



A Report
to the
Board of
Supervisors

*Maricopa County
Internal Audit
Department*

Ross L. Tate
County Auditor

Department of Public Health

*Review of Grants, Contracts, and
other selected areas within the
Department of Public Health*

September ■ 2007

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September 10, 2007

Fulton Brock, Chairman, Board of Supervisors
Don Stapley, Supervisor, District II
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We reviewed the Maricopa County Department of Public Health (DPH) in accordance with the annual audit plan approved by the Board of Supervisors. The specific areas reviewed were selected through a risk assessment process.

Highlights of this report include the following:

- Grant fund management can be improved, favorably impacting the General Fund
- Grant administration can be improved; monitoring activities are insufficient
- Proper procurement procedures are not always followed; \$345,500 was paid to vendors not on contract with the County
- Information technology safeguards can be improved; controls over user access and physical security need to be strengthened

This report contains an executive summary, specific information on the areas reviewed, and DPH's response to our recommendations. We reviewed this information with DPH and appreciate the excellent cooperation provided by management and staff. If you have any questions, or wish to discuss the information presented in this report, please contact Eve Murillo at (602) 506-7245.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate
County Auditor

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Executive Summary

Grant Fund Management (Page 9)

DPH has not fully implemented its centralized grant management process and does not consistently comply with County grant policies, thereby failing to minimize financial impact to the General Fund. DPH should consistently follow County grant management policies and ensure that all current and future grant awards are appropriately aligned with the agency's strategic plans and can be employed successfully using economical DPH internal resources.

Grant Administration (Page 16)

Overall, DPH grants we reviewed complied with the sampled contracted responsibilities. However, DPH did not fully conform with Tuberculosis Control grant requirements for measuring and reporting operating objectives and results. Additionally, five out of the 15 DPH programs reviewed did not perform sufficient program monitoring activities. Program Managers do not effectively account for grant funded program activities or demonstrate compliance with grantor requirements when they do not collect and report requested grantor data and consistently monitor subrecipients. Subrecipient monitoring protects against waste and abuse. DPH should ensure that all grantor reporting requirements are consistently followed and should consider centralizing subrecipient tracking to ensure consistent agency wide monitoring procedures.

Contract Management (Page 20)

DPH did not use correct procurement procedures from July 2003 through March 2007, paying \$345,556 to vendors not on contract with the County. DPH also contracted for \$19,398,290 prior to obtaining Board approval. DPH did not follow County Procurement rules, obligating the County to pay for goods and services the Board has not authorized and that may not be aligned with the County's strategic plans. DPH should follow the County procurement code and ensure that all agency goods and services are appropriately and timely contracted.

Technology System Safeguards (Page 25)

We reviewed DPH's information technology operations to determine whether controls were reasonably adequate to safeguard equipment, applications, and data from damage or loss. We found that DPH IT did not appropriately grant, track, or disable access to DPH data and infrastructure or effectively administer DPH applications or systems. We recommend steps that Public Health management should take to strengthen safeguards over information technology assets.

Pharmacy Risk Assessment (Page 31)

Our review did not detect any significant control weaknesses in DPH pharmacy and drug dispensing operations. However, DPH pharmacy and drug dispensing operations could strengthen controls through formal inventory policies, effectively tracking returns, and upgrading system security.

Performance Measurement Certification (Page 34)

We reviewed nine key DPH measures. We rated four of the nine as “Certified with Qualifications” and two as “Certified.” We rated two as “Not Certified.” One measure was transferred to Health Care Mandates and was not reviewed. For the two “Not Certified” measures, one has been eliminated and DPH has addressed the deficiencies of the other measure. DPH needs to maintain adequate documentation in order to ensure adequate accountability to grantors and citizens.

Newborn Intensive Care Program Evaluation (Page 40)

The Newborn Intensive Care Program, funded by a State grant, provides intervention for at-risk infants to reduce Arizona’s infant mortality rate. We found that the Department of Public Health has not adequately met grant client contact objectives. The County was slow to implement the program fully, given the short timeframe. DPH management should take steps to improve its NICP performance results for client contact.

Introduction

Background

The Maricopa County Department of Public Health (DPH) provides public health services for County residents by diagnosing and treating communicable disease, mobilizing efforts to prevent the spread of disease, and providing health education to promote healthy behaviors among County residents.

DPH operates under powers granted to the Board of Supervisors by State statutes, which mandate the following:

- A County department of health or public health service district
- Maintenance of vital records and public health statistics
- Rules for testing and reporting contagious and communicable diseases
- School immunizations for all school age children
- Minimum nutritional standards for maternal and child health
- Rules for tuberculosis control
- Tobacco prevention and cessation programs as funded from the Tobacco Tax Fund

Under the direction of its newly appointed director, DPH recently has restructured many of its administrative functions such as finance, grant management, and procurement; these functions will be included in our review.

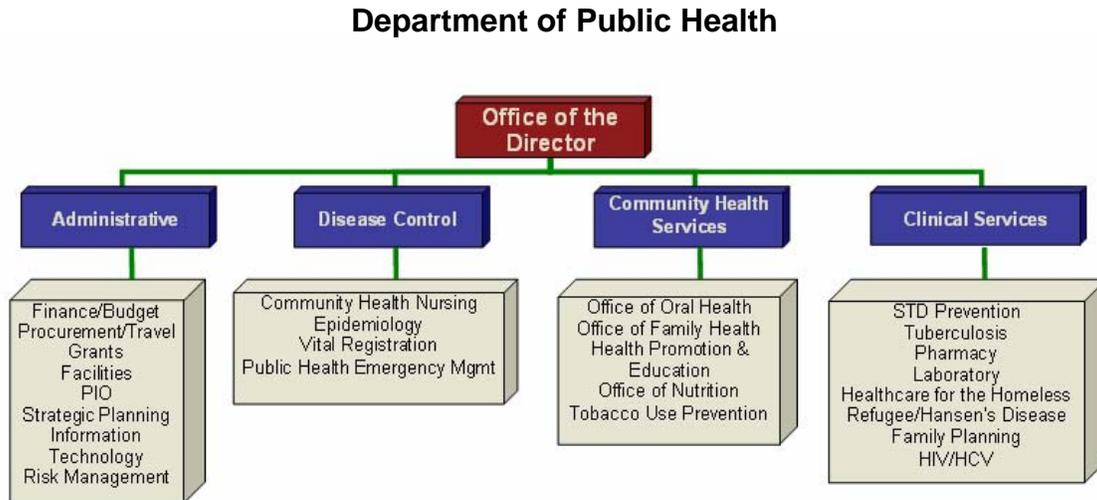
Mission and Goals

DPH's mission and goals are central to the County's strategic priorities, which include the promotion and protection of the community's health. The DPH mission is to provide leadership, resources, and services to people and diverse communities in Maricopa County, so that health is promoted, preserved, and protected. DPH's goals include:

- By June 2008, increase by 20 percent the number of strategic public/private partnerships that target effective strategies to improve the public health outcome of residents of Maricopa County
- By June 2010, assure that DPH controls communicable diseases by investigating and intervening in all reported cases of disease within mandated timelines and accepted standards of practice
- By June 2010, implement two new strategies that contribute to the *Healthy People 2010* goals of increasing the quality and years of healthy life and elimination of health disparities
- By June 2010, ensure that the County is prepared to respond to a public health emergency
- By June 2008, increase the effectiveness of the Department's internal administrative functions as defined by service-specific standards

DPH's Organizational Structure

DPH has structured its organization based upon the programs it supports and the overall public health delivery system model commonly accepted by most public health agencies. The following chart depicts the current DPH organization structure.



Source: Department of Public Health – effective January 2007 OMB may restructure effective with FY08

Opportunities for Countywide Synergy

DPH works in conjunction with other County departments in various areas. For example, Public Health Emergency Management (PHEM), along with Emergency Management and the Sheriff's Office, conducts joint training and exercises to better respond to emergency situations. Epidemiology, Clinic Services, PHEM, and Environmental Services track and identify unknown food and vector-borne illnesses. Epidemiology, Clinic Services, PHEM and Air Quality track and identify unknown airborne illnesses. Finally, Clinic Services, the Women, Infants and Children (WIC) and Maricopa Integrated Health System co-located services to integrate appropriate services more fully.

Challenges Facing the Public Health Community

The national public health community has identified key challenges for local organizations to address. According to the US Department of Health and Human Services, these priorities include:

- Reducing the incidents of preventable diseases and health conditions
- Coordinating all levels of the public health community in planning for pandemic preparedness
- Learning from the past to better prepare emergency response teams

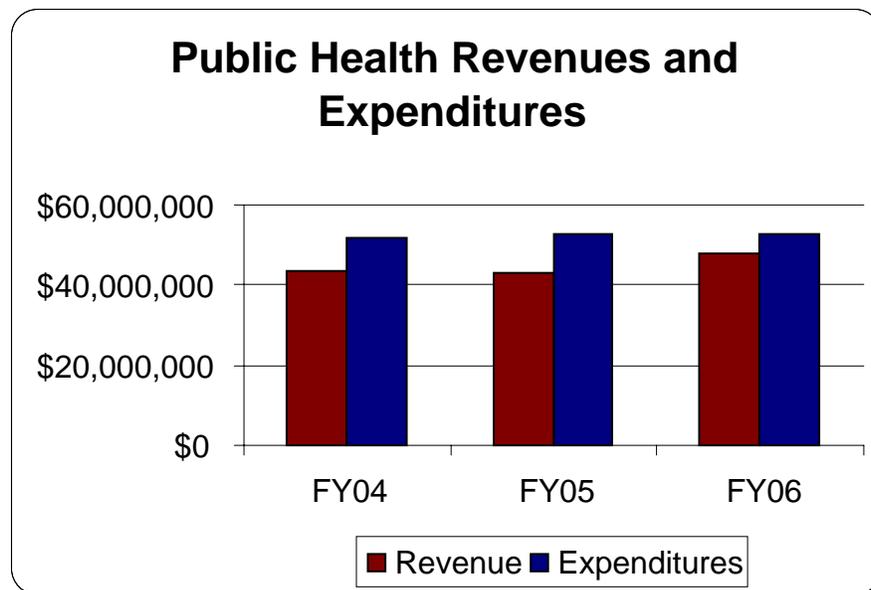
The Arizona Department of Health (ADHS) is also a guiding force for local public health communities. ADHS developed a series of strategic priorities for Arizona, called *Healthy Arizona 2010*. *Healthy People 2010* is a comprehensive set of disease prevention and health promotion objectives representing public health priorities and measurable benchmarks nationwide. Maricopa

County includes *Healthy People 2010* as part of its strategic goals. However, after comparing *Healthy Arizona 2010* goals with DPH programs and spending, we concluded that, DPH program and grant funding priorities are not fully aligned with the *Healthy Arizona 2010* strategic priorities.

DPH's Operating Budget

DPH's fiscal year (FY) 2006 budget includes \$44.9 million in revenues, and \$54.1 million in expenditures. Grants comprise 92 percent of the budgeted revenue. General Fund monies provide the remaining funding. Arizona Statutes mandate many public health functions, including the control and treatment of contagious diseases and disease immunization and reporting. DPH receives General Fund revenue for both of these areas. In FY06, General Fund expenditures were \$8.8 million.

The following chart compares DPH FY04 to FY06 revenue and expenditures for all programs; both revenues and expenditures have grown.

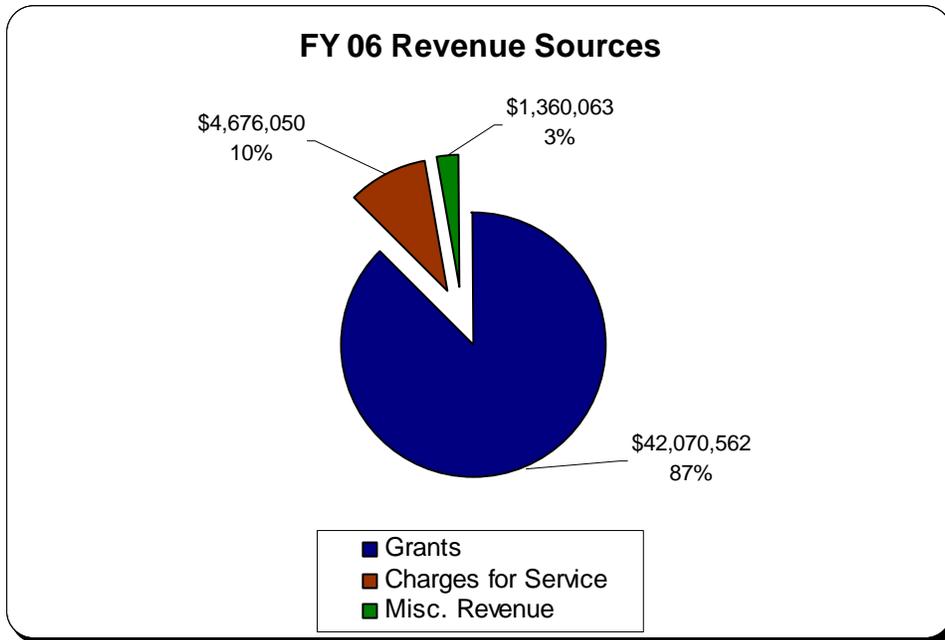


Source: Audit analysis of Advantage Download as verified with FY04 and FY05 CAFR

Differences between DPH revenues and expenditures are accounted for as “transfers in” from the General Fund for statutorily mandated services such as Bio Defense Intelligence, HIV Counseling Testing, and Prevention, General Health Surveillance including STD and Tuberculosis, and Immunizations.

Revenue

DPH grant revenue sources are comprised of 55 active grants from various grantors, primarily federal and State entities. In FY06, actual grant revenue represented 87 percent (budgeted at 92%) of total DPH revenue. Charges for services include clinic fees and charges for birth and death certificates. The chart on the following page shows FY06 DPH revenue by source.



Source: Audit analysis of Advantage Download for FY06

Charges for Service Revenues

DPH charges for a number of its services. However in some cases, DPH is mandated to provide the services even if the patient cannot pay. The following table contains a breakdown by service type of the revenue earned in FY06. As shown, the issuance of birth and death certificates is the largest source of fees.

Services Provided	FY 06 Revenue
Birth & Death Certificates	\$2,295,789
Pharmacy	\$1,366,833
Foreign Travel	\$362,218
STD	\$187,406
Primary Care Clinic Homeless	\$168,316
Birth & Death Records	\$130,444
Family Planning	\$64,950
Tuberculosis	\$50,257
Refugee Services	\$21,693
Jail Work Release Exam	\$20,820
Community Nutrition	\$7,324

Source: Audit analysis of Advantage 2.0 data.

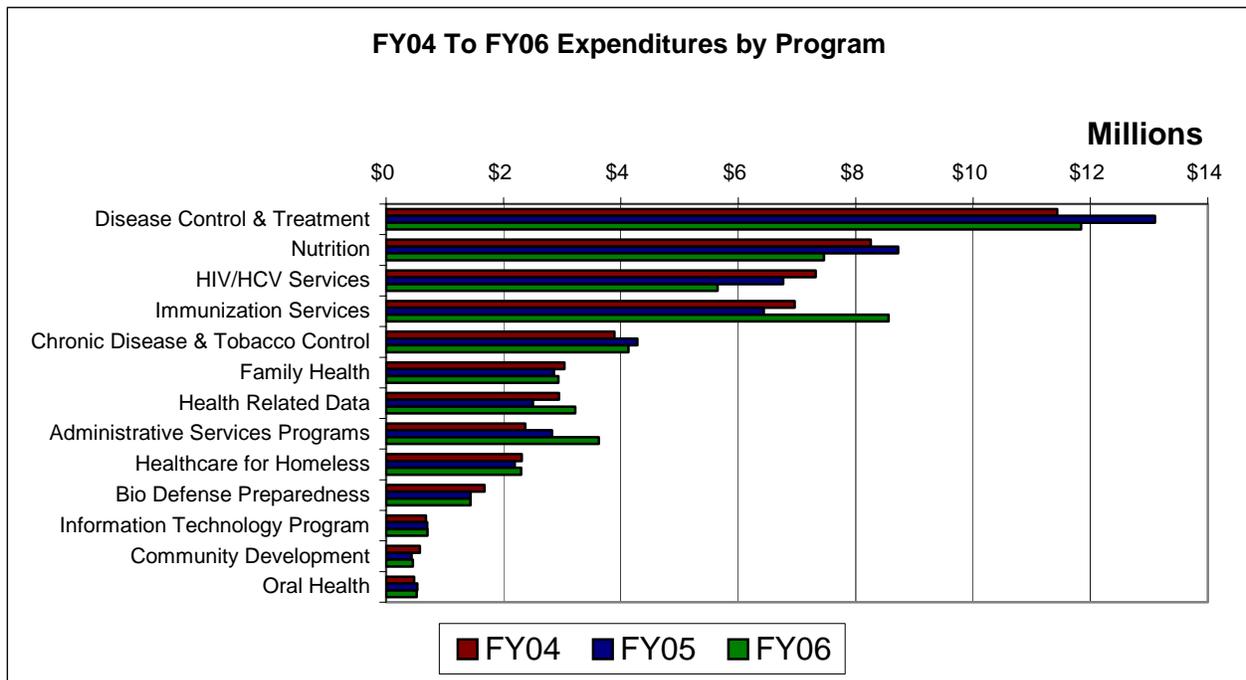
Arizona Revised Statute 11-251.08 Section A, B provides that:

“...the Board of Supervisors may adopt fee schedules for any specific products and services the county provides to the public. Any fee or charge established pursuant to this section must be attributable to and defray or cover the expense of the product or service for which the fee or charge is assessed. A fee or charge shall not exceed the actual costs of the product or service.”

According to the DPH Deputy Director, DPH may need to increase its fees to cover the costs of performing foreign travel inoculations. Other fees for service have been reviewed, but fees have remained unchanged for the past several FYs. OMB will be reviewing rates and fees as part of their budgetary analysis to verify that the current DPH fee structure sufficiently supports existing DPH costs.

Expenditures

By FY06, DPH was operating 13 main programs within their financial structure, including two administrative programs providing financial and information technology services to the agency. The following tables depict FY04 - FY06 expenditures by program; Disease Control and Treatment represents the greatest program expenditure.



Source: Maricopa County Advantage 2.0 Download

Note: In FY07, Public Health redesigned the programs within the department so future analysis of expenditures by program may be difficult. The new organization chart is on page four of this report.

Scope and Methodology

The objectives of this audit were to determine that DPH:

- Grant operations are properly documented and comply with applicable grantor requirements
- Consistently and accurately manages grant records, for example, drawdowns are done timely, dormant accounts are closed, and grant limits are followed
- Effectively manages contracts
- Consistently monitors subrecipients
- Has adequate controls over Information Technology (IT) governance
- Properly controls information systems access and secures IT hardware
- Accurately reports key performance measures as part of the County's Managing for Results (MfR) initiatives

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Issue 1 Grant Fund Management

Summary

DPH has not fully implemented its centralized grant management process and does not consistently comply with County grant policies, thereby failing to minimize financial impact to the General Fund. DPH should consistently follow County grant management policies and ensure that all current and future grant awards are appropriately aligned with the agency's strategic plans and can be employed successfully using economical DPH internal resources.

Background

Grant-funded activities are the primary public health services which DPH provides. The FY06 DPH budget included \$44.9 million in revenues, and grants made up 92 percent. The General Fund provided the remaining budget. Arizona Statutes mandate many public health functions, including the control and treatment of contagious diseases and disease immunization. DPH receives General Fund monies for both of these areas.

Currently, DPH grant revenues come from 55 active grants from various grantors, primarily federal and State entities. In FY06 actual Grant Revenue represents 87 percent of total DPH revenue. Actual grant revenue (87 percent) was less than the budgeted grant revenue (92 percent) mentioned above. DPH also receives revenue from charges for services for activities such as clinic fees and birth and death certificates.

County Policy A2505 sets out the following grant financial management and authorization requirements for DPH:

- Reimbursement claims should be submitted to the grantor as frequently as permitted under the grant agreement, but at least monthly or when expenditures reach \$100,000, unless otherwise established by the grantor.
- Grants must be closed accurately on the financial system within 150 days after the grant end date. All grants exceeding the 150 day mark are to be reported to the Board by Department of Finance and Office of Management and Budget.
- Board approval must be obtained prior to submitting an application for any grant whose structure deviates from Policy A2505, including the requirement for full recovery of County indirect costs.

To determine whether DPH consistently and accurately manages grant financial records, we performed the following:

- Analyzed DPH grant drawdowns to verify that controls over grant funding requests were minimizing the agency's interest expense
- Verified that total grant expenditures did not exceed grant revenues, and that grant revenues were either fully expended or authorized for new use
- Verified that grants were closed on County records as required when the grant agreement expired

- Verified the timeliness of DPH requests to the Board for grant approvals

We found that DPH grant monitoring is not sufficiently comprehensive to ensure full compliance with County grant policies. Grant financial management practices at times result in reliance on the County General Fund for cash flow. DPH has not:

- Regularly requested expenditure reimbursements from grantors on a timely basis, resulting in increased agency interest expense
- Fully expended grant awards, as approximately \$2.8 million remained in dormant accounts
- Funded some program expenses with appropriate grant monies, instead using General Fund monies

We did not identify any DPH grants expending funds in excess of the grant award.

Slow Requests for Reimbursement

Grant revenues are received when the responsible DPH program submits an expenditure report to the grantor for reimbursement of money spent in qualifying program activities. The largest portion of reimbursement requests is for personnel costs. Procedures have to be in place to account appropriately for staff and materials that are devoted to grants, even if grant work is only one part of a task. Currently, DPH grant drawdowns do not comply fully with Policy A2505 which requires that reimbursement requests must be made for every \$100,000 in expenditures or at least once per month.

According to the DPH Grant/Contract Supervisor, Grant Program Managers frequently are slow to file reimbursement requests. One reason for tardiness is the need for supporting documentation for how employees charge their time to grants. Recently, DPH management centralized this personnel timekeeping certification process within DPH Human Resources. They believe the change will increase compliance.

Further, DPH does not consistently request timely grant reimbursements because Program Managers follow grant guidelines rather than County grant policies when submitting monthly expenditure reports. This timing difference delays DPH requests and thus, revenue receipts.

When DPH does not request timely reimbursements from its grantors, it expends General Fund monies instead. This increases interest expense to the agency.

The following table shows the list of grants that exceeded \$100,000 in unreimbursed expenditures or that had not received a reimbursement within 30 days as of May 2, 2007.

Program	Total \$'s Exceeding \$100,000 Threshold	\$'s Exceeding \$100,000 Threshold	Exceed One Month Expenditures
Nutritional Services	1,542,982.32	✓	✓
Public Health Emergency	390,134.90	✓	
Community Health Nursing	378,075.21	✓	✓
Family Health	258,301.15	✓	✓
STD	204,400.79	✓	✓
Refugee	178,557.08	✓	✓
HIV/HCV	174,318.23	✓	✓
Healthcare for the Homeless	114,737.46	✓	✓
Tuberculosis	109,357.70	✓	✓
Office of Health Promotion & Educ	37,804.64		✓
Community Development	20,415.99		✓
Clinic Services	17,699.91		✓
Entity-Wide Grants			
Prepare & Response Bio Terrorism	883,822.93	✓	
Tobacco Education & Prevention	587,856.74	✓	✓
Women's & Children's Health	173,033.76	✓	✓
Total	\$5,071,498.81		

Source: Audit analysis of Advantage 2.0 Data

In addition to the grants shown in the table above, approximately \$1 million for Ryan White was not submitted timely in FY 2006; Health Care Mandates, a separate department was responsible for these grants.

We also noted that DPH Program Managers did not consistently submit timely expense reports for four of the five grants reviewed in the test of grant program administration.

Grant Accounts Remain Open After Grants End

Most grants are one-time limited “charters” that have beginning and ending dates. All grant funds should be expended within a given period after a grant closes, and agency records should reflect the fact that the grant is no longer active. Otherwise, the grant becomes dormant, with funds remaining on the books, but no activity taking place.

We found that 52 percent, or 102 of DPH’s 196 open grants, had unexpended grant balances older than 150 days beyond the grant end date. In many cases, revenues had remained in grant funds for

several years. Some DPH programs failed to expend as much as 67 percent of their grant revenue budget over the period we audited (FY04 through the third Quarter FY07).

Our review of DPH’s financial system records (Advantage 2.0 grant module) show that DPH has \$2.8 million remaining in dormant grant accounts. DPH management has contacted grantors to make acceptable arrangements for these remaining monies.

Dormant accounts at DPH resulted from:

- Ineffective strategic planning to ensure that grants appropriately fit DPH mission and goals, and that necessary internal agency resources existed to successfully complete the grant
- Inconsistent monitoring of grant balances

Further, Department of Finance and Office of Management and Budget did not report dormant DPH grant activity to the Board as required by County policy. Dormant grants would have received Board scrutiny much earlier if notified as required.

In early 2006, DPH centralized its grant management function to a unit responsible for development, application, processing, and compliance. The Grant Manager explained that day-to-day compliance of the grant still rests with the individual program managers. However, the Grant Unit performs a quality control function over grant documentation.

When DPH does not exhaust grant funds, and does not request authorization for alternative uses, resources are underemployed to serve the public health needs of the County. In some instances, General Fund monies have been used to fund portions of agency programs that should have been funded through grant dollars. For example, Department of Finance personnel failed to properly record payroll costs to a DPH STD grant. The improper accounting resulted in the entire grant award, \$18,000 awarded in FY03, remaining unexpended.

Alternate Uses

DPH management has received approvals from many grantors for alternative uses for dormant grant funds. The following chart summarizes DPH dormant grant activity from July 2003 through March 2007 including results of recent negotiations with grantors and the average number of months since the grant close date.

DPH Program Impacted	# of Dormant Grants	\$'s Unexpended	% Unexpended	Ave # Months Dormant**	Current Status w/Grantor
Office of the Director	8	\$541,612	56%	78	Approved to Fund leasehold improvements to co-locate multiple DPH services at satellite locations with other community partners.
Ryan White Title CARE Services	2	121,303	33%	94	Most of this was approved to fund a mobile HIV/STD testing unit.

DPH Program Impacted	# of Dormant Grants	\$'s Unexpended	% Unexpended	Ave # Months Dormant**	Current Status w/Grantor
Community Health Nursing	8	1,715,256	13%	57	Approved for on going expenses through FY12 including community partnerships with local fire departments.
Pharmacy	3	22,006	3%	74	Awaiting grantor determination
Tuberculosis Services	3	71,554	34%	69	Gathering contract data
STD Services	2	22,114	67%	64	Awaiting grantor determination
Healthcare for the Homeless	4	46,086	11%	72	Refunding to grantor and closing internally
HIV/HCV	11	188,256	18%	41	Awaiting grantor determination
Oral Health	1	370	1%	74	Spending down
Family Health	13	115,799	5%	29	Awaiting grantor determination on some, received approval on others
Unexpended \$'s Excluding Fee for Service and Stipends	55	2,844,356			
Fee for Service Grants*	37	671,974			Approved- Accounting Issues Only
Teaching Stipends (Not Grants)	2	7,662			N/A
Total Dormant Grant Funds	94	\$3,523,992			

*Fee for Service grants are traditionally contracted based on output (# of services provided), therefore, these amounts will generally require a year end accounting adjustment in the Grant Module.

**Average # of Months Dormant calculated from grant closure date through 3rd quarter FY07.

Retroactive Grant Approvals

Budgetary constraints sometimes delay federal grantor funding well into DPH's normal grant cycle. From FY04 through FY06, DPH used a Letter of Intent process to notify the Board of its plans to renew existing grants and request permission to apply for new funding. Although the

Letter of Intent did not include an actual grant award or Board approval, the DOF uses these documents to set up accounts in the Advantage Grant Module for 50 percent of the anticipated grant funds. This allows DPH to operate the program prior to its receiving any funding and before Board contract approval.

We found that DPH at times expends funds from grants which have not yet received Board of Supervisor approval. From July 2003 through March 2007, DPH extended 14 grants prior to Board approval. For these grants, grantors did not include all indirect costs as eligible for reimbursement. Because of this, the Board did not have the opportunity to approve, in a timely manner, grant obligations DPH had made that did not fully recover indirect costs. The General Fund paid the expenditures, resulting in a \$196,000 impact.

Such “retroactive” grant approvals occur when DPH receives or expends grant funding prior to requesting and receiving Board of Supervisor approval. DPH receives funding on an on-going (renewal) basis from many grantors. County Policy A2505 requires grant departments provide the Board a list of renewing grants through an annual agenda item or through a letter of intent (for grants without any significant changes since their initial Board approval). When DPH renews grants with substantive changes to contract terms, such as indirect cost recovery, DPH is required to prepare a separate agenda item.

These “retroactive” grant approvals occur when grantors are late establishing award letters and other times when DPH Grant Contract Specialists and Program Managers do not submit timely requests for renewals to grantors.

We reviewed DPH Board requests for grant approvals through Agenda Central. The following table shows 14 DPH retroactive grant approvals occurred from FY04 through 3rd quarter FY07.

Fiscal Year	Total Grant Revenue	# of Grants Retroactively Approved	Grant \$'s for Retroactive Grants	Average # Days Before Approval	% of Grant \$'s Retroactively Approved
2004	\$28,115,977	3	\$396,996	73 days	1.32%
2005	\$28,193,592	3	\$191,145	67 days	0.68%
2006	\$30,959,842	6	\$5,849,379	47 days	18.89%
2007 (3/4 yr)	\$21,740,287	2	\$3,559,166	124 days	16.37%

Source: Audit analysis of DPH grant list and Agenda Central

Recommendations

DPH management should:

- A. Monitor expenditures against grant revenues to ensure that expenditure reimbursements are performed according to County grant policies
- B. Ensure that all grants requiring Board approval are requested before grant funds are expended

- C. Contact grantors for all grant funds remaining after program completion to make alternative arrangements
- D. Review existing alternatives for dormant funds with OMB to determine the long-term viability of these options

Issue 2 Grant Administration

Summary

Overall, DPH grants we reviewed complied with the sampled contracted responsibilities. However, DPH did not fully conform with Tuberculosis Control grant requirements for measuring and reporting operating objectives and results. Additionally, five out of the 15 DPH programs reviewed did not perform sufficient program monitoring activities. Program Managers do not effectively account for grant funded program activities or demonstrate compliance with grantor requirements when they do not collect and report requested grantor data and consistently monitor subrecipients. Subrecipient monitoring protects against waste and abuse. DPH should ensure that all grantor reporting requirements are consistently followed and should consider centralizing subrecipient tracking to ensure consistent agency wide monitoring procedures.

Background

DPH funds public health services primarily as a result of grants it receives from federal, State, and local governments. DPH grant revenue sources are comprised of forty-six active grants, primarily from federal and State grantors. In FY06, federal, State and local grant funds comprised more than 92 percent of DPH's \$44.9 million revenue budget, and funded more than two-thirds of the DPH workforce.

Grant administration is guided by County Policy 2505, by State agency rules, by federal Office of Management Budget circulars, and by prudent business practice. If grant requirements are not followed, services may not accomplish desired outcomes. Maricopa County could be required to pay back grant funds to the grantor. Further, grants can be one-time limited awards. DPH must plan for continuation for programs that it undertakes with the initial start-up funds.

We reviewed a sample of DPH grants to determine whether

- Administration is properly documented
- Administration complies with grantor requirements
- Key meaningful performance measurement data is reported

Grant Administration Should Be Improved For Tuberculosis and At-Risk Infants

In FY 07, DPH administers 96 active grant awards, totaling approximately \$25.3 million. We reviewed five high-dollar grant awards totaling \$16.3 million, or approximately 64 percent of the total. Grants reviewed were:

- Tuberculosis (TB) Control
- Women, Infant, and Children Nutrition (WIC)
- Healthcare for the Homeless
- Sexually Transmitted Diseases Control
- Tobacco Use Prevention

Overall, the grants we reviewed complied with the sampled grant requirements except for TB Control. During our testing of WIC files for ineligible clients, we identified a minor exception. One of 20 clients tested was terminated on the same day she was paid a \$60 benefit. Due to our testing, the WIC Field Services Manager has introduced a review for these types of exceptions into her benefit fraud testing.

When DPH grant program managers do not collect meaningful data that directly measures program performance, DPH cannot demonstrate effectiveness or that grant objectives are met. DPH did not fully conform to TB Control grant requirements for measuring and reporting operating objectives and results.

Tuberculosis Control Program

The TB Control Program is a relatively small grant from the Arizona Department of Health Services, funded for \$476,000. The grant targets TB control with testing, diagnosis, treatment, and case management services for people exposed to, or having an active case of, tuberculosis. The County TB Program serves 200 active TB patients and 500 patients with dormant TB.

We found that the TB Control Program:

- Did not submit its FY07 annual report to the Arizona Department of Health Services as required by the terms of the grant
- Misplaced case files
- Referred patients to a non-County housing facility without a written agreement in place

These lapses in grant administration primarily occurred because of staff changes. The TB Control Program Manager has been in his position for four months. Prior to his arrival, the position was vacant for several months. The TB Control Program Manager was unaware the grant required an annual report.

During our sample review of physical case files, two out of ten could not be physically located. The TB Control system used to track cases, FileMaker Pro, does not contain appropriate data security. Because of this, all systems users have full access to the system. Users could unknowingly delete case files.

At times, the TB Control Program identifies homeless patients requiring isolation during therapy. These patients are sent to the Monroe House, a small apartment complex operated by local non-profits. A DPH nurse/case manager provides on-site in-person drug therapy to DPH patients to ensure that patients complete their course of TB treatment and to coordinate medical appointments.

The TB Control Program does not pay to house homeless TB Control Program patients at Monroe House. Because of this, no formal lease was put in place. However, to protect their ability to continue to provide appropriate services to homeless patients in Maricopa County, DPH should have a written agreement and certificate of insurance in place.

Monitoring of Grant Subrecipients Needs Greater Effort

For FY07, the DPH Finance Division identified approximately \$4.5 million in federal/state pass-through dollars going to subrecipients. To determine whether DPH is consistently performing subrecipient monitoring, as required by grant rules, we examined 15 subrecipients, who collectively received 12 percent, or \$545,500, of pass-through dollars. Ryan White subrecipients were excluded from this review, as they are now monitored by Health Care Mandates.

We found that except for tobacco use education programs in schools, none of the subrecipients conducted on-site visits. Five out of the 15 DPH programs did not perform sufficient program monitoring activities. Their contact with subrecipients was limited to periodic written reports. In one case, monitoring was limited to review of requests for expenditure reimbursements.

When DPH does not consistently monitor its subrecipients, the programs it operates cannot effectively demonstrate compliance with grantor requirements. While subrecipient monitoring is necessarily performed within individual programs, DPH has not centralized appropriate levels of data collection about agency subrecipients to ensure agency-wide quality of monitoring and sufficient documentation. Accountability has not been established. DPH management should consider centralizing subrecipient tracking and ensure that subrecipient monitoring is consistently performed throughout the agency.

The following table identifies each subrecipient reviewed, details DPH's grant managers' reported monitoring activities, and shows subrecipient's validation of DPH's monitoring claims.

Program Name	Subrecipient Name	Reported Monitoring Activities	Adequacy of Monitoring	Monitoring Activities Validated by Subrecipient **
Well Woman Health Check	ASU Community Health Services	(1) Review invoices and medical documentation, (2) DPH case management ensures ASU is providing service to the appropriate client.	A regular site visit could improve accountability and DPH involvement	Yes
Well Woman Health Check	Maricopa Integrated Health System (MIHS)	(1) Examine lab reports and physician operating room notes. (2) Examine invoices sent by MIHS. (3) DPH provides case management to ensure MIHS is providing service to the appropriate client.	A regular site visit could improve accountability and DPH involvement	N/A
Health Care for the Homeless	Central Arizona Shelter Services	(1) Review invoices	Reviewing invoices only leaves room for abuse; Monitoring needs improvement	Yes

Transportation Related Injury Prevention Program (TRIPP)	Maricopa Integrated Health System	(1) Annual and monthly report detailing program performance, (2) Review expense reports.	A regular site visit could improve accountability	Yes
Mobile Medical Clinic for Homeless Youth	Phoenix Children's Hospital	(1) Monthly analysis of youth encounter information , (2) Monthly review of invoices	A regular site visit could improve accountability and DPH involvement	Yes
Tobacco Education and Prevention Program	Schools (Ten were reviewed)	(1) Site visits, (2) monthly report detailing program activities, (3) Student survey, (4) invoices reviewed.	Generally, tobacco grant monitoring is adequate. The four monitoring activities (left) promote accountability	Yes

Source: Information obtained from interviews conducted with DPH Grant Managers

** “Yes” indicates the subrecipient manager was contacted and confirmed DPH’s monitoring assertions.

Recommendations

DPH management should:

- A. Verify that all Grant Program Managers comply with grant operating objectives and submit deliverables when they are due to the grantor.
- B. Work with Risk Management and County Counsel to draft a written agreement with the Monroe House that includes appropriate insurance.
- C. Track all subrecipient relationships in one central database to ensure accountability.
- D. Develop and document agency policies for appropriate levels of subrecipient monitoring.
- E. Encourage Grant Program Managers to include site visits and direct observations as part of their subrecipient monitoring procedures.

Issue 3 Contract Management

Summary

DPH did not use correct procurement procedures from July 2003 through March 2007, paying \$345,556 to vendors not on contract with the County. DPH also contracted for \$19,398,290 prior to obtaining Board approval. DPH did not follow County Procurement rules, obligating the County to pay for goods and services the Board has not authorized and that may not be aligned with the County's strategic plans. DPH should follow the County procurement code and ensure that all agency goods and services are appropriately and timely contracted.

Background

Under Maricopa County's Procurement Code, only delegated Procurement Officers or the Materials Management Director is authorized to award County contracts without Board of Supervisors' approval. Further, payments for materials or services must only be made pursuant to a written contract procured by County Procurement.

DPH has authority to award program-specific contracts for goods and services up to \$50,000. According to the Procurement Code, any contracts above this amount up to \$250,000 must be signed by the Materials Management Director. DPH centralizes most of its procurement in January 2006 through a five-member Procurement Division headed by the Procurement Officer. At the time of our review, DPH had an estimated 250 active contracts, most of which were with grantors or subrecipients.

To determine whether DPH effectively manages its contracts, we:

- Reviewed FY04 through FY06 DPH expenditures as recorded on the County's financial system (Advantage 2.0)
- Reviewed DPH contracts and countywide contracts to verify that expenditures were made according to County procurement rules

We determined that between FY04 through 3rd Quarter FY07, DPH expended approximately \$346,000 on goods and services without the required contracts. During the same period, DPH contracted for \$19.4 million in goods and services before obtaining Board approval of the related contracts.

When DPH does not follow County Procurement rules, it may obligate the County to pay for goods and services the Board has not authorized. DPH should follow the County procurement code and ensure that all agency goods and services are appropriately contracted.

County Procurement Rules Should Be Followed

When DPH does not contract for agency goods and services in accordance with County procurement rules, it:

- Increases the risk of fraud, waste and abuse from inappropriate procurement or inaccurately paid invoices
- Reduces the efficiency of delivered goods and services to the Agency
- Cannot ensure that the best value has been competitively obtained for DPH
- Reduces public confidence in the Agency's financial and procurement practices

In addition, Grant Program Managers and other DPH personnel cannot establish effective contract monitoring practices when the contract terms are not readily available to DPH end users. Lastly, when DPH does not consistently monitor contract dollar limits, it overrides important budgetary controls.

In some cases DPH has not followed County procurement policy because:

- In the past, procurements were performed at the program level rather than in a central Procurement Division. This caused numerous instances of total DPH expenditures exceeding the \$5,000 informal limit undetected; contracts valued over \$5,000 require a written contract.
- DPH Procurement staff are not fully trained on reporting tools for the County's financial system (Advantage 2.0), and may not obtain the necessary information to determine when contracting is required.

In some cases, DPH has not effectively managed Board Agenda procurement items because:

- DPH contract database information may be incomplete and out of date
- The Board agenda approval process is not instituted early enough to accommodate contracting deadlines
- Contract terms, such as expiration dates, are not readily available to DPH Program Managers and other key users

Expenditures Should Be Controlled Under Approved Contracts

Our comparison of DPH expenditures to existing contracts showed that DPH did not buy goods and services from contracted vendors when they should have. In addition to delegated procurement activity, DPH has access to procurements using Countywide and other authorized contracts through Arizona and national purchasing groups. The following table summarizes FY04 through 3rd Quarter of FY07 DPH expenditure activity for all expenditures exceeding \$5,000 which were not governed by a written contract.

Fiscal Year	Total FY Expenditures	# of Vendors with Exceptions	Total \$'s Incorrectly Procured
2004	\$28,424,240	12	\$78,775
2005	\$27,939,837	10	\$80,632
2006	\$28,145,198	15	\$111,116
2007 (3/4 yr)	\$11,550,947	9	\$75,033
Total		46	\$345,556

Source: Agenda Central, DPH contract database, and Advantage 2.0. FY07 expenditures through March 28

Contracts Should Be Approved Before Purchases Begin

DPH has not obtained Board of Supervisor approval on some contracts before the contract start date, and also has not obtained Board approval for contract amendments that required it. The following table shows the retroactive contract approval activity DPH has requested of the Board from FY04 through 3rd Quarter FY07.

Fiscal Year	Total Non-Payroll Expenditures	# of Retroactive Contracts	\$ of Retroactive Contracts	Average # of Days Before Approval	% of Retroactively Approved Contracts
2004	\$28,424,240	37	\$4,064,774	26	14.30%
2005	\$27,939,837	74	\$5,309,227	47	19.00%
2006	\$28,145,198	84	\$6,326,608	88	22.47%
2007 (3/4 yr)	\$11,550,947	60	\$3,697,981	65	32.01%
Total	\$96,060,222	255	\$19,398,590		

Source: Agenda Central, DPH contract database, and Advantage 2.0. FY07 expenditures through March 28

During our review, we also identified contract amendments that adjusted existing contract limits. Although required, the amendments were not approved by the Board before purchases were initiated. Further, DPH has not monitored total expenditures on some contracts. As a result, the Board of Supervisors has been asked to approve additional funds for contracts after the contract expired, without the contract date being extended. The following table shows contract extensions during the time frame we reviewed that DPH did not bring before the Board until after the amendment expiration date.

Fiscal Year	# of Contracts	\$ of Contracts
2005	1	\$20,000
2006	1	\$145,000

Source: Agenda Central and DPH contract database. FY07 expenditures through March 28

When DPH uses Countywide contracts, it cannot accurately evaluate whether total contract dollar limits have been reached. DPH expenditures are intermingled with all other County expenditures for the same contract. However, when DPH directly contracts with vendors for agency-specific goods and services, Procurement can ensure that limits are appropriately monitored.

We found that DPH exceeded contract limits on DPH-procured contracts in several instances, and by comparatively small amounts. The following table summarizes the number of contracts impacted and the amount of expenditures exceeding contract limitations by fiscal year.

Fiscal Year	# of Contracts Impacted	\$'s Exceeding Contract NTE's
2005	2	\$8,604
2006	3	\$7,131
2007	2	\$49,680

Source: Advantage 2.0 and DPH Contract Database FY07 expenditures through March 28

Board Approvals Should be Sought When Required

DPH did not request Board approval for contracts as required for some of their contracted relationships. The following table summarizes DPH contracts for which DPH did not request Board approval.

Fiscal Year	Total Expenditures	# of Contract	Total Contract \$'s	% of Contract w/o BOS Approval
2004	\$28,424,240	2	\$329,155	1.16%
2005	\$27,939,837	3	\$434,295	1.55%
2007 (3/4 yr)	\$11,550,947	1	\$101,648	0.88%

Source: Agenda Central and DPH contract database.

Recommendations

DPH management should:

- A. Ensure that all required procurement activities are performed for required goods and services, and that amendments are prepared and approved before funds exceeding contract time period or dollar limits are spent.
- B. Ensure that contracts are approved by the Board when required, and that only contracts requiring Board approval are submitted.
- C. Ensure that DPH Procurement consistently follows County Procurement Rules and fully documents all procurement actions.
- D. Ensure that delegated procurement authority is strictly adhered to, only executing contracts within DPH delegated procurement authority.

Issue 4 Technology System Safeguards

Summary

We reviewed DPH's information technology operations to determine whether controls were reasonably adequate to safeguard equipment, applications, and data from damage or loss. We found that DPH IT did not appropriately grant, track, or disable access to DPH data and infrastructure or effectively administer DPH applications or systems. We recommend steps that Public Health management should take to strengthen safeguards over information technology assets.

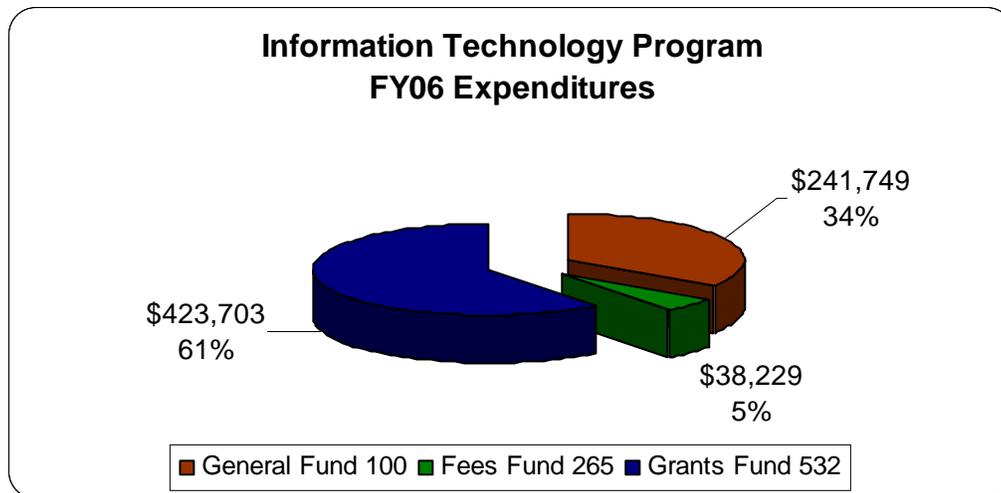
Background

The DPH Information Technology (IT) group is experiencing a number of changes:

- Prior to April 2007, IT reported to the DPH Professional and Technical Services Division
- As of April 2007, the IT group does not have an IT Manager, but reports directly to the DPH Administrative Deputy Director
- Management is now considering "insourcing" the IT department to the County's Office of Enterprise Technology
- PricewaterhouseCoopers performed an IT security audit in 2006
- OET reviewed the organization in 2007 and IT Governance, organizational, infrastructure, and systems development recommendations are under consideration as of this writing
- Management is discussing implementing a new Practice Management system that would enable the DPH clinic to maintain electronic medical records and an electronic billing system to facilitate billing third parties (insurance providers)

DPH IT has a staff of seven and FY06 expenditures were \$704 thousand, 1.3 percent of Public Health's total expenditures. These totals represent the aggregation of IT expenditures that were recorded as IT activities within the County financial system. Public Health has recorded some IT expenses under non-IT programs and activities (e.g., IT-related expenses may be recorded as grant-related program expenses). However, there is no practical, accurate way to identify these IT expenditures. This may result in lower than actual IT expenditure totals.

Thirty-four percent of IT's funds comes from the general fund, illustrated in the chart on the following page. An initial survey of other Arizona counties revealed significant differences in the sources of Public Health IT funding. Pima County's FY07 DPH IT budget of \$328 thousand was 100% funded through the general fund, whereas Pinal's \$157 thousand DPH IT budget was 100% funded through grants.



Source: Audit analysis of Advantage Download for FY06

DPH’s computer equipment is housed in two data centers, with server rooms, one of which is located at 1645 E. Roosevelt and one at 4041 N. Central. The Roosevelt location is a newly constructed County-owned facility and the Central location is leased.

Because DPH’s IT organization is in transition, we focused on IT security during this review. We reviewed IT operations to determine whether:

- Adequate physical security exists at the data centers
- Adequate procedural controls exist to safeguard access to DPH and County applications and data
- Adequate system maintenance processes exist to safeguard DPH and County applications and data
- Adequate DPH data and systems back-up processes are in place

Access to DPH Technology Assets

An IT operations key control is to limit access to enterprise assets to individuals who need it. Our initial review of the DPH data center at 1625 E. Roosevelt showed that 385 individuals, more than two-thirds of the department’s staff, had access to the data center, including physical access to servers and other equipment. Equipment could be intentionally or unintentionally damaged, destroyed, or stolen and unauthorized access to confidential data could be possible. When the Roosevelt data center was opened in September 2006, access to the door was not reviewed nor restricted to appropriate personnel. Facilities Management made immediate corrections after we reported the concern. At the time of audit fieldwork, 73 individuals had access to the Roosevelt data center. Further access restrictions had to be completed by Protective Services, in concert with the key card control system upgrade. The upgrade was scheduled for completion by the end of August 2007.

We also found that IT did not appropriately manage authorization of system users, effectively create or protect passwords, or routinely maintain operating systems. DPH management needs to develop and document policies and procedures to strengthen controls over IT operations.

Controls Needed Over Assigning User Identifications

IT operations best practice is that system access should be authorized by appropriate decision makers after a review of organization and position needs. Appropriate authorization ensures that staff has access to systems or functionalities that match those required for the performance of job function. Periodically, management should review access that has been granted to make sure that it remains appropriate. Individuals who leave employment should have their access rights removed immediately.

By contrast, DPH does not have a process in place which requires documented management approval prior to granting staff access to Public Health IT applications. Currently, IT staff grants users access after receiving an informal verbal or e-mail request from the unit. Requests and approvals often are not documented and/or retained. We attempted to review approvals for existing user access but complete data was not available.

Further, there is no process to ensure that IT staff and other database or system administrators are notified when an individual terminates employment. If user IDs are not disabled immediately when an employee leaves, that ID could be used to gain unauthorized access. In areas where federal health information privacy rules govern activities, the department risks federal noncompliance and associated penalties.

IT and database administrators rely on supervisors and Human Resources to notify them whenever an individual's employment is terminated. This informal practice does not appear to be operating effectively. We found user IDs that belonged to former employees in all three applications we reviewed:

- CM2 — Practice Management System
- CDR — Clinical Disease Reporting
- POS — Clinic and Vital Registration Point of Sale System

Finally, we found that the IT group does not have a matrix or other listing showing incompatible access capabilities within the CM2 application. Thus, IT does not have the means to ensure that CM2 users are given capabilities that avoid inappropriate segregation of duties. No reviews are conducted within the CM2 application to detect incompatible access capabilities.

Password Administration Should Be Enhanced

Passwords are a key access control to computer applications and should be safeguarded. We found that DPH does not have a formal comprehensive policy governing the use of computer application passwords.

Complete and comprehensive password policies should be drafted, communicated to users, implemented, and enforced automatically by systems. DPH IT users should be informed of the benefits of using strong passwords. Password requirements should be consistent throughout the organization to avoid user confusion or non-compliance. The current DPH password policy is a template that has been used to set the framework of the policy. None of the specific information required for a comprehensive policy has been included.

Further, we found that the POS system does not automatically enforce strong password characteristics, by uniformly requiring staff to create passwords which have a certain length and contain certain characters, for example. The POS system does not enforce appropriate password characteristics. Staff is not required to create passwords with a minimum length or that contain a minimum number of alpha, numeric, or symbolic characters. The POS does not enforce any best practice password characteristics.

As the POS system is used to conduct financial transactions, the need for strong password security, including encryption, is great. However, passwords and user information for the POS system are stored in clear text, in a single table within the system's database. The passwords can be read by anyone with access. Anyone who reads the table would be able to obtain the unencrypted passwords for every user account in the POS system.

Further, the CDR system automatically enforces many of the strong password characteristics, but not a minimum length. CDR's current settings allow a password to be as short as three characters. When passwords are weak, the likelihood that a password can be compromised increases.

Log-In Lock Outs

Another recommended password practice is to "lock out" users after a set number of unsuccessful log-on attempts, to defeat hackers. Users must then contact their system administrator to unlock their account. DPH applications are not configured to lock user accounts. The CM2 application locks accounts for a period of five days after five unsuccessful attempts. The CDR and POS applications do not lock user accounts at all. These weaknesses allow a person to repeatedly attempt to guess the password of another. Repeated attempts could go unnoticed and could result in the password becoming compromised and used by someone other than the assigned owner.

POS System

In addition to lack of protection against unauthorized log-ons, the POS system has weak user accountability. Controls in such a financial system should include a clear chain of custody over assets. By contrast, at any given time, at least two people know the password for each POS user ID. User IDs in the POS system are created by the network administrator. Individual users do not have the capability to change their own password. At all times, both the account owner and the network administrator can know the password for a given user ID. Because of this, financial transactions cannot be definitively traced back to the account owner.

Further, the POS application does not have a "disable user" or "lock user" function. Instead, the Network Administrator changes the user ID password whenever an employee leaves. This practice inhibits anyone from logging in using the previously known password but does not disable the user ID entirely. Since the same password is used for terminated individuals, any current employee knowing the password may use the account of the former individual to perform tasks granted to that user ID. In addition, POS passwords are stored in clear text within the POS database. Thus, the risk of others knowing the "disabled" password is increased.

Safeguarding Business Continuity

Best IT practice is that the physical location that houses critical information technology equipment should be physically safeguarded from damage or disruption. Further, back-ups should be in place for equipment and data so that, in the event of a disaster, business can continue uninterrupted. We found that improvements are needed in safeguards for DPH IT assets and information to ensure business continuity.

We found that both of the DPH data centers are currently equipped with FM-200 fire suppression and wet-pipe sprinkler systems. Water can cause unrecoverable damage to computer systems and is a hazard to individuals recovering computer systems. The 4041 N. Central building is leased, and although requested to do so, the building's owner would not permit removal of the wet-pipe sprinkler system. The 1625 E. Roosevelt data center is newly constructed inside a County-owned building, but a dry-pipe system was not installed.

FM-200 fire suppression systems are more sensitive than sprinkler systems. In the event of a fire, the FM-200 would deploy before the water. Such deployment reduces the risk of water damage from fire sprinklers. However, a risk does exist that if the sprinkler systems were to have a leak, the computer equipment in the data centers could be severely damaged or destroyed.

We found that off-site storage locations and procedures for critical system recovery materials are not adequate. Back-up tapes essential to system recovery for the Central data center are stored in the Roosevelt data center, and tapes from the Roosevelt data center are stored at Central. The two centers are approximately three miles apart. A single event such as an extended power outage or chemical spill could impact both data centers.

Further, we found that backup tapes are transported to the storage locations by the Network Administrator. During transport, the tapes are not adequately secured. Due to the nature of DPH data, such as personal medical information, costs and impact to the public health program associated with a lost backup tape could be significant. Federal regulatory non-compliance or other potential legal, regulatory, or civil costs could accrue.

Lastly, we found that backup tapes are not rotated to offsite storage locations on a regularly scheduled day or time. A regular schedule for backup tape rotation should be standard procedure. Otherwise, an event inside either of the two data centers could result in the loss of up to one week's worth of data.

Operating System Upgrades

As operating system manufacturers identify security and other weaknesses in their products, they create software patches to address them. These patches should be evaluated as soon as they are released, and when beneficial to the DPH IT operating environment, should be tested and installed as appropriate on all appropriate servers.

However, we found that DPH has no operating system patch management system in place to ensure that servers are updated with the most recent patch release. Prior audits found weaknesses on DPH servers that were caused by known operating system weaknesses. Patches were available to address these, but at the time of the prior reviews, the patches were not yet implemented.

During this review, DPH IT staff was unable to provide evidence to demonstrate that patches were applied to operating systems regularly or that the operating system patch levels were current. DPH servers may be vulnerable to known weaknesses that could be exploited to create significant risks to DPH servers, applications, and data.

Recommendations

DPH management should:

- A. Ensure that the list of personnel with access to data centers is reviewed and that access is restricted to only those persons with a valid business need. This review should be conducted periodically (e.g., semi-annually) to ensure that access remains appropriate.
- B. Ensure that a policy and procedure is developed and implemented to require documented, properly authorized requests are completed before user access is granted to any department IT application.
- C. Ensure, in conjunction with all appropriate operational groups within DPH, that DPH develops a comprehensive listing of all access capability combinations within CM2 that would create segregation of duties concerns, and that the list is reviewed periodically.
- D. Develop policies and procedures governing activities within DPH IT systems, to include a policy and procedure to ensure that access is removed for users as soon as individuals terminate, with “IT Notification” on any Human Resources termination checklists. Once completed, these policies should be promulgated to all staff.
- E. Ensure that all DPH systems automatically enforce strong password characteristics, encrypt the password field, and lock user accounts permanently (until unlocked by an administrator) after no more than five unsuccessful login attempts.
- F. Ensure the POS system is modified to allow users to change their passwords and the Administrator to lock or disable the user IDs for any terminated individual.
- G. Investigate the feasibility of replacing wet-pipe sprinkler systems from the data centers with a dry-pipe solution.
- H. Implement stronger security surrounding the transport, frequency, storage, and access to DPH back-up tapes for both data centers and all DPH IT critical systems and applications.
- I. Develop a procedure to ensure that all operating system (and, where applicable, applications) are patched in a timely manner. This procedure should include provisions for assigning responsibility for researching the manufacturers current patches, testing patches, notifying application owners, releasing patches, and maintaining documentation of supporting evidence.

Issue 5 Pharmacy Risk Assessment

Summary

Our review did not detect any significant control weaknesses in DPH pharmacy and drug dispensing operations. However, DPH pharmacy and drug dispensing operations could strengthen controls through formal inventory policies, effectively tracking returns, and upgrading system security.

Background

In FY06, DPH spent approximately \$6.2 million in drugs purchased through the DPH Clinic pharmacy and other related programs. Eight Clinic programs deliver drugs at reduced rates to clients, either in their homes or at sites throughout Maricopa County. Another program, Community Nursing, while not part of the Clinic, purchases vaccines for school immunizations through the Clinic. Clinic programs which distribute medication include Family Planning, Foreign Travel, Hansen’s, Refugee Screening, Healthcare for the Homeless, STD, and TB. Approximately 53,000 prescriptions are filled annually. The Pharmacy reports to the Clinical Services Deputy Director.

Unlike traditional pharmacies which fill prescriptions for patients, many DPH program recipients also receive medications from the clinics. Therefore, the DPH Pharmacy acts more like a wholesaler to clinic programs than a traditional retailer.

The following chart shows FY06 medication expenditures of each DPH program.

FY06 Expenditures by Program	
Program	Expenditures
Public Health Pharmacy	\$ 225,021*
Tuberculosis	123,871
Healthcare for the Homeless	89,470
Sexually Transmitted Diseases	31,076
Foreign Travel	17,658
Family Planning	9,166
Refugee Screening	8,158
Hansen's	5,455
Total DPH Clinic:	\$ 509,875
<i>Other Drugs Dispensed Through DPH</i>	
Community Health Nursing	5,722,199
Total DPH Medications:	\$ 6,232,074

Source: Audit analysis of Advantage data

Ryan White Program pharmacy expenditures (99.9% of the \$225,021) were discontinued at the end of FY06.

All FY07 programs are expected to operate at similar volumes except for the Ryan White program whose drugs will no longer be dispensed through the DPH pharmacy. As 44% of the DPH pharmacy clinic expenditures was related to the Ryan White Program, this amount is expected to be significantly reduced in FY07.

We reviewed the controls and risks associated with each area of the DPH Pharmacy, as well as the various programs through which medications are dispensed to patients, to determine if DPH management appropriately oversees operations. We also assessed whether or not findings that we defined in our FY01 audit had been addressed.

We concluded that one previous recommendation had been implemented, and that two findings have not yet been addressed. In FY01, our audit of DPH identified several findings:

- Pharmacy personnel do not routinely reconcile billings to cash receipt records.
- Pharmacy management does not consistently reconcile vendor cash remittances and credits with drug-return records.
- The Pharmacy does not have a perpetual inventory system, making it difficult to detect inventory shrinkage, loss, or theft.
- Sampled drug storage cartons were not adequately labeled with accurate destruction dates and appropriate disposal times.

In this risk assessment, we observed that the County Treasurer's report of transactions is reconciled to the bank statements every month. The weekly deposit slips are compared to a weekly report provided by the bank. This finding appears resolved. However, disposition of expired drugs is not consistent across programs and locations, and the process lacks a formal policy. Also, the lack of a formal process for all drug-dispensing locations to account for inventories on-hand makes it difficult to detect shrinkage, loss, and theft.

Our review did not detect any significant control weaknesses in DPH pharmacy and drug dispensing operations. However, DPH pharmacy and drug dispensing operations could strengthen controls through formal inventory policies, effectively tracking returns, and upgrading system security.

Formal Inventory Policies

When DPH does not effectively control medication inventories or system access to them, it increases the agency's exposure to fraud, waste, and abuse. We found that a formal process is not in place for all programs to properly account for their inventory at a specific point in time. As a result, the Pharmacy staff has a difficult time detecting inventory shrinkage, loss, and theft. A formal process that incorporates purchasing, dispensing, and expiration logs and investigates quantity discrepancies would provide a better inventory-on-hand count. Such a count could be used to provide a more accurate purchasing process as well.

Tracking Drug Returns

Pharmacy staff does not have a clear understanding of Guaranteed Returns policies and procedures regarding refunds for expired drugs which are returned to a manufacturer. The Department of Finance cannot anticipate when a refund check may be received, why a refund check was received from one manufacturer and not another, or if the check refund covers the correct quantity that was returned to the manufacturer.

Each program handles expired drugs differently and most programs simply dispose of the drugs on site. Revenue is lost by not having a formal policy that is consistently followed by all programs stating that all expired drugs are to be returned to the DPH Pharmacy, logged in a disposal log, and shipped to Guaranteed Returns for a potential refund.

Although the total amount of revenue attributable to returns was \$2,130 in FY 2006 and \$1,476 in FY 2007, the absence of formal controls regarding the disposal of drugs could lead not only to lost revenue, but also to misappropriation of assets.

System Access

DPH Pharmacy staff use the pharmacy computer system (PDX System) to place orders, monitor inventory, and dispense drugs. We found that the system does not have sufficient password controls in place. For other medication dispensing areas of the Public Health Clinic, password length requirements and expiration deadlines are not uniform throughout the system. The majority of DPH processes do not require computer interaction. For those that do, staff use many types of user logons, password parameters, and password expiration rules, depending upon which program is using a system. A program-wide IT policy regarding usernames and passwords is needed to standardize the different systems across DPH.

Recommendations

DPH management should:

- A. Prepare and implement formal inventory control procedures for drugs on hand at all DPH drug dispensing locations.
- B. Implement procedures to effectively track returned goods.
- C. Upgrade password security over the DPH pharmacy system.

Issue 6 Performance Measurement Certification

Summary

We reviewed nine key DPH measures. We rated four of the nine as “Certified with Qualifications” and two as “Certified.” We rated two as “Not Certified.” One measure was transferred to Health Care Mandates and was not reviewed. For the two “Not Certified” measures, one has been eliminated and DPH has addressed the deficiencies of the other measure. DPH needs to maintain adequate documentation in order to ensure adequate accountability to grantors and citizens.

Results Summary Table

Maricopa County Public Health Department Performance Measure Summary Table	Certified	Certified with Qualifications	Not Certified
1. % of plan developed for community-based surveillance system			
2. % of MCDPH employees to be trained to respond to a public health disaster or emergency within Maricopa County who attended formal training			
3. % of students participating in the P.L.A.Y. activity who receive the President’s Physical Activity Award			
4. Car seats inspected and distributed			

Maricopa County Public Health Department Performance Measure Summary Table	Certified	Certified with Qualifications	Not Certified
5. % of adult clients quitting tobacco use			
6. % of coalition members who report that there is progress towards implementation of plan goals.			
7. Community members reached with prevention and intervention services			
8. % of all Title I funded clients who access primary medical care	Measure transferred to Health Care Mandates		
9. % of TB suspects/cases who receive intervention			

County Policy Requirements

The Maricopa County Board of Supervisors Policy B6001 (4.D Evaluating Results) requires that we review County departments’ strategic plans and performance measures and report on results. The following information defines the results categories used in the certification process.

Definitions

Certified: The reported performance measurement is accurate (+/- five percent) and adequate procedures are in place for collecting/reporting performance data.

Certified with Qualifications: The reported performance measurement is accurate (+/- five percent), but adequate procedures are not in place for collecting and reporting performance data.

Not Certified:

- 1) Actual performance is not within five percent of reported performance and/or the error rate of tested documents is greater than five percent.
- 2) Actual performance measurement data could not be verified due to inadequate procedures or insufficient documentation. This rating is used when there is a deviation from the department's definition that prevents us from accurately determining the performance measure result.
- 3) Actual performance measurement data was accurately calculated but not consistently posted to the public database.

Measure Testing

Key Measure #1: % of plan developed for community-based surveillance system							
Results: Not Certified							
Measure #1	FY 05	FY 06	1	2	3	4	FY07 TOTAL
Reported	95%	95%	95%	1%			
Actual							
The reported % is an <u>estimate</u> and is loosely based upon the calculation method. This measure is being deleted in FY08.							

Key Measure #2: % of MCDPH employees to be trained to respond to a public health disaster or emergency within Maricopa County who attended formal training							
Results: Certified with Qualifications							
Measure #2	FY 05	FY 06	1	2	3	4	FY07 TOTAL
Reported	100%	90%	Annual Measure				
Actual	--	90%					
The measure is accurate and written procedures are in place for the collection and reporting of data. The definition of the data universe has changed from the Bio-Defense/Preparedness Program employees only to all Public Health employees. Change occurred 7/1/06. This should be noted in the "Comments" section of the strategic results reporting form on the Intranet/Internet.							

Key Measure #3: % of students participating in the P.L.A.Y. activity who receive the President’s Physical Activity Award

Results: Certified with Qualifications

Measure #3	FY 05	FY 06	1	2	3	4	FY07 TOTAL
Reported	17%	21%	0%	23%			
Actual	--	21%	--	--			

The measure is accurate and written procedures are in place for the collection and reporting of data. Source documents are not kept by Public Health. The participating schools keep them because they want to complete the entire 6 weeks (our program is four weeks). There are too many forms to copy (approximately 4,000). The Public Health Department Health Educator should attest to the accuracy of the data and note the measure file accordingly.

Key Measure #4: Car seats inspected and distributed

Results: Certified

Measure #4	FY 05	FY 06	1	2	3	4	FY07 TOTAL
Reported	2039	2099	406	583			
Actual	--	--	406	583			

The measure is accurate and controls are in place for reliability. However, this is an Output measure, not a Result measure.

Key Measure #5: % of adult clients quitting tobacco use

Results: Not Certified

Measure #5	FY 05	FY 06	1	2	3	4	FY07 TOTAL
Reported							
Actual							

Unable to certify. All data reported to State Department of Health Services (DHS). DHS was to report back to County with the results of the data. They have never reported results back to the County. This measure has been re-engineered for FY08 and this data problem has been resolved.

Key Measure #6: % of coalition members who report that there is progress towards implementation of plan goals.

Results: Certified

Measure #6	FY 05	FY 06	1	2	3	4	FY07 TOTAL
Reported	97%	91%	Annual Measure				
Actual	--	91%					

Measure is accurate and there are written procedures for the collection and reporting of data.

Key Measure #7: Community members reached with prevention and intervention services

Results: Certified with Qualifications

Measure #7	FY 05	FY 06	1	2	3	4	FY07 TOTAL
Reported	203	243	73	70			
Actual	--	--	73	70			

Measure is accurate and there are written procedures for the collection and reporting of data. However, this is an Output measure and not a Result. Data for the first quarter of FY06 is missing so it could not be certified as accurate. The new Manager (FY07) of this Activity has corrected this problem.

Key Measure #8: % of all Title I funded clients who access primary medical care

Results: N/A

Measure #8	FY 05	FY 06	1	2	3	4	FY07 TOTAL
Reported	93%	Nothing Reported	Annual Measure				
Actual							

This measure has been transferred along with the program to the Health Care Mandates Department.

Key Measure #9: % of TB suspects/cases who receive intervention

Results: Certified with Qualifications

Measure #9	FY 05	FY 06	1	2	3	4	FY07 TOTAL
Reported	100%	100%	100%	100%			
Actual	--	--	100%	--			

Data reported each quarter needs to be preserved and stored before updating file.

Recommendations

Although DPH is in the midst of redesigning its strategic plan and related family of measures, we decided to look at the measures currently utilized in FY07. We think these recommendations will be useful in building DPH's new plan.

- A. DPH should pay particular attention to the definition of the measure types in the MFR Resource Guide. There is a tendency to erroneously categorize "output" measures as "result" measures.
- B. Source documentation should be preserved according to Record Retention guidelines. A "snapshot" of data used as a basis for reporting results for a particular timeframe should be maintained before it is manipulated or adjusted.
- C. Any changes to a calculation method should at least be explained in the "Comments" section of the reporting data base. If necessary the measure should be re-defined. "Estimation" is not an acceptable method of calculating a result measurement.
- D. Where it is not possible to maintain original source documents, such as in the case of the students enrolled in the President's Physical Activity Program, attestation should be done by an appropriate Department of Public Health individual (i.e., Public Health Educator) certifying the accuracy and veracity of the reported information.
- E. Where possible, controls should be established to ensure the accuracy and reliability of data received from third party providers. This may involve developing controls with the provider of the information. Although the "% of adult clients quitting tobacco use" measure is being re-engineered there may be other measures that rely on third-party sources of information.

Issue 7 Newborn Intensive Care Program

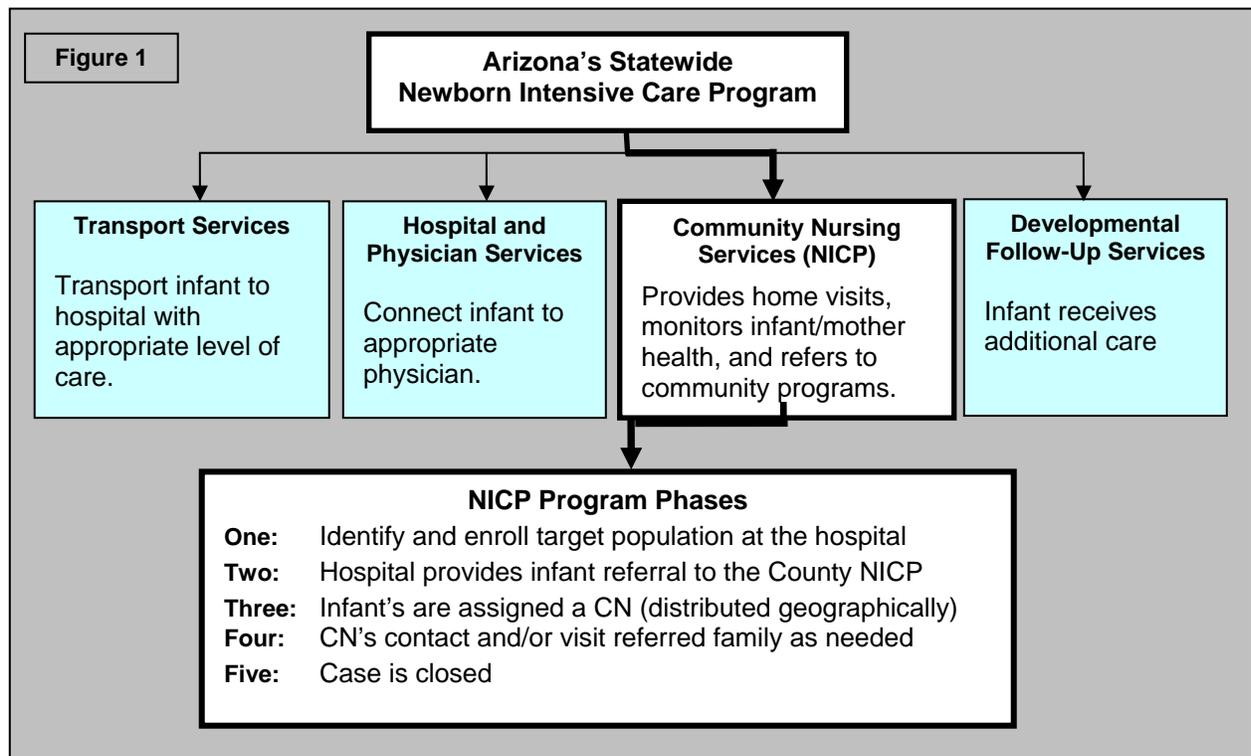
Summary

The Newborn Intensive Care Program, funded by a State grant, provides intervention for at-risk infants to reduce Arizona’s infant mortality rate. We found that the Department of Public Health has not adequately met grant client contact objectives. The County was slow to implement the program fully, given the short timeframe. DPH management should take steps to improve its NICP performance results for client contact.

Background

The Newborn Intensive Care Program (NICP) was reviewed by Internal Audit using a program evaluation approach. Program evaluations assess the extent to which programs have achieved intended outcomes rather than focusing on financial and detailed process reviews.

The Arizona Department of Public Health Services (ADPHS) contracts Public Health to administer NICP as one portion of a four-part, Statewide program to reduce the State’s infant mortality rate. NICP is funded through an \$849,000 grant from ADPHS. The current grant period runs from July 2006 to August 2007. The DPH Office of Family Health provides NICP as one of its services to reduce health disparities in women and children. Figure 1 describes the four-part statewide program; the highlighted boxes emphasize the specific service DPH provides:



Source: Arizona Division of Public Health Services and Internal Audit Interviews

Newborn Program Not Meeting Objectives

As a result of our evaluation, we found that NICP did not appear to be meeting ADPHS objectives. ADPHS increased NICP funding to \$849,000 providing resources for additional FTEs. However, DPH did not reach its full staff levels (seven FTE's) until April 2007.

In NICP, Community Health Nurses (CNs) help families transition infants from hospital intensive care to home. Infants eligible for the program spend at least 72 hours in a Newborn Intensive Care Unit. NICP requires that:

- 80 percent of client families should be contacted within one week of hospital discharge
- 80 percent of client families should be visited within two weeks of hospital discharge
- All client families should receive at least one visit within one year
- All high-risk client families should receive at least four visits within one year

Although ADPHS has not held DPH in noncompliance, DPH performance on the two primary NICP goals (contact within one week; visit within two weeks) is well below the State's 80 percent goal, as shown in the following table. NICP staff stated that DPH is not accomplishing this goal primarily because the hospitals are not able to enroll and refer clients to NICP in time for DPH to meet the timeframe.

TABLE 1	
Data time frame: July 2006 through March 2007	County NICP Performance
Full-Time Community Health Nurses	4.4
Total referrals from hospitals in service area	1137
Total home visits	1833
Jul-Sep 2006 *	
Percent of clients contacted within one week of discharge (Contractor Goal 80%)	30%
Percent of clients visited within two weeks of discharge (Contractor Goal 80%)	43%
Oct-Dec 2006 *	
Percent of clients contacted within one week of discharge	27%
Percent of clients visited within two weeks of discharge	23%
Jan-Mar 2007 *	
Percent of clients contacted within one week of discharge	27%
Percent of clients visited within two weeks of discharge	23%

Source: Audit analysis of information obtained from NICP managers. * Performance data came from quarterly reports.

Other Area Provider Performs Better

Two main NICP contractors service Maricopa County, DPH and Southwest Human Development (SWHD). We compared SWHD's reported program performance to DPH's. Although SWHD also must receive referrals from hospitals:

- SWHD and DPH are comparable in numbers of referrals received from the hospital
- SWHD and DPH are comparable in the number of full-time CNs on staff

Yet, SWHD contacts more families within a week and visits more families within two weeks of discharge from the hospital than DPH does, as shown in the following table.

TABLE 2		
Data time frame: July 2006 through March 2007		
	SWHD	County NICP
Full-Time Community Health Nurses	5.0	4.4
Total referrals from hospitals in service area	1311	1137
Total home visits	2238	1833
Jul–Sep 2006 **		
Percent of clients contacted within one week of discharge. (Contractor Goal 80%)	43%	30%
Percent of clients visited within two weeks of discharge. (Contractor Goal 80%)	40%	43%
Oct–Dec 2006 **		
Percent of clients contacted within one week of discharge	33%	27%
Percent of clients visited within two weeks of discharge	73%	23%
Jan–Mar 2007 **		
Percent of clients contacted within one week of discharge	54%	27%
Percent of clients visited within two weeks of discharge	44%	23%

Source: Audit analysis of information obtained from NICP managers. Performance data came from quarterly reports.

We noted a significant performance disparity in the October to December quarterly report that the two organizations sent to the State. While SWHD reported visiting 73 percent of patients within two weeks of discharge, DPH reported visiting 23 percent. Although DPH identified potential explanations of why the NICP program performance was not comparable to SWBH, program data was insufficient to support the disparity.

Other Issues

We identified other measurement issues that may result in program output data that is of limited value. Table 3 details program challenges that exist at each of the five program phases.

TABLE 3 Phase	Concern	Result
<i>One and Two</i>	Some hospitals have a disorganized referral process and place NICP as a low priority. This inefficiency is largely out of NICP's control.	Some newborns who qualify for the NICP are not referred to CN in time for NICP to accomplish program goals.
<i>Four</i>	ADPHS has not established performance measures that define a successful home visit	NICP administrators have difficulty monitoring and improving effectiveness of home visits.
<i>Four</i>	High-risk clients are not visited 4 times a year because of low staffing levels.	High-risk clients may be neglected and program goals unmet.
<i>Four</i>	Community referrals for additional support services are "very difficult to obtain or navigate" (Annual Report)	Family and newborns are not obtaining needed services.
<i>Five</i>	There is no exit interview or final parental satisfaction and/or future assessment of child development. The State funding structure prevents MCDPH from setting aside grant dollars for evaluative purposes.	Primary stakeholders are unable to provide program improvement suggestions. The impact NICP has on the development of infants is not fully understood.

Recommendation:

DPH management should consider:

- A. Determining reasons why its NICP performance results for client contact are not comparable, and take steps to improve results.
- B. Developing goals and tracking performance measures that are better tailored to their staffing size and performance abilities.
- C. Tracking additional measures at the home visiting phase such as level of compliance with the Family Service Plan, number of referrals given and *obtained* by clients, and the child's developmental progression.
- D. Conducting exit interviews at case closure and working with the state to survey past clients in their service area regarding parental satisfaction and developmental progression of infants.

Public Health's Response

AUDIT RESPONSE – ISSUE #1
DEPARTMENT OF PUBLIC HEALTH - August 27, 2007

Issue #1:

DPH has not fully implemented its centralized grant management process and does not consistently comply with County grant policies, thereby failing to minimize financial impact to the General Fund.

Response: Concur. The DPH Grant/Contract Unit was formed late fiscal year 2006-07 with its final staff member hired in April 2007. The Grant/Contract Unit is now working to establish proper procedures and oversight in order to ensure improved compliance with County, State and federal grant policies.

Recommendation A: Monitor expenditures against grant revenues to ensure that expenditure reimbursements are performed according to County grant policies.

Response: Concur. DPH Grant/Contract Unit will assume a larger role in monitoring the timely submission of reimbursement requests by grant programs as well as follow up with grantors to ensure prompt reimbursement. Additionally, DPH Accounts Payable staff will process checks more frequently to decrease any delays. Furthermore, DPH will consider asking the Department of Finance (DOF) to revise County grant policy A2505. It is not cost effective to submit reimbursement requests more than once per month for programs that have expenses greater than \$100,000 per month as County policy currently requires. Additionally, submitting reimbursements more than once per month requires more estimation and promotes error and audit trail issues.

Target Completion Date: 11/1/2007

Benefits/Costs: Decreased interest expense to the DPH general fund.

Recommendation B: Ensure that grants requiring Board approval are requested before grant funds are expended.

Response: Concur. DPH will use this audit report in working with CAO and OMB to allow us reinstitute the annual Letter of Intent (LOI) agenda item that itemizes all expected grant awards for the upcoming year. The LOI will again allow the Board of Supervisors the opportunity to evaluate aspects of grant terms, such as the indirect cost recovery rate, before funds are expended. Each grant agreement will also be placed before the Board as the documents are received from the grantor agency. DPH will continue to pursue expedited receipt of grant documents from its grantors, which DPH would like to note is the cause of retro-active approval requests to the Board in almost every case. DPH has concerns about the feasibility of this occurring because state government agencies (which primarily fund DPH grants) cite tardy contract documents from federal agencies.

Target Completion Date: 3/1/2008

Benefit/Costs: Improved Board of Supervisor oversight on grants deviating from Policy A2505 and DPH alignment with County strategic goals.

Recommendation C: Contact grantors for all grant funds remaining after program completion to make alternative arrangements.

Response: Concur. In the months previous to internal audit review, DPH was already engaged in contacting grantor agencies to make alternative arrangements. Over 90% of positive grant balances have

been either granted permission to be expended or have been refunded. DPH has also received initial Board approval to transfer funds to an alternate fund in order to expend them.

Target Completion Date: 10/31/07

Benefits/Costs: Over three million in grant funds will have become available for DPH to use towards current programs and general public health projects such as City Fire Department child immunization programs, a mobile STD unit and satellite DPH offices.

Recommendation D: Review existing alternatives for dormant funds with OMB to determine the long-term viability of these options.

Response: Concur. These funds, like all other funds, will require OMB review when they are placed on a Board of Supervisor formal meeting agenda. Issues of sustainability will be addressed at that time.

Target Completion Date: 6/30/08

Benefits/Costs: Increased services to Maricopa County residents as these funds are put towards public health projects.

**AUDIT RESPONSE – ISSUE #2
DEPARTMENT OF PUBLIC HEALTH - August 27, 2007**

Issue #2:

DPH should ensure that all grantor reporting requirements are consistently followed and should consider centralizing subrecipient tracking to ensure consistent agency wide monitoring procedures.

Response: Concur. The DPH Grant/Contract Unit was formed late fiscal year 2006-07 with its final staff member hired in April 2007. The Grant/Contract Unit is now working to establish proper procedures and oversight in order to ensure improved compliance with County, State and federal grant policies.

Recommendation A: Verify that all Grant Program Managers comply with grant operating objectives and submit deliverables when they are due to the grantor.

Response: Concur. The Grant/Contract Unit will create a checklist of contract deliverables and review with division and program directors at the existing monthly grant/contract committee meetings attended by upper level grant management staff.

Target Completion Date: 12/31/07

Benefits/Costs: Increased contract performance from subrecipients and improved departmental oversight of grant programs.

Recommendation B: Work with Risk Management and County Counsel to draft a written agreement with the Monroe House that includes appropriate insurance.

Response: Concur. Dependant on advisement from CAO, DPH will establish any necessary agreements and/or insurance arrangements with the Monroe House. DPH will also review other similar relationships with non-County entities to ensure that possible liability is avoided.

Target Completion Date: 6/30/08

Benefits/Costs: Reduce the possibility of liability for Maricopa County.

Recommendation C: Track all subrecipient relationships in one central database to ensure accountability.

Response: Concur. DPH Grant/Contract Unit will track all subrecipient agreements in a centralized database to ensure all subrecipient relationships are tracked by Grant/Contract Specialists and will work with grant programs to determine the difference between vendors and subrecipients, develop monitoring tools, and schedule site visits with subrecipients.

Target Completion Date: 12/31/07

Benefits/Costs: Increased contract compliance for DPH as well as improved management of subrecipient contracts and budgets. Increased contract performance due to increased accountability required from subrecipient organizations.

Recommendation D: Develop and document agency policies for appropriate levels of subrecipient monitoring.

Response: Concur. The Grant/Contract Unit will develop department-wide policies and disseminate their content to grant program staff at monthly meetings attended by upper-level grant management staff and at routine technical assistance visits to grant programs.

Target Completion Date: 12/31/07

Benefits/Costs: Increased compliance with federal, State and County policies. Improved management of subrecipient relationships and increased capacity of DPH grant programs to manage their grant programs.

Recommendation E: Encourage Grant Program Managers to include site visits and direct observation as part of their subrecipient monitoring procedures.

Response: Concur. The Grant/Contract Unit made the recommendation to conduct site visits a part of its routine technical assistance meetings to programs starting in June 2007. Increased communication and training on this recommendation has already begun at monthly grant/contract committee meetings attended by upper-level grant management staff.

Targeted Completion Date: In process; completion by 12/31/07.

Benefits/Costs: Increased consistency in the monitoring of subrecipients.

**AUDIT RESPONSE – ISSUE #3
DEPARTMENT OF PUBLIC HEALTH - August 27, 2007**

Issue #3:

Proper procurement procedures are not always followed; \$345,500 was paid to vendors not on contract with the County. \$19,398,290 was expended prior to obtaining Board approval.

Response: Concur. Prior to the centralization of procurement within Public Health in January 2006, many of the required procurement activities were not being followed. Since the centralization, we are striving to ensure that all required procurement activities are performed for required goods and services. Prior to the centralization of the Grant/Contract Unit in October 2006, many of the grants were late in getting to

the Board of Supervisors. Since the centralization, we are striving to ensure that all grants are processed in a timely manner and Board approvals are received prior to grant expenditures.

Recommendation A: Ensure that all required procurement activities are performed for required goods and services, and that amendments are prepared and approved before funds exceeding contract time period or dollar limits are spent.

Response: *Concur. Procurement has been centralized for one and a half years; therefore, DPH is confident that a substantial decrease in the amount of purchases from vendors not on contract will be observed in the next audit period.*

Target completion date: Complete.

Benefits/Costs: Increased control over County funds and decreased risk of fraud, waste, and abuse resulting from inappropriate procurement. Increased public confidence in the manner in which monies are spent. Assurance that the best value is sought when procuring goods and services.

Recommendation B: Ensure that contracts are approved by the Board when required, and that only contracts requiring Board approval are submitted.

Response: *Concur. With the recent centralization of the Grant/Contract Unit, this issue is expected to improve. In addition, the Procurement Unit and the Grant/Contract Unit will begin to work more collaboratively in order to ascertain which contracts require Board approval and to keep more accurate data regarding DPH contracts.*

Target completion date: Collaboration with the Grant/Contract Unit has already been established and improvement on the databases is in process (10/31/07).

Benefits/Costs: Increased accountability and efficiency when obtaining contract approval whether it is by the Board of Supervisors or Materials Management.

Recommendation C: Ensure that DPH Procurement consistently follows County Procurement Rules and fully documents all procurement actions.

Response: *Concur. Again, since the centralization of procurement, DPH Procurement already does this and will continue to do so.*

Target completion date: This began in January 2006 and is in process; completion is expected by 12/31/07.

Benefits/Costs: Increased control over County funds and decreased risk of fraud, waste, and abuse from inappropriate procurement. Increased public confidence in the manner in which monies are spent. Assurance that best value is being obtained when procuring goods and services.

Recommendation D: Ensure that delegated procurement authority is strictly adhered to, only executing contracts within DPH delegated procurement authority.

Response: *Concur. Again, since the centralization of procurement, DPH Procurement already does this and will continue to do so.*

Target completion date: This began in January 2006; completion is expected by 12/31/07.

Benefits/Costs: Increased control over County funds and decreased risk of fraud, waste, and abuse from inappropriate procurement. Increased public confidence in the manner in which monies are spent. Assurance that best value is being obtained when procuring goods and services.

AUDIT RESPONSE – ISSUE #4
DEPARTMENT OF PUBLIC HEALTH - August 27, 2007

Issue #4:

DPH IT did not appropriately grant, track, or disable access to DPH data and infrastructure or effectively administer DPH applications or systems. We recommend steps that Public Health management should take to strengthen safeguards over information technology assets.

Response: Concur. During the past 18 months DPH IT, the Departments technology assets, IT personnel, practices and applications have been audited by Price Waterhouse, County OET, outside vendors procured by OET and now Internal Audit. As each of these items have been identified by other agencies several are currently under corrective action by County OET and these responses have been addressed by PH Liaison from OET.

Recommendation A: Ensure that the list of personnel with access to data centers is reviewed and that access is restricted to only those persons with a valid business need. This review should be conducted periodically (e.g., semi-annually) to ensure that access remains appropriate.

Response: Concur: Data center access is under review as controlled by FMD badges. The number of those authorized for access is reduced to five. If the data centers have not been consolidated with the new OET data centers within six months, another review will be conducted and the results filed.

Target completion date: September 2007

Benefits/Costs: Increased control over information and decreased risk of fraud, waste, and abuse resulting from unauthorized access to information. Increased public confidence in the manner in which information is secured.

Recommendation B: Ensure that a policy and procedure is developed and implemented to require documented, properly authorized requests are completed before user access is granted to any department IT application.

Response: Concur: Application access control is administered by CDR Developer for epidemiology. Supervisor manages the access protocol and has created a granular control form to specify rights and permissions. This form is now in effect and is being automated in VB.net. PHIT application access is administered by systems administrator. However, it should be noted that only a few of the Access databases fall under this category; those that require cross-program access are forced to apply to systems administrator for access rights. There are no major applications hosted by PHIT. The Access databases containing sensitive information should all be migrated to a secure SQL environment with a secure, forms-controlled front end. No direct access to the database should be allowed.

Target Completion Date: This migration should become a formal project this year, to be completed in FY 2008.

Benefits/Costs: Increased control over information and decreased risk of fraud, waste, and abuse resulting from unauthorized access to information. Increased public confidence in the manner in which information is secured.

Recommendation C: Ensure, in conjunction with all appropriate operational groups within DPH, that DPH develops a comprehensive listing of all access capability combinations within CM2 that would create segregation of duties concerns, and that the list is reviewed periodically.

Response: Concur: The access to CM2 is already layered. The next step would be for the operations units in DPH to work with the PHIT Business Analyst to identify the risks associated with the absence of

segregation of duties. Then the rights and permissions credentials can be specified, to mitigate any identified risks. The advent of extending Leonardo M.D. to the clinics should obviate the need for such a next step.

Target Completion Date: Leonardo M.D. should replace CM2 in December, 2007

Benefits/Costs: Increased control over information and decreased risk of fraud, waste, and abuse resulting from unauthorized access to information. Increased public confidence in the manner in which information is secured.

Recommendation D: Develop policies and procedures governing activities within DPH IT systems, to include a policy and procedure to ensure that access is removed for users as soon as individuals terminate, with "IT Notification" on any Human Resources termination checklists. Once completed, these policies should be promulgated to all staff.

Response: Concur: PH will work to develop procedures to address automated termination and revocation of access. The policy for termination actions should exist at the County level because it cannot be executed solely within PHIT, or even OET for that matter, because the process originated in the various departments where terminations occur, then to HR. Currently there is no audit trail from the beginning of the process through to the back-end systems including the FMD badge system and Active Directory. Currently, PH Human Resources notifies PHIT directly, but not in an automated fashion. Therefore the process is subject to human error and can only be audited manually and after the fact so that errors can be eventually found and corrected. The secondary process for notification to PHIT is from PeopleSoft, which is an OET enterprise application not controlled by DPH. The lag time from PeopleSoft is approximately two to three weeks. Because of the County decision to go out with an RFP to replace PeopleSoft, the automated termination link should not be recommended for the current P/S system. Rather it should be included as part of the requirements for the new system.

Target Completion Date: FY09

Benefits/Costs: Automation of this process at the County level will increase security as it will further limit access by unauthorized users.

Recommendation E: Ensure that all DPH systems automatically enforce strong password characteristics and encrypt the password field, and, as well, should configure systems to lock user accounts permanently (until unlocked by an administrator) after no more than five unsuccessful login attempts.

Response: Concur: PH with OET will implement the procedures detailed in response B. Active Directory has strong password turned on. The CDR Developer enforces strong passwords by forcing minimum characters of five, and one each of upper case, special character and number for CDR logon. Passwords are encrypted.

Target Completion Date: FY08

Recommendation F: Ensure the POS system is modified to allow users to change their passwords and the Administrator to lock or disable the user IDs for any terminated individual.

Response: Concur: The POS system is a proprietary solution and does not have the ability for users to change their own passwords. However, the System Administrator can disable accounts. The Audit group and DPH may discuss the cost/benefit of adding custom code to provide password change functionality.

Target Completion Date: TBD

Benefits/Costs: Increased control over information and decreased risk of fraud, waste, and abuse resulting from unauthorized access to information. Increased public confidence in the manner in which information is secured.

Recommendation G: Investigate the feasibility of replacing wet-pipe sprinkler systems from the data centers with a dry-pipe solution.

Response: Concur: The establishment of the County data center consolidation will nullify this concern.

Target Completion Date: FY08 if approved.

Benefits/Costs: Increased security over all County information. Increased public confidence in the manner in which information is secured. Monies saved due to centralization of storage for county as a whole.

Recommendation H: Implement stronger security surrounding the transport, frequency, storage, and access to DPH back-up tapes for both data centers and all DPH IT critical systems and applications.

Response: Concur: The establishment of the County data center consolidation will nullify this concern.

Target Completion Date: FY08 if approved.

Benefits/Costs: Increased security over all County information. Increased public confidence in the manner in which information is secured. Monies saved due to centralization of storage for county as a whole.

Recommendation I: Develop a procedure to ensure that all operating systems (and, where applicable, applications) are patched in a timely manner. This procedure should include provisions for assigning responsibility for researching the manufacturers current patches, testing patches, notifying application owners, releasing patches, and maintaining documentation of supporting evidence.

Response: Concur: The establishment of the County data center consolidation will nullify this concern.

Target Completion Date: FY08 if approved.

Benefits/Costs: Increased security over all County information. Increased public confidence in the manner in which information is secured. Monies saved due to centralization of storage for county as a whole.

**AUDIT RESPONSE – ISSUE #5
DEPARTMENT OF PUBLIC HEALTH - August 27, 2007**

Recommendation A: Prepare and implement formal inventory control procedures for drugs on hand at all DPH drug dispensing locations.

Response: Concur. This issue is currently being addressed with the Program Managers and Clinical Services Medical Director. Many clinical programs have already instituted par levels and on-going inventory procedures for restocking and control purposes. The Pharmacy conducts an inventory annually at fiscal year-end.

Target Completion Date: 11/1/2007

Benefits/Costs: DPH will have increased accountability for medication inventories within Clinical Services. The cost will be increased labor to implement and maintain inventory logs or a perpetual inventory system.

Recommendation B: Implement procedures to effectively track returned goods.

Response: Concur. Pharmacy will obtain written policies from Guaranteed Returns regarding their returns policy by manufacturer. Clinical Services will implement a policy that outdated/returned medications are delivered to the pharmacy for destruction or for processing to obtain any applicable credit from the manufacturer. DPH medications used by Clinical Services but not purchased by pharmacy, such as those items purchased from a repackager, will be handled on an exception basis. It should be noted that very few medications are eligible for return, as it is required that medications must be unopened and in the original manufacturer's container. For this reason, only \$500 to \$1,000 per year in revenue is expected from returns.

Target Completion Date: 10/1/007

Benefits/Costs: DPH will have increased accountability for medication inventories within Clinical Services.

Recommendation C: Upgrade password security over the DPH pharmacy system.

Response: Do not concur. The password mentioned on page 32 of the audit report is not the control password for the security system. Entry into the electronic pharmacy system, PDX, utilizes a user id of unique personal initials (per State Board of Pharmacy regulations this information must appear on the prescription label produced) as well as a user-determined, unique, hidden password. PDX is a separate program that utilizes its own server and icons reside only on computer terminals within the pharmacy. Access to the pharmacy is restricted by a unique deadbolt key carried only by the Pharmacist. Once inside the pharmacy, users must first log into the County system under their County user id/password to see the PDX icons and PDX access in Clinical Services is limited to pharmacy personnel only.

Target Completion Date: Complete.

Benefits/Costs: Secure pharmacy electronic records and prescription processing.

**AUDIT RESPONSE – ISSUE #6
DEPARTMENT OF PUBLIC HEALTH - August 27, 2007**

Issue #6:
DPH needs to maintain adequate documentation to ensure adequate accountability to grantors and citizens.

Response: Concur. DPH recognizes the deficiencies in its previous strategic plan and has drafted a new plan, effective FY08, to correct the deficiencies, comply with the MFR Resource Guide, and to provide for adequate documentation related to data collection and reporting.

Recommendation A: DPH should pay particular attention to the definition of the measure types in the MFR Resource Guide. There is a tendency to erroneously categorize "output" measures as "result" measures.

Response: Concur. This problem has been corrected in the FY08 strategic plan.

Target Completion Date: Completed.

Benefits/Costs: DPH stakeholders, including the public, will have a greater awareness of the services provided by the Department and the benefit (results) to/for the customer. DPH staff will be provided with information necessary to focus efforts on activities that provide demonstrated results to customers.

Recommendation B: Source documentation should be preserved according to Record Retention guidelines. A "snapshot" of data used as a basis for reporting results for a particular timeframe should be maintained before it is manipulated or adjusted.

Response: Concur. The DPH Strategic Coordinator is currently compiling Data Collection and Reporting manuals from each activity in order to ensure that data collection and reporting is documented; that the methodology remains consistent unless changed by grant requirements, by County directive, or by law; and that new staff members have the information they need to collect and report data according to the established methodology and without interruption. (Internal Audit has been provided with a sample manual.) In addition, DPH is currently drafting a Records Management and Retention policy to provide all employees with *guidance on records retention, with a particular emphasis on electronic records.*

Target Completion Date: 09/30/07

Benefits/Costs: Staff will be able to collect and report data in a consistent manner, leading to more reliable data for customers and other stakeholders. DPH management will be better able to interpret performance data for decision making. New managers will have an understanding of how and why data has been collected and reported in the past, thereby avoiding changes in methodology with each staff turnover. Employees will be able to comply with County policies and State laws related to records retention, thereby properly preserving records for public inspection as appropriate.

Recommendation C: Any changes to a calculation method should at least be explained in the "Comments" section of the reporting data base. If necessary the measure should be re-defined. "Estimation" is not an acceptable method of calculating a result measurement.

Response: Concur. It is expected that the data collection and reporting manuals will improve communication related to necessary changes in methodology between activity leaders and the Strategic Coordinator. Documentation of such changes will be maintained by the Strategic Coordinator effective immediately. Estimation is no longer used for calculating result measurements effective with the FY08 strategic plan.

Target Completion Date: 09/30/07 for data collection and reporting manuals; Immediately for all else.

Benefits/Costs: Improved process; more reliable data for customers and other stakeholders.

Recommendation D: Where it is not possible to maintain original source documents, such as in the case of the students enrolled in the President's Physical Activity Program, attestation should be done by an appropriate Department of Public Health individual (i.e., Public Health Educator) certifying the accuracy and veracity of the reported information.

Response: Concur.

Target Completion Date: Will implement with FY08 Q1 reporting (~October-November, 2007).

Benefits/Costs: More reliable data for customers and other stakeholders.

Recommendation E: Where possible, controls should be established to ensure the accuracy and reliability of data received from third party providers. This may involve developing controls with the provider of the information. Although the "% of adult clients quitting tobacco use" measure is being re-engineered there may be other measures that rely on third-party sources of information.

Response: Concur. Effective with the FY08 strategic plan, DPH will only use third-party data for results measures when such data best describe the benefit to the customer of a particular activity, and similar internal data are not available. Data collection and reporting manuals will document the controls established between the activity and the third party.

Target Completion Date: 09/30/07

Benefits/Costs: More reliable data for customers and other stakeholders.

**AUDIT RESPONSE – ISSUE #7
DEPARTMENT OF PUBLIC HEALTH - August 27, 2007**

Issue #7:

The Department of Public Health has not adequately met grant client contact objectives. The county was slow to implement the program fully, give the short time frame. DPH management should take steps to improve its NICP performance results for client contract.

Response: Concur. While the program is not able to meet grant objectives as written in the State Policy and Procedure Manual, the manager and nurses of NICP program continuously make a strong effort to do so. However, there are factors which inhibit their ability to meet these goals. Referrals from community hospitals are often not received within one week of hospital discharge and therefore NICP is noncompliant even before they receive the referral. This has been reported to the grantor as indicated on submitted quarterly reports and Annual Quality Improvement Plans. ADHS, the program grantor, has officially acknowledged in the Annual Site Review that there are circumstances outside of NICP's control that impede meeting this objective. Furthermore, the ADHS reviewer found NICP compliant in that although contact may not always be made within one week from the date of hospital discharge, contact is made within one week of receiving the referral.

Recommendation A: Determine reasons why its NICP performance results for client contact are not comparable, and take steps to improve results.

Response: Concur. There are many facets of quality service to compare between the two programs that are not reflected in this one measurement. In addition, DPH NICP was deemed compliant on all standards in the most recent site visit conducted by the grantor in April 2007. The audit captured a point of time when DPH NICP was in transition and working to implement a newly increased budget and staff. At this time, DPH NICP has obtained a full nursing staff which better reflects the capacity to perform comparably. DPH NICP will also implement "Referral Received Date" into the quarterly audit report to track the number of referrals which are not received within one week of hospital discharge. DPH NICP program has communicated this issue in the annual plan for the last several years; however, the program manager will continue to dialogue with the grantor on this issue in order to have performance measures more accurately reflect programming realities.

Target Completion Date: 12/31/08 to affect program performance measures at the State level. DPH NICP recognizes this may take more time as it has limited control over ADHS policies. Complete. The tracking of referral date received from hospitals has been implemented in the data collection process.

Benefits/Costs: State Policy and Procedure Manual will have performance measures that are more realistic for providers to attain. DPH would be able to track information on true program performance rather than the skewing effects of unavoidable external circumstances.

Recommendation B: Developing goals and tracking performance measures that are better tailored to their staffing size and performance abilities.

Response: Concur- in process. The requirement of four home visits per year was added this contract year and ADHS did not expect implementation until February of 2007. The number of visits/year/client is currently being tracked. Results of one year of data tracking will be available on June 30, 2008.

Target Completion Date: NICP has limited control over the establishment of performance measures by ADHS. The NICP manager will explore identifying performance measures within the limitations of current

resources. DPH NICP is confident that it will meet the requirement of four home visits per year for high risk clients for the current program year (FY2007-08) because it is now fully staffed.

Benefits: High risk clients would be assessed regularly and problems would be detected early.

Recommendation C: Tracking additional measures at the home visiting phase such as level of compliance with Family Service Plan, number of referrals given and obtained by clients, and the child's developmental progression.

Response: Concur- will explore additional tracking measures that are possible with current IT resources.

Target Completion Date: The manager will explore identifying performance measures within the limitations of current resources. Due to the uncertainty of the adequacy of resources, a target completion date cannot be established.

Benefits: It would be beneficial to have objective quality indicators of program performance to share with stakeholders.

Recommendation D: Conducting exit interviews at case closure and working with the State to survey past clients in their service area regarding parental satisfaction and developmental progression of infants.

Response: Concur- implementation may not be currently possible. As noted in the audit report, there is no funding in the DPH NICP grant for evaluation; however, this recommendation will be shared with ADHS. The DPH NICP program manager will explore possible strategies for conducting parental satisfaction surveys using a method that does not incur additional costs such as mailing surveys or conducting phone surveys.

Target Date Completion: As noted in the audit, there is no funding for this. Under the current circumstances, this may not be possible but DPH NICP will do its very best.

Benefits: It would be beneficial to obtain information on program strengths and suggestions for improvement from clients.

Approved By:	 _____	<u>8-29-07</u>
	Director	Date
	 _____	<u>9-4-07</u>
	Deputy County Manager	Date
	 _____	<u>9/5/07</u>
	County Manager	Date