few employees are required to perform incompatible tasks. Reducing the risk of fraud and errors is the primary objective of segregating incompatible duties. This objective is achieved by disseminating the tasks and associated privileges for a specific business process among multiple users. In situations where it is impossible to separate duties due to the small number of employees, mitigating controls should be implemented.

Observation


During our review, we observed that the Business Manager performed substantially all the financial functions. Specifically, the Business Manager opened the mail and logged any money received onto the Daily Receipt Log, recorded the receipts into *QuickBooks*, and prepared the bank deposit. Procedures did not include a secondary review of these incompatible tasks. Due to the lack of segregation of duties and management oversight, fraud and errors could occur and may not be detected.

We discussed this issue with the Business Manager during the audit. On October 12, 2015, the Business Manager implemented procedures to segregate conflicting duties related to the receipting, recording, and depositing of money among four individuals. No further recommendation is required.

CLOSING REMARKS

We appreciate the Medical Examiner and his staff for their cooperation during our audit and their prompt attention to our recommendations.

Very truly,



Renee Tidwell, CPA
County Auditor

Attachment:
Management's response

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Michael Floyd, B.S.
Chief Forensic Death Investigator

Traci Wilson
Morgue and Laboratory Services
Director

February 1, 2016

Honorable District Judges
Honorable County Commissioners
Tarrant County, Texas

MEDICAL EXAMINER'S RESPONSE TO TARRANT COUNTY AUDIT

I would like to take to this opportunity to commend the Auditor and her staff for their thoroughness and professionalism. We appreciate all suggestions and comments that will help us improve business practice at the Tarrant County Medical Examiner's Office to safeguard County assets.

I am pleased to report that all of the recommendations made in the audit report have already been implemented and currently in force.

Observation 1: *Procedures related to the monitoring and collection of unpaid account balances were not adequate.*

The Medical Examiner's Office has a manual procedure in place for identifying agencies with unpaid balances. Each agency receives a monthly statement and a copy of all open invoices detailing services rendered. The statement is stamped "ACCOUNT HOLD" and "PAST DUE" if the open invoice is 90 days or older. An "Account Hold" list is created each month and distributed to various departments within the Medical Examiner's Office. If a new service request is received from an agency with an "ACCOUNT HOLD", the agency is notified that the service request has been received but cannot be processed until the account balance is current.

Of the three agencies identified during the audit, the first agency cleared their balance in January 2016; the second agency has an account hold and currently working on a budget revision to get these invoices paid. The third agency is a complicated matter in which crimes occurred in Grand Prairie, Texas, a city that shares both Tarrant and Dallas county lines. These outstanding invoices are sexual assault cases that occurred in the period of December 2009 to March 2012 in which victims were taken to John Peter Smith Hospital for examination and collection of evidence. The Medical Examiner's office obtained the evidence from a lock-box at the hospital. Numerous attempts were made to the police agency for collection of past due amounts; however, the agency considered the services "unauthorized". Since the office was made aware of a potential problem for all agencies that use the lock-box system, our DNA section made a procedure change in 2012 that requires our laboratory personnel to contact the agency for authorization for services related to evidence retrieved from a lock-box. Since April 2012, Dallas Police Department has paid all subsequent services with appropriate authorization.

The Medical Examiner's Office concurs with the recommendation to consult with ITD about including financial functionality of LIMS that allow users the ability to flag agencies with unpaid account balances.

Observation 2: Deposits were not always made by the fifth business day as required by statute.

The Medical Examiner Office was operating under 2007 Local Government Code, Section 113.022. *Time of Making Deposits* that states that a county officer who receives money "shall" deposit the money with the county treasurer on or before the next regular business day after the date on which the money is received. The Tarrant County Auditor has the role of treasurer. The statute also states that if this deadline cannot be met, then the money must be deposited no later than the seventh business day after the day the money is received.


The Medical Examiner Office did not receive notification of the 2011 statute change from the Auditor's Office and was unaware of the policy change. The Medical Examiner concurs with the recommendation to deposit money no later than the fifth business day after the day the money is received to reduce the risk of loss.

Observation 3: Management did not review the accuracy of billings.

The Medical Examiner implemented procedure changes for Cremation Service Requests and a peer review for accuracy of the invoices prepared by the Bookkeeper effective October 2015.

Observation 4: Segregation of duties was not adequate between certain incompatible tasks.

The Medical Examiner implemented an approved segregation of duties effective October 2015.



Nizam Peerwani, M.D.
Chief Medical Examiner