



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#129883

PAGE 1 OF 8

DATE: 04/02/2019

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

COMMISSIONERS COURT ACTION REQUESTED:

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

BACKGROUND:

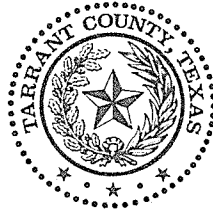
In accordance with Local Government Code, the Auditor's Office reviewed the financial transactions of the Medical Examiner's Office for fiscal year ending September 30, 2018. The objective of the review was to determine whether controls were adequate over financial processes and various automated systems.

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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March 13, 2019

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, Financial and System Controls

SUMMARY

In accordance with the Local Government Code, we reviewed the financial transactions of the Medical Examiner's (ME) Office for fiscal year ending September 30, 2018. The objective of our review was to determine whether controls were adequate over the ME's financial processes and the various automated systems.

While there has been significant improvement related to management oversight of financial transactions, system related control weaknesses continue to exist over the billing process. As previously reported, the ME's Office uses four separate software applications to complete the billing cycle. Because the applications are not integrated, a complete reconciliation between the various applications is not possible. As a result, we cannot provide reasonable assurance that all ME services were appropriately billed, paid, recorded, and subsequently deposited. The ME's Office is currently working with the Information Technology Department (ITD) to develop a new case management system. We recommend that ITD ensure that either financial functionality or the ability to interface with another financial application is available. Additionally, we observed the following issues that require management's attention:

Observation 1 Segregation of duties was not always adequate between certain incompatible tasks.

Observation 2 Procedures related to uncollectible accounts receivable need improvement.

We discussed our observations, recommendations, and less significant matters with appropriate ME staff during our review.

BACKGROUND

Tarrant County contracts the operation of forensic services with Dr. Nizam 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 allows the ME to engage in private practice. The District Attorney’s Office reviewed and approved the contract between the PA and the County. While the PA employs no County employees, 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 counties. Per the respective contracts, each county pays quarterly installments 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. For the review period ended September 30, 2018, services billed/collected were approximately \$3.9 million. See table below.

Service Type	Fiscal Year 2018
Jurisdictional Services	\$ 637,139
Non-Jurisdictional Services	3,298,620
Total Billed/Collected	\$ 3,935,759

Expenses for that same period totaled approximately \$ 9.6 million.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 Segregation of duties was not always adequate between certain incompatible tasks.

Background

Lack of segregation of duties occurs when a few employees are required to perform incompatible tasks. In situations where it is impossible to separate duties due to the small number of employees, additional controls should be implemented. The ME’s Business Office is staffed with only two individuals.

Observations

During our review, we observed that system controls within *QuickBooks* do not require segregation of duties between incompatible tasks. Furthermore, staff had the ability to void their own transactions without a supervisor logging on to approve. For example, we selected 25 of the 49 invoices voided and found that 14 were issued and voided by the same user. In most instances, the voided invoices were supported by a waiver from the Human Services Department. In other cases, the voided invoices were originally issued to law enforcement agencies and then re-issued to the Criminal District Attorney’s Office for the County’s No-Refusal Driving While Intoxicated Initiative. However, there was no evidence that the Business Manager had independently reviewed these transactions.

Additionally, we could not always determine which user voided an invoice because the *Admin User* role was used to process the transaction. Both the Business Manager and Bookkeeper have administrative access. This occurred because staff began to have issues logging into the system simultaneously subsequent to an update pushed out by *QuickBooks*. During our review, the software developer corrected the issues with the multi-user functionality.

Without adequate segregation of duties or other additional controls, unauthorized and inappropriate transactions may not be prevented or detected.

Recommendations

Since staffing limitations do not always allow incompatible tasks to be segregated, we recommend procedures be implemented to prevent and detect unauthorized transactions. Specifically:

1. System controls should prevent employees from adjusting or voiding their own transactions. The ME's Office should request the software vendor implement secondary system approval to adjust and void transactions. Otherwise, a monthly report should be generated that lists adjusted and voided transactions. Management should also document their review by initialing and dating the report.
2. Users with *QuickBooks* access should only use their unique login credentials to perform daily, routine tasks and only administrative type access to perform non-routine functions (i.e. updating the annual ME fee schedule).

Observation 2 Procedures related to uncollectible accounts receivable need improvement.

Background

As previously stated, the ME's Office uses four separate software applications to complete the billing cycle. The individual ME departments generate monthly activity reports from the case management software, which tracks cases handled by the office. Because the applications are not integrated, the Bookkeeper enters the appropriate information into *QuickBooks* to generate invoices for services rendered. The terms of the invoices are net 30 days. As of September 30, 2018, accounts receivable totaled approximately \$264,142 for non-jurisdictional services.

Observations

During our review, we identified unpaid account balances totaling \$23,157 that have been outstanding anywhere from 5 months to 18 years. For 30 of 32 invoices outstanding, the Business Manager considers approximately \$22,545 as uncollectible. In some cases, the customer is no longer in business. In another example, the agency indicated funds are no longer available for invoices that date back to 2009. Furthermore, no uniform guidelines or documentation exists for determining which accounts receivable considered as uncollectible are written-off. Because the applications used by the various departments are not integrated, a risk exists additional services could be rendered to those vendors or agencies with unpaid balances.

Recommendations

As previously stated, we recommend that the ME consult with ITD about including financial functionality or the ability to interface with the new software. This functionality should allow the users to flag agencies with unpaid account balances. In the interim, a list of agencies with outstanding balances should be provided to each ME department.

We also recommend ME staff establish uniform guidelines for determining which delinquent accounts receivable should be considered a bad debt and written off. These guidelines should be presented to Commissioners Court for approval.

CLOSING REMARKS

We appreciate the cooperation of the Medical Examiner's staff during our review and their attention to our recommendations.

Sincerely,



S. Renee Howell, CPA
County Auditor

Attachment: Management's response

Distribution: Tracye Poirier, Technical and Administrative Director, Medical Examiner's Office

Audit Team: Kimberly Buchanan, Audit Manager
Brandy R. Greene, Senior Internal Auditor



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**OFFICE OF CHIEF MEDICAL EXAMINER
AND FORENSIC LABORATORIES
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Nizam Peerwani, M.D.
Chief Medical Examiner

March 19, 2019

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.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 Segregation of duties was not always adequate between certain incompatible tasks.

Background

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MEDICAL EXAMINER'S RESPONSE:

The Medical Examiner's Office made voids to invoices regarding two types of services including county cremations and toxicology services for No Refusal Driving While Intoxicated Initiative.

First, county cremations were adjusted as funeral homes provided Tarrant County Human Services approval letters to the Medical Examiner's Office after invoices were created for monthly services.

Recently, Tarrant County Commissioners' Court approved an interlocum agreement with University of Texas Health Science Center to receive indigent decedents at the Tarrant County Medical Examiner's Office consistent with the provisions of the Texas Health and Safety Code. UNTHSC will provide listing of each cremations performed to Tarrant County directly.

Second, law enforcement agencies must have the approval of the District Attorney's Office to authorize payment with the use of the No Refusal Grant Program. If a service qualifies for the program, the Technical Administrative Director at the Medical Examiner's Office will approve and void the invoices created by the bookkeeper or Business Manager to ensure system controls are in place with a separation of duties within the Business Office.

Observation 2 Procedures related to uncollectible accounts receivable need improvement.

Background

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MEDICAL EXAMINER'S RESPONSE:

The Medical Examiner's Business Office recognizes outstanding balances for various agencies may be considered uncollectable and has no authority to write-off bad debt. The Medical Examiner's Office will make three (3) attempts to collect receivables for services rendered. After three (3) attempts, the Medical Examiner's Office will seek guidance from Commissioner Court and will act in accordance to policies set forth by the court.



Nizam Peerwani
Chief Medical Examiner