

Date: December 13, 2019

To: Liany Arroyo, Director, Health & Human Services

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**City of Hartford
Health and Human Services
Revenue and Medicaid Reimbursements
Accounts and Operations
Report 2007**

EXECUTIVE SUMMARY

In accordance with our audit plan for the fiscal year ending June 30, 2020, we completed an audit in November 2019 of the Revenue and Medicaid Reimbursements Accounts and Operations of Health & Human Services (HHS). The purpose of the audit was to evaluate and test internal accounting and operating controls, the accuracy and propriety of transactions processed, the degree of compliance with established operating policy and procedures, and to recommend improvements where required. The results of our examination were reviewed with L. Arroyo, Director, HHS; C. Chaparro, Project Leader, HHS; and other responsible members of management. The audit report includes important issues found, our recommendations and Management's action plans including timeframes to resolve each issue. Generally, cash and related revenue is being properly recorded in MUNIS. We did find issues, as outlined in our report, with a lack of documented operating procedures, controls over adjustment to customer invoices, suspending billing the State for about \$20,000 in Medicaid reimbursable expenses due to staffing issues, errors with applying license renewal late fees and food establishments operating without a valid food license among other issues. We thank HHS management and staff for their cooperation and courtesies during the audit.

BACKGROUND

HHS provides various health services including blood testing for communicable diseases, health inspections for food and personal grooming establishments including issuing the related permits to operate those business and commercial swimming pool inspections including issuing citation for code violations. HHS generated about \$413,000 in FYE 2019 from fees related to these operations and State reimbursements under the State Medicaid program. Related current accounts receivable total about \$513,000.

SCOPE

The scope of the audit included a review of existing procedures and controls, accounts receivable and billing and collections of fees. We performed specific audit tests of invoices, license fee rates, accounting transactions recorded into MUNIS, cash receipts and health citations.

City of Hartford
Health and Human Services
Revenue and Medicaid Reimbursements
Accounts and Operations

Issue Statement	Management Action Plans
<p data-bbox="138 345 430 373"><u>Food License Late Fees</u></p> <p data-bbox="138 414 201 441"><u>Issue</u></p> <p data-bbox="138 482 1144 617">HHS did not have a documented approval process for waiving delinquent fees related to food establishments that are late or have not renewed their food license. The reasons for waiving these fees were not documented and there was no approval requirement to reduce or not charge late fees.</p> <p data-bbox="138 657 214 685"><u>Cause</u></p> <p data-bbox="138 725 1144 789">The HHS prior and current management were not aware that the above is an internal control issue that needed to be addressed.</p> <p data-bbox="138 829 214 857"><u>Effect</u></p> <p data-bbox="138 898 1144 961">Fees could be waived inappropriately and without management approval. Our limited testing, 17 accounts, showed waived or reduced fees of about \$21,000.</p> <p data-bbox="138 1002 357 1029"><u>Recommendation</u></p> <p data-bbox="138 1070 1144 1172">We recommend that a record of why late fees are waived be documented in MUNIS, appropriate procedures be established and controls to make sure that they are followed and that the HHS Director approves all waived or reduced late fees.</p>	<p data-bbox="1178 345 1509 373">Due Date: March 31, 2020</p> <p data-bbox="1178 414 1787 441">Responsible Person: Liany Arroyo, Director, HHS</p> <p data-bbox="1178 482 1465 509"><u>Management Response</u></p> <p data-bbox="1178 550 1990 896">HHS management will establish a system in which arrears are assessed on all delinquent accounts. In the event that the fees are waived or reduced, a record of why they were waived will be attached to the record in MUNIS. The process for a fee being waived will be outlined in a Standard Operating Procedures manual that staff will be trained on. It will be noted that the only person authorized to waive fees will be the Director of HHS. Up to this point, she had verbally been approving the waiving of fees after being informed of the request by the Environmental Health Services Division Program Manager. This will be completed by March 31, 2020.</p>

**City of Hartford
Health and Human Services
Revenue and Medicaid Reimbursements
Accounts and Operations**

Issue Statement	Management Action Plans
<p><u>Food License Permit Adjustments</u></p> <p><u>Issue</u></p> <p>Accounting adjustments to customer accounts were not required to be reviewed or approved by management. There were no procedures documenting how an adjustment is requested, reviewed, documented in MUNIS, the reason for the adjustment and the management approval of the adjustment.</p> <p><u>Cause</u></p> <p>The HHS prior and current management were not aware that the above is an internal control issue that needed to be addressed.</p> <p><u>Effect</u></p> <p>Accounting adjustments could be made inappropriately and without management approval. Our limited testing in this area showed numerous accounting adjustments to customer accounts that we could not determine the reasons for them nor that management was aware through an approval process of the adjustments.</p> <p><u>Recommendation</u></p> <p>We recommend that HHS management establish a procedure for how adjustments are approved, establish a process for requesting adjustments, who is allowed to approve them and documentation required to be recorded in MUNIS.</p>	<p>Due Date: March 31, 2020</p> <p>Responsible Person: Liany Arroyo, Director, HHS</p> <p><u>Management Response</u></p> <p>HHS management will establish a procedure for how adjustments are approved. Specifically, HHS will develop a SOP that documents the following:</p> <ul style="list-style-type: none"> • The process for requesting adjustments • Who is allowed to approve any adjustments • Proper documentation needed to request an adjustment • Where the documentation supporting an adjustment should be attached in MUNIS <p>This will be completed by March 31, 2020.</p>

City of Hartford
Health and Human Services
Revenue and Medicaid Reimbursements
Accounts and Operations

Issue Statement	Management Action Plans
<p><u>Food License Permits</u></p> <p><u>Issue</u></p> <p>Controls and procedures need to be strengthened to make sure food establishments are operating with a valid food license and they are current with all taxes that were due the City.</p> <p><u>Cause</u></p> <p>The HHS prior and current management were not aware that the above is an internal control issue that needed to be addressed.</p> <p><u>Effect</u></p> <p>Our limited testing in this area disclosed that seven food establishments were operating with expired licensees, two for over two years, which could present a risk to public health. We estimated that license fees due the City related to these food establishments total about \$68,000.</p> <p><u>Recommendation</u></p> <p>Procedures for the billing and recording of food establishment accounts should be documented and include a supervisory review and approval. Management should try to recoup the fees from those food establishments identified and review all other food establishment accounts to ensure a permit has been issued for FY'2019 and a fee has been collected. Management should establish controls that would allow HHS staff to determine the personal property tax status of all food establishments and ensure that the related food establishments are in compliance with the City of Hartford Municipal Code and the State of Connecticut Statutes.</p>	<p>Due Date: March 31, 2020</p> <p>Responsible Person: Liany Arroyo, Director, HHS</p> <p><u>Management Response</u></p> <p>To identify expired permits, HHS will implement the following controls:</p> <ul style="list-style-type: none"> • The current food inspections forms will have an additional document that must be completed by all inspectors that require an inspector physically examine the establishments food permit to ensure it is updated. Currently, inspectors are told to do this, but it is not documented anywhere. • In the event an expired food permit is identified by a business in operation, the inspector will by the end of the day of having identified the business, provide a copy of the inspection form to the worksite monitor and Environmental Health Project Manager so that the business can be immediately shut down or provide the business 24 hours in which to obtain a new business license and pay any late fees. Any request for late fees to be waived or adjusted must come in writing from the business owner and will be properly documented in the SOP referenced above. <p>We have already begun the process and two business owners have come forth requesting waivers due to hardship via email. The Director will review them in collaboration with the EHS Program Manager and document any reduction in fees that has been approved.</p> <p>With regards to personal property taxes, HHS will work with the City's Revenue Manager to identify the feasibility of incorporating a property tax review prior to issuing a business license.</p>

City of Hartford
Health and Human Services
Revenue and Medicaid Reimbursements
Accounts and Operations

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<p><u>Food License Permits Plan Review</u></p> <p><u>Issue</u></p> <p>Controls need to be strengthened to make sure that new, change of ownership, or the reclassification of food establishments are properly billed for “plan reviews” done by the City.</p> <p><u>Cause</u></p> <p>The HHS prior and current management were not aware that the above is an internal control issue that needed to be addressed.</p> <p><u>Effect</u></p> <p>Food establishments may be incorrectly or not billed at all for “plan review” services provided by HHS. Our limited testing in this area disclosed that 11 food permit accounts were not assessed about \$1,800 in plan review fees.</p> <p><u>Recommendation</u></p> <p>Controls over the plan review process should be strengthened, documented and include a supervisory review and approval before food establishments are issued food permits. Management should consider recouping the plan review fees from the establishments identified and should review all other new establishments and reclassifications in FY’2019 to ensure that the plan review fees were properly billed and collected.</p>	<p>Due Date: March 31, 2020</p> <p>Responsible Person: Liany Arroyo, Director, HHS</p> <p><u>Management Response</u></p> <p>HHS will clarify the process for collecting payments on plan reviews. At the current moment, the City ordinance pertaining to plan reviews has been interpreted in such a fashion that a change in ownership or operator with no changes to the operation of the business have not been charged a plan review fee. We will clarify this with Corporation Counsel. Once the proper interpretation has been agreed upon, the plan review documents will be updated, if needed, to better identify when a plan review fee is issued and when it is not. This will be outlined in the aforementioned SOP.</p>

City of Hartford
Health and Human Services
Revenue and Medicaid Reimbursements
Accounts and Operations

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<p><u>Business Licenses</u></p> <p><u>Issue</u></p> <p>HHS has not been licensing barbershops and nail salons or performing annual inspections as required by the Municipal Code. This ordinance was adopted on June 12, 2017 and codified as Sections 17-11 to 17-137.</p> <p><u>Cause</u></p> <p>HHS management was aware of the ordinance being passed; however, they have been working to implement the workflow between the different departments involved. In addition, HHS was going to use EnerGov, but that got changed during the implementation process to the Accela software program. HHS was also dealing with low staffing issues.</p> <p><u>Effect</u></p> <p>Revenue has been lost in license fees, late fees, plan review fees, and violations.</p> <p><u>Recommendation</u></p> <p>We recommended that the business license process be finalized for Barbershops and Nail Salons and implemented as soon as possible. Procedures for performing these inspections and licensing should also be documented.</p>	<p>Due Date: February 1, 2020</p> <p>Responsible Person: Liany Arroyo, Director, HHS</p> <p><u>Management Response</u></p> <p>HHS was aware that this ordinance had been passed and had been working with an internal working group to determine implementation. We did not want to issue licenses until we had worked out a process with zoning and the Fire Marshall to ensure that we were providing licenses to businesses that were in compliance with all of our city ordinances. As that was figured out, the division lost numerous sanitarians, who would conduct the inspections and had to wait until we had completed more hiring. We also were delayed as the changeover to EnerGov was put on hold due to an exploration of a different system that MHIS is conducting. We are almost entirely staffed in the department and will begin notification and implementation of this by February 1, 2020.</p>

City of Hartford
Health and Human Services
Revenue and Medicaid Reimbursements
Accounts and Operations

Issue Statement	Management Action Plans
<p><u>Public Swimming Pool Inspections</u></p> <p><u>Issue</u></p> <p>Procedures for billing for public swimming pool inspections were not documented. During our testing, we found that one customer was not charged \$100 for a whirlpool inspection performed in FY'2019.</p> <p><u>Cause</u></p> <p>Procedures for billing for swimming pool inspections were not documented. In addition, there is no supervisory review.</p> <p><u>Effect</u></p> <p>Revenue for inspections performed may not be collected and revenue may be understated.</p> <p><u>Recommendation</u></p> <p>Procedures for the billing of swimming pool inspections should be documented and include a supervisory review. In addition, management should bill the \$100 whirlpool inspection fee to the customer.</p>	<p>Due Date: March 31, 2020</p> <p>Responsible Person: Liany Arroyo, Director, HHS</p> <p><u>Management Response</u></p> <p>HHS will review the current process for swimming and whirlpool inspections and permits. The process will be documented in the aforementioned SOP and all staff will be trained in the revised/new process.</p>

City of Hartford
Health and Human Services
Revenue and Medicaid Reimbursements
Accounts and Operations

Issue Statement	Management Action Plans
<p><u>STD Clinic Medicaid Reimbursement and Private Insurance Revenue</u></p> <p><u>Issue</u></p> <p>Medicaid and private insurance is not being billed for eligible patients who receive blood testing services. We noted that Medicaid and Private Insurance Companies have not been billed eligible reimbursable expenses since January 2019.</p> <p><u>Cause</u></p> <p>We were informed by the HHS Director that they have not been able to replace the individual responsible for the billing. HHS did not have the current staff trained to do the billing.</p> <p><u>Effect</u></p> <p>Revenue for clinic services is not being billed and collected. We estimate that at least \$20,000 has not been billed.</p> <p><u>Recommendation</u></p> <p>Management should immediately bill the Medicaid and private insurance companies for services performed. The Nursing Supervisor needs to complete the process to assign the APRN with a NPI number and enroll that NPI number with the insurance companies in order to bill for services rendered. Once that process is complete, a designated individual should be assigned the task of billing for services. Efforts should also be made to collect any co-pays, deductibles, current fees and unpaid balances. A reconciliation process should be developed and implemented reconciling the number of patients seen to the number of payments collected. The reconciliation should also be reviewed and approved by the Nursing Supervisor. Other individuals should also be trained as back-ups to provide adequate support. Finally, the Procedures for Billing STD Services should be updated to reflect the current process.</p>	<p>Due Date: March 31, 2020</p> <p>Responsible Person: Liany Arroyo, Director, HHS</p> <p><u>Management Response</u></p> <p>At the moment, the current staff is not trained in billing for services. HHS will hire a consultant to develop a process for billing, create an SOP for the process, and train staff so we may resume billing by March 31, 2020. We will also ask the consultant to help us bill for the previous services that have been delivered since the hiring of our provider in the second quarter of FY19. The funding source for this has been identified and we will work to execute a contract and have someone on board in early January in order to start this work. Additionally, all billing will be done by the finance office to separate the delivery of services from billing.</p>

City of Hartford
Health and Human Services
Revenue and Medicaid Reimbursements
Accounts and Operations

Issue Statement	Management Action Plans
<p><u>Cash Receipts Checks - Non-Sufficient Funds</u></p> <p><u>Issue</u></p> <p>We noted that several food establishments were issued permits that were paid for with a check which was subsequently returned by the bank for non-sufficient funds. The related customers' accounts were not being adjusted to show that the check bounced and that the permit fee is still due the City. We also found that "lapsed permit penalty fees" were not being charged to food establishments where required as per the City Municipal Code.</p> <p><u>Cause</u></p> <p>Controls are not adequate to ensure that Food License establishment account check payments are reversed due to non-sufficient funds.</p> <p><u>Effect</u></p> <p>Lost revenue to the City.</p> <p><u>Recommendation</u></p> <p>We recommend that HHS management establish controls related to the accounting for checks returned for non-sufficient funds and the charging of late fees. We recommend that permits should not be printed upon receipt of payment, unless the payment is cash. Permits should be printed after 14 business days to verify the check has cleared. In addition, management should consider recouping the late fees on the accounts that had checks returned by the bank for non-sufficient funds.</p>	<p>Due Date: March 31, 2020</p> <p>Responsible Person: Liany Arroyo, Director, HHS</p> <p><u>Management Response</u></p> <p>To avoid the challenges presented with returned checks due that will be hard to overcome given our current staffing, starting March 31, 2020, HHS will only collect payment for fees via money order or bank/cashier's check. We will also investigate the possibility of taking credit card payments via the online system used by other City departments.</p>

City of Hartford
Health and Human Services
Revenue and Medicaid Reimbursements
Accounts and Operations

Issue Statement	Management Action Plans
<p><u>Accounts Receivables</u></p> <p><u>Issue</u></p> <p>Procedures and controls are not adequate to ensure that HHS accounts receivables are accurately accounted for and properly stated. We noted errors on several customers' accounts resulting in the related Accounts Receivable balances being overstated/understated.</p> <p><u>Cause</u></p> <p>There were no formal documented procedures required by HHS.</p> <p><u>Effect</u></p> <p>Accounts Receivable balances were not being properly adjusted to reflect collection and or other relevant activities on the customers' accounts. We noted three recording of liens recorded in the City of Hartford Town Clerk's office indicating that liens against the customers' properties were released of all financial obligations. However, the lien amounts are reported as owed to the City resulting in the related Accounts Receivable balance being overstated by about \$65,809.</p> <p><u>Recommendation</u></p> <p>Documented procedures and controls should be established to ensure that Accounts Receivable balances are accurately accounted for and properly stated.</p>	<p>Due Date: March 31, 2020</p> <p>Responsible Person: Liany Arroyo, Director, HHS</p> <p><u>Management Response</u></p> <p>There are two issues being identified here that need to be dealt with separately.</p> <p>As it relates to liens, the current relocation program process outlines how liens are released and how that information is communicated to HHS. We will reexamine those procedures and ensure that they are adequate to address the issue raised.</p> <p>The second issue is how business license renewals invoices are being generated. At the current moment, we do not have a process to identify if a business shuts down mid-year. We will develop a process to do that that includes the following steps:</p> <ul style="list-style-type: none"> • Inspection forms will be updated to reflect the closure of a business • The inspector must notify the worksite monitor and EHS project manager within 24 hours of identifying a closed business • Within 48 hours, the closure of the business will be noted in MUNIS to avoid the generation of an invoice in the next fiscal year <p>Additionally, every September a list of businesses who have not renewed their business license will be generated and provided to all inspectors. Inspectors will be tasked with visiting the businesses to conduct an inspection and document whether the business is open. If it is not open, the procedure outlined above and documented in the SOP will be followed. We have begun a review of all businesses now in order to get into compliance now.</p>

City of Hartford
Health and Human Services
Revenue and Medicaid Reimbursements
Accounts and Operations

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