



MONROE COUNTY DENTAL CLINIC

Investigative Report
June 7, 2016

Justin P. Wilson, Comptroller





STATE OF TENNESSEE

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June 7, 2016

Tim Yates, Monroe County Mayor
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Mayor Yates:

We performed an investigation of selected records of the Monroe County Dental Clinic for the period November 1, 2014, through October 27, 2015; however, we expanded the scope of our investigation as necessary. Our investigation revealed the following deficiencies:

- A cash shortage of at least \$1,095 was noted at the Monroe County Dental Clinic.
- Questionable patient account deletions, receipt alterations, and account adjustments totaling \$5,192 were noted in the Monroe County Dental Clinic.
- Dental clinic employees made questionable account adjustments for family members totaling \$3,633.
- Deficiencies were noted in the operation of the dental clinic.
- The dental clinic had payroll related deficiencies

Background

The Monroe County Dental Clinic is a department of Monroe County, Tennessee. The dental clinic employs a full-time and part-time dentist, and three dental assistants. The office welcomes patients of all ages from Monroe County and surrounding counties, and as a self-funded (non-taxpayer supported) entity, must charge for services provided. Some Monroe County residents may be eligible to receive care at reduced costs.

The findings, recommendations, and management responses as a result of our investigation, are presented below. These findings and recommendations have been reviewed with Monroe County officials to provide an opportunity for their response. Also, these findings and recommendations have been reviewed with the district attorney general for the Tenth Judicial District.

INVESTIGATIVE FINDINGS AND RECOMMENDATIONS

FINDING 1 A CASH SHORTAGE OF AT LEAST \$1,095 WAS NOTED AT THE MONROE COUNTY DENTAL CLINIC

Monroe County Dental Clinic records indicated collections totaling \$1,095 were received and/or recorded as received; however, these payments were not deposited into the county’s bank account. We determined that a dental clinic employee altered receipts provided to patients for dental services totaling \$600 after collecting the funds and issuing the receipts. This employee issued a duplicate receipt totaling \$140 to a patient, which was never recorded in the computer system and never deposited. Additionally, this employee made a deletion to a patient account totaling \$55 to reflect an amount less than what was actually collected. This deletion was not supported by adequate documentation and appears to have been made in an attempt to conceal the theft of funds. Also, we determined the clinic employee deleted a charge totaling \$300 for her mother’s mouth guard.

The following table summarizes the cash shortage:

Description	Cash Shortage
Altered receipts	\$ 600
Receipt not deposited	140
Patient account altered	55
Family member's account altered	300
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Total cash shortage	\$ 1,095
Shortage reimbursed	(230)
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Outstanding cash shortage	<u>\$ 865</u>

On August 14, 2015, the dental clinic employee reimbursed the Monroe County Dental Clinic \$230. The remaining cash shortage of \$865 (\$1,095 minus \$230) has not been collected as of the date of this report. On August 31, 2015, the clinic employee’s employment was terminated. We were unable to meet with the former employee for questioning regarding this matter.

RECOMMENDATION

Officials should take immediate steps to recover the outstanding \$865 cash shortage. Receipts should be issued for all collections, and all collections should be deposited to the official bank account. Internal control procedures should be strengthened, and duties should be segregated adequately. Any adjustments to patient accounts should be supported by appropriate documentation and supervisory approval.

MANAGEMENT’S RESPONSE – TIM YATES, MONROE COUNTY MAYOR

This employee has been terminated. The front desk duties have been separated to deter the ability for this finding to be repeated. Policies and Procedures for the Dental Clinic are currently being formulated. These will include financial procedures as well as employee procedures. The Monroe County Director of Finance will meet with the Director of the Dental Clinic to make sure that there is an adequate separation of duties related to the financial records of the Dental Clinic. The Director of Finance will contact the County Attorney for help in the recovery of the cash shortage.

FINDING 2 **QUESTIONABLE PATIENT ACCOUNT DELETIONS, RECEIPT ALTERATIONS, AND ACCOUNT ADJUSTMENTS TOTALING \$5,192 WERE NOTED IN THE MONROE COUNTY DENTAL CLINIC**

During the period under examination, we noted questionable adjustments to patient accounts and manual receipt alterations (\$4,367) and deletions (\$825) of patient accounts totaling \$5,192. These adjustments and deletions to patient accounts were not supported with any documentation; therefore, we could not determine the validity of these entries. In addition, several receipts were altered after being issued to patients. Numerous patients were contacted regarding the altered receipts; however, only a few were able to locate the receipt issued to them at the dental clinic.

RECOMMENDATION

Officials should take steps to determine the validity of the \$5,192 in questionable patient account deletions, receipt alterations, and account adjustments. All adjustments to patient accounts should require supervisory approval.

MANAGEMENT’S RESPONSE – TIM YATES, MONROE COUNTY MAYOR

Any adjustments to patient accounts will be approved by the Director of the Dental Clinic. A software consultant has been hired to install software updates which will require approval prior to being made to any account. If the Director of the Dental Clinic has a question concerning emergency hardship adjustments, the Monroe County Mayor will make the final decision. The Director of Finance will review and try to resolve alterations and deletions if County Audit will provide a list of these entries. The Dental Clinic has been issued pre-numbered duplicate receipts which are imprinted with the Dental Clinic name. The employee taking the patient payments will be required to write a receipt for any type of payment and give to the patient. A sign will be placed at the front desk instructing patients to require a signed receipt for all payments. Daily receipts will be reconciled to deposits. All deposits will be documented with copies of checks in order to provide a paper trail for the reconciliation of cash.

FINDING 3 **DENTAL CLINIC EMPLOYEES MADE QUESTIONABLE ACCOUNT ADJUSTMENTS FOR FAMILY MEMBERS TOTALING \$3,633**

During our investigation, we learned that office personnel failed to charge employees' family members (\$626) and adjusted the balances of dental clinic employees and family members (\$3,007) totaling \$3,633. In one instance, family members of a dental clinic employee were not charge for services rendered. It was a customary practice to write-off amounts owed by employees and their immediate family members (husband, wife, and children) once insurance claims were paid. If the dental clinic employee or family member did not have insurance, the entire amount owed was written off. Dental clinic employees and family members were only required to pay lab fees. The office manager stated some of these patients were treated after normal office hours.

RECOMMENDATION

Officials should take steps to determine the validity of the \$3,633 of questionable account adjustments. Management should have written policies and procedures detailing any benefits provided to clinic employees and/or their family members regarding a reduction in charges. All account adjustments should be documented and evidenced by supervisory approval.

MANAGEMENT'S RESPONSE – TIM YATES, MONROE COUNTY MAYOR

All patients will pay balances of accounts owing to the Dental Clinic. There will be no adjustments for employee family members, employees of Monroe County Government or the public in general. As stated in the response to Finding 2, all adjustments and write-offs will have prior approval of the Director of the Dental Clinic. If the Director of the Dental Clinic has a question concerning emergency hardship adjustments, the Monroe County Mayor will make the final decision. All dental work will be made during regular work hours. Any exception to this rule will be on an emergency basis. Both a dentist and an assistant will be present during any after-hours procedure. Emergency procedures will be documented. The Director of Finance will review these write-offs and recommend a course of action to the County Mayor.

Written policies and procedures are being written to address all findings. These will be approved by the Director of the Dental Clinic, the County Mayor and the Director of Finance.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

FINDING 4 **DEFICIENCIES WERE NOTED IN THE OPERATION OF THE DENTAL CLINIC**

Our investigation revealed the following internal control and compliance deficiencies in the operation of the dental clinic. These deficiencies can be attributed to a lack of management oversight and the inadequate maintenance of accounting records.

- A. Delinquent patient accounts, account deletions, and account adjustments were not presented to management for supervisory review and approval. The computerized accounting system provides a report of patient account adjustments and deletions performed by each employee, and this report is available for review; however, management did not perform a review. This report provides the only audit trail of these changes and should be reviewed for inappropriate activity.
- B. The dental clinic did not have written policies concerning account deletions and adjustments. These policies should address who authorizes deletions and adjustments, and at a minimum, provide a record that displays the patient's name, account number, amount to be deleted or adjusted, reason for the deletion/adjustment, and an approving signature of a supervisor.
- C. The dental clinic did not have written policies and procedures related to patient billings, collections, and account management. Sound business practices dictate that written policies and procedures concerning patient billings, collections, and account management should be adopted. This deficiency is a result of the lack of management oversight. Without formal policies and procedures for the billing, collection, and management of patient accounts, employees have no guidance for the consistent and uniform treatment of patients.
- D. Some Monroe County residents were eligible to receive dental care at reduced fees; however, the dental clinic did not follow its established written policies and procedures governing patient charges for low-income county residents. To qualify, residents were required to present proof of income and residency. In several instances, the office manager was unable to provide the required documentation to auditors. Without adequate supporting documentation, we could not determine if all applicable patients who qualified received reduced fees.
- E. Duties were not segregated adequately at the dental clinic. All office employees made adjustments to customer accounts. One employee made adjustments to accounts, received and opened the mail, and prepared and carried deposits to the bank. Sound business practices dictate that management is responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources.
- F. All office employees operated from the same cash drawer in the dental clinic. Sound internal controls dictate that each employee have their own cash drawer, start the day with a standard amount of cash, and remove all but the beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of the day. Failure to adhere to this internal control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash

shortage, the office would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer.

- G. The dental clinic did not issue official prenumbered receipts for all collections. Additionally, employees used generic receipt books to receipt payments received in the office. Section 9-2-104, *Tennessee Code Annotated*, requires official prenumbered receipts for all collections. In addition, employees did not receipt payments received through the mail. Since official prenumbered receipts were not issued for all collections, we could not determine if all collections had been accounted for properly. It should be noted that several amounts were altered or written over on the issued receipts in the generic receipt book, and some original receipts were missing on voided receipts.
- H. The office did not deposit some collections to official bank accounts within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*. Since funds were not deposited currently, large amounts of cash and checks were allowed to accumulate in the office. Some funds were deposited as many as 20 days after collection.
- I. The dental office uses Eaglesoft accounting software to maintain its accounting transactions. This software application does not provide sequential numbers when issuing receipts. This is a violation of Section 9-2-104, *Tennessee Code Annotated*, which provides for receipts to be prenumbered consecutively. Sound business practices dictate that proper application controls be implemented.
- J. Although each employee had been assigned a unique username and password for accessing the clinic's software application, several employees admitted using the same password when administering patient accounts. If inappropriate activity were to occur, the employee responsible for this activity would not be easily identified because employees used the shared user account. Sound business practices dictate that each transaction be identified to the individual creating the transaction.

RECOMMENDATION

Management should provide sufficient oversight of customer delinquent accounts, account deletions, and account adjustments. Management should develop written policies and procedures concerning account deletions, adjustments, and patient collections. Clinic personnel should follow established policies and procedures governing charges for low-income county residents. Duties should be segregated to the extent possible using available resources. Officials should assign each employee their own cash drawer. Official prenumbered receipts should be issued for all collections, and all collections should be deposited within three days of collection. Management should ensure that the weakness in the software application be resolved. Each employee should access the application using

his or her unique username and password to ensure that transactions are properly identified to that employee.

MANAGEMENT'S RESPONSE – TIM YATES, MONROE COUNTY MAYOR

Official Policies and Procedures are being written which will address the ten noted deficiencies in addition to other areas of financial regulations and employee behavioral expectations. The Mayor has replaced the Director of the Dental Clinic and instructed the Finance Department to work with the Director to implement any policies and procedures that are necessary to insure that the Dental Clinic operates in a financially sound manner.

The Director of Finance has already addressed many of the deficiencies as described below:

- A. A consultant has been hired to install employee permission to access areas of the software that relate to their particular duties. The Director of the Clinic will designate the security permission of all employees. Employees will be able to access their particular area by security codes. The Director will print and review reports at least once per week.
- B. Written policies will authorize security permission of all employee positions. The software will be reviewed for documentation that will provide pertinent patient and employee information for any adjustments.
- C. Formal written policies and procedures for collection of patient accounts will be implemented. The Director of Finance will verify that these policies and procedures will be adhered to.
- D. Monroe County residents qualifying to receive dental care at a reduced rate will be required to complete an application for this benefit. This will include proof of income and residency. This documentation will become a part of their permanent patient file and will be updated at least every year. A sliding scale for patient discount will be established based on the State Poverty Level Guidelines.
- E. The Director of the Clinic and the Director of Finance will document and implement sound internal controls which will address separation of duties. Each employee will be given particular duties to ensure the sound financial control of the Clinic.
- F. In recognition of the limited number of employees at the Dental Clinic, one person will be designated to operate the cash drawer. This will be locked at all times. Only the employee responsible for this cash drawer will be allowed to access the cash. At the end of the day, this drawer will be reconciled to the total receipts for that day and a deposit will be made. The remaining cash in the drawer will be counted and verified that the remaining total of cash is consistent with the beginning cash of that day.

The deposit will be verified and taken to the bank by another employee. The mail will be opened by a second employee. Adjustments will be made by the Director only.

- G. Prenumbered receipts imprinted with the Clinic name will be issued for all payments whether made by mail or in person. If a receipt has an error, it will be voided and both copies kept and a new receipt written. A sign will be displayed at the customer window instructing all patients to ask for a receipt for payments if they are not voluntarily given one.
- H. All collections will be deposited within three days of receipt.
- I. Prenumbered receipt books are used since the Eaglesoft Accounting Software does not automatically number the receipts.
- J. All employees will be issued a unique security username and passcode to ensure that employee transactions can be monitored and tracked. This enables identification of each employee transactions. Passwords will be changed every 90 days.

The Monroe County Mayor and the Finance Department has become actively involved in oversight of operations of the Monroe County Dental Clinic. This oversight should result in sound financial controls and employee policies and procedures. The operation of the Dental Clinic will be reviewed on a quarterly basis to chart the progress of the installation of these changes.

FINDING 5 THE DENTAL CLINIC HAD PAYROLL RELATED DEFICIENCIES

Our examination revealed the following deficiencies in the maintenance of payroll time sheets for the dental clinic. These deficiencies can be attributed to a lack of management oversight.

- A. Some time sheets were not signed by employees. Sound business practice dictates that employees sign their time sheets as verification that the time reported is correct. If employees do not review and sign their time sheets, risks increase that time will be reported and paid incorrectly.
- B. In two instances, we noted that a supervisor made unexplained changes to time sheets, and there was no indication that employees had approved or were aware of these changes. All changes to time sheets by supervisors should be documented and confirmed with the applicable employee.
- C. In some instances, the time sheets used to support payments made to employees of the dental clinic did not include a supervisor's signature as evidence that the time reflected had been reviewed and approved. Sound

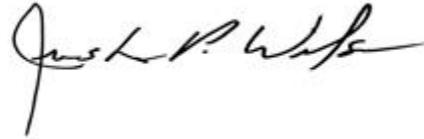
business practices dictate that payroll time sheets should be reviewed and approved by supervisors. If supervisors do not review and approve time sheets, the risk that improper payments could result increases.

RECOMMENDATION

Employees should sign their time sheets as verification that the time reported is correct. Any adjustments to the time sheets by supervisors should be documented and signed by both the employee and supervisor to indicate approval and review. Supervisors should sign the employees' time sheets as evidence of review and approval.

If you have any questions concerning the above, please contact this office.

Sincerely,



Justin P. Wilson
Comptroller of the Treasury

JPW/kbh

CC: Members of the Monroe County Commission