

**DCIAD FY 2007/2008- #04**  
**Follow Up Audit of**  
**Douglas County Health Center**  
**Internal Controls Relating to Accounting Processes**



# Douglas County Internal Audit Division

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January 30, 2008

To: Mr. James Tourville, Administrator Douglas County Health Center  
From: Carmen Harmon, Douglas County Internal Audit Division, Supervisor  
RE: FY 2007/2008-04 Follow-Up Audit to FY 2006/2007 Audit #2  
Audit of Internal Controls Relating to Accounting Processes

Dear Mr. Tourville,

On June 12, 2007, the Douglas County Internal Audit Division released an audit of Douglas County Health Center's Internal Controls Relating to Accounting Processes. In order to render a conclusion on the status of the recommendations made as a result of that audit, DCIAD performed certain procedures, as specified below.

This Post Audit Review consisted principally of inquiries of Douglas County Health Center (DCHC) personnel, and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards.

The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

Based on the work performed during the post audit review, we concluded that recommendation #1, #2, and #3 have been completely implemented. This report includes a narrative of our findings.

We thank the personnel at DCHC for their assistance in conducting this review, and consider this report final unless directed to continue our review.

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FINDING

## **Background**

The audit was conducted from April 17, 2007 to June 12, 2007, and revealed three findings. Several of the findings were associated with the implementation of designing and operating effective internal controls for accounting processes, for Long Term Care and Assisted Living Programs.

As a part of the DCIAD audit process, a routine 6-month post-audit review was conducted to provide information on the status of implementation of audit recommendations.

On December 19, 2007, DCIAD sent a follow-up questionnaire to DCHC management, asking for current status information and supporting documentation, for report recommendations.

A completed questionnaire was returned to DCIAD at a final meeting with DCHC management, on January 22, 2008. The following narrative is a compilation of the information provided.

## **Audit Scope and Objective**

The scope of the original audit tested the initial design, and operating effectiveness, of internal controls related to the accounting process. The audit is limited to the examination of the accounting process, and will include an examination of both manual, and computerized, processes. Audit procedures include an examination of applicable policies, procedures, state statutes, and standards governing the processes. Controls for interrelated audit concerns were considered in forming an overall audit conclusion on the accounting system internal controls.

The review was coordinated, and conducted, with selected staff and management at the Douglas County Health Center.

## **Executive Summary**

The follow-up audit reviewed the accounting process recommendations and determined whether DCHC fully implemented, partially implemented, or elected not to implement internal audit's proposed solutions. Implementation of acceptable recommendations are required to be evidenced by the audit staff with documentation, and/or physical proof to support the original audit proposal was considered, and completely or partially put into action.

## **Finding # 1- Implemented**

There are no comprehensive written policies and procedures for payroll processes.

### **Management response:**

A notebook of procedures and processes has been created outlining what is done, when and how. This may not be a “formalized” policy and procedure manual but it provides a road map for the process of payroll preparation continue even if there is an interruption of the assets preparing and submitting data to Douglas County Payroll Department. The DCHC Payroll Coordinator is retiring in November 2008 and we are interviewing applicants for this position so the position can be filled now and that person will have ten months to learn the payroll processing procedures. More “formalized” policies and procedures will be created in the near future.

### **DCIAD:**

Recommends that DCHC Payroll staff continue to compile written policies and procedures for all payroll functions. Written policies and procedures are important to help ensure adherence to office practices, especially for future personnel. Without formal written policies and procedures for payroll, DCIAD is unable to adequately assess internal controls over payroll office practices.

### **Follow-Up Action:**

DCIAD has viewed and verified that DCHC has a detailed copy of policies and procedures for the payroll functions. DCHC also has a copy of the payroll system manual called “Time Track,” that is used to record the DCHC employees, work hours.

## **Finding # 2- Implemented**

During our review, DCIAD determined information systems security controls were not regularly externally reviewed, system logs were not regularly examined, data tapes were not removed from the server room daily and systems servers were exposed in a potentially hazardous environment with an active fire sprinkler above system servers.

### **Management Response:**

Fire suppression system has been installed awaiting the replacement of ceiling tiles, pressure testing the room approval and activation. The sprinkler heads for the “wet” sprinkler system have been removed from the room.

All backup tapes with the exception of the current one used for that night’s backup have been removed from the server room and are stored separately in a fireproof cabinet safe. The review of system security for the enterprise network falls under the current practices in place by the DotComm Network team.

### **DCIAD:**

Recommends that DotComm IS personnel assigned to DCHC conduct random examination of system logs and organize a schedule for a regular external review of system security. DCIAD also recommends finding a less destructive alternative to

current fire suppression equipment in the server room and suggests moving daily data storage tapes to a different location.

**Follow-Up Action:**

DCHC has integrated a fire suppression system, located in the DCHC server room, and plans to run a fire suppression test to see if the fire suppression system functions properly. DotComm is currently in the process of upgrading the DCHC servers in DCHC server room.

DotComm has been contacted regarding the review of systems logs and the documentation of offsite removal of DCHC’s back-up tapes. DCIAD will follow-up with DotComm concerning these issues.

**Finding # 3- Implemented**

There is no agency written policy to assign specific time limitations to completing actions on the Terminated Employees Checklist.

**Management Response:**

This is listed in the Payroll Policy and Procedure Manual. It states “POLICY: All departments must notify Payroll immediately, either by telephone or e-mail, of termination of employees. DCHC Administrator will assure that Payroll, and thus DotComm, are notified as soon as Administrator approves/signs termination letter. The Payroll Office will then immediately notify DotComm of name of terminated employee. PROCEDURE: Payroll will send an e-mail to DotComm with terminated employee name, Department and Date of termination.”

**DCIAD:**

DCIAD recommends that DCHC enact a written policy requiring all Department Heads, or designated staff, to immediately notify DCHC payroll and DotComm Information System personnel assigned to DCHC when an employee leaves.

**Follow-Up Action:**

DCHC has provided DCIAD with a policy and procedure on “Constructive Discipline,” “Paycheck” policy and a terminated employee checklist and policy. The DCHC employees are required to read the policies and sign an “Acknowledgment of receipt of DCHC & CMHC constructive discipline & disciplinary guidelines for work attendance” form stating they received, read, and understood the text. The information provided satisfies the requirements of the Douglas County Internal Audit Division, and will be kept on file.

Appendix 1  
Douglas County Health Center (DCHC)

**Follow-up Questions**

Please answer the following questions, and provide documentation, to show compliance and or implementation.

Finding	DCIAD	Follow-up Questions	Comments
1- There are no comprehensive written policies and procedures for payroll processes	Recommends that DCHC Payroll staff continue to compile written policies and procedures for all payroll functions. Written policies and procedures are important to help ensure adherence to office practices, especially for future personnel. Without formal written policies and procedures for payroll, DCIAD is unable to adequately assess internal controls over payroll office practices.	Has management formally authorized and or adopted the policies and procedures for payroll functions?	A note book of procedures and processes has been created outlining what is done, when and how. This may not be a “formalized” policy and procedure manual but it provides a road map for the process of payroll preparation continue even if there is an interruption of the assets preparing and submitting data to Douglas County Payroll Department. Luann Wells is retiring in November 2008 and we are interviewing applicants for this position so the position can be filled now and that person will have 10 months to learn the payroll processing procedure. More “formalized” policies and procedures will be created in the near future.
2- During our review, DCIAD determined information systems security controls were not regularly externally reviewed, system logs were not regularly examined, data tapes were not removed from the server room daily and systems servers were exposed in a potentially hazardous	Recommends that DotComm IS personnel assigned to DCHC conduct random examination of system logs and organize a schedule for a regular external review of system security. DCIAD also recommends finding a less destructive alternative to current fire	Has DCHC management initiated a regular examination of the system logs? Has there been any dialog between DotComm and DCHC regarding setting up a fire suppression system and moving daily data storage tapes?	DotComm is currently in the process of replacing the servers at the facility. They fall under the authority and maintenance of the DotComm Network Team and their routine examination of system logs. Fire suppression system has been installed

<p>environment with an active fire sprinkler above system servers.</p>	<p>suppression equipment in the server room and suggests moving daily data storage tapes to a different location.</p>	<p>Has DCHC IT management initiated a regular external review of system security?</p>	<p>awaiting the replacement of ceiling tiles, pressure testing the room approval and activation. The sprinkler heads for the “wet” sprinkler system have been removed from the room. All backup tapes with the exception of the current one used for that night’s backup have been removed from the server room and are stored separately in a fireproof cabinet safe. The review of system security for the enterprise network falls under the current practices in place by the DotComm Network team.</p>
<p>3- There is no agency written policy to assign specific time limitations to completing actions on the Terminated Employees Checklist.</p>	<p>DCIAD recommends that DCHC enact a written policy requiring all Department Heads, or designated staff, to immediately notify DCHC payroll and DotComm Information System personnel assigned to DCHC when an employee leaves.</p>	<p>Has management formally authorized and/or adopt the written policies for notification of terminated employees?</p>	<p>This is listed in the Payroll Policy and Procedure Manual. It states “POLICY: All departments must notify Payroll immediately, either by telephone or e-mail, of termination of employees. DCHC Administrator will assure that Payroll, and thus DotComm, are notified as soon as Administrator approves/signs termination letter. The Payroll Office will then immediately notify DotComm of name of terminated employee. PROCEDURE: Payroll will send an e-mail to DotComm with terminated employee name, Department and Date of termination.”</p>

DCIAD Staff participants in 2007 – 2008 Follow-Up Audit # 4 Douglas County Health Center –  
Accounting Process

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(sign)  
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**Follow-Up Audi #4, 2007 / 2008 was released on January 30, 2008**