

City of Austin Public Health Services Department

2017 Food and Pool/Spa Permit Examination



TRAVIS COUNTY AUDITOR'S OFFICE
Risk Evaluation & Consulting Division

June 20, 2017

TRAVIS COUNTY
AUDITOR'S OFFICE

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From: Nicki Riley, CPA
Travis County Auditor

Date: June 20, 2017

Subject: Review of Food and Pool/Spa Permit Function

Scheduled as part of our statutory requirements, the Risk Evaluation & Consulting Division of the Travis County Auditor's Office has completed an examination of processes related to food permits and pool/spa permits. Food and pool/spa permitting is conducted by the City of Austin Public Health Services Department (PHSD) on behalf of Travis County Health and Human Services & Veterans Services Department (HHSVS). We conducted our examination in accordance with the applicable statutes governing the County Auditor's Office and those relating to County financial and accounting protocols. As a result of our examination, we are providing this report on our findings and recommendations.

BACKGROUND

Travis County and the City of Austin entered into an Interlocal Agreement (ILA) for public health services that was effective October 1, 2007. This ILA has been renewed annually every year since. The ILA creates the City of Austin/Travis County Health and Human Services Department entity and covers many public health concerns, including food and pool/spa permitting.

According to the ILA, PHSD is responsible for processing Travis County food and pool/spa permit applications, as well as collecting relevant fees and remitting these fees to the County. During Calendar Year 2016, a total of \$109,935 was collected in permit fees, \$92,150 of food permit fees and \$17,785 pool/spa permit fees. Food permits are governed by Chapter 437 of the Health and Safety Code and Chapter 47 of the Travis County Code. Pool/Spa permits are governed by Chapter 341 of the Health and Safety Code and Chapter 61 of the Travis County Code.

SCOPE OF EXAMINATION

This examination included a review of permit applications, fee assessments, cash receipts, and cash handling for the 12-month period ending December 31, 2016. The scope of this examination included determining compliance with the terms of the ILA, the applicable statutes, Commissioners' Court-approved policies and procedures, and relevant COA policies and procedures. We also evaluated applicable internal control structures and accounting protocols.

EXAMINATION METHODOLOGY

Our work was based on applying sampling procedures to department records and on verbal and written representations from these departments. Sampling techniques are used to sample a percentage of the population that would be representative of the entire population. The use of sampling techniques would not necessarily disclose all matters in HHSVS's and PHSD's financial records and internal controls that might constitute material weaknesses or misstatements. In regard to the written and verbal representations made by the Auditor's Office, unless otherwise noted in this report, HHSVS and PHSD maintain that the assertions we relied upon in the examination were correct to the best of their knowledge.

SUMMARY OF FINDINGS

We were unable to find statutory authority for HHSVS to charge a Pool/Spa Plan Review Fee or a Food Enterprise Plan Review Fee on behalf of the County.

Food and pool/spa permit collections by PHSD were not remitted to Treasury Office as frequently as required by the ILA.

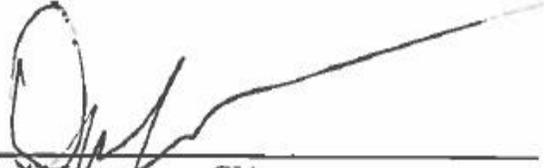
ATTACHMENTS

Attachment A: Includes details of our findings, our recommendations, and management's responses to these findings.

Attachment B: Copies of the December 31, 2016 financial statements for the Special Revenue Fund – Health Food Permits and Pool/Spa Permits are provided in this attachment.

CLOSING

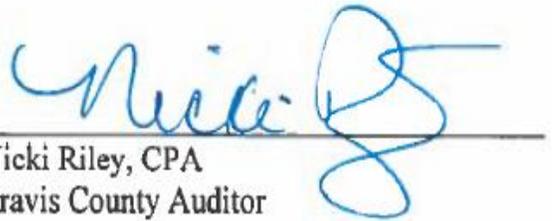
This report is intended solely for the information and use of HHSVS and PHSD management. We greatly appreciate the cooperation and assistance received from the management and staff of PHSD during this examination. Please contact our office if you have any questions or concerns regarding this report.



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ATTACHMENT A –DETAILED EXAMINATION RESULTS

1. Revenue assessment

We compared the food and pool/spa permit fee schedule to Section 437.012 and 341.064 of the Health and Safety Code to determine the statutory compliance of the fees charged by HHSVS on behalf of the County. During this review, we noted that HHSVS charges a \$10 Food Enterprise Plan Review Fee and \$50 Pool/Spa Plan Review Fee. In the review period, \$300 and \$400 of these fees were collected respectively. We were unable to find statutory support in the Health and Safety Code for assessing either of these fees.

Significance:

HHSVS potentially is charging fees that are not in accordance with Chapter 437 and 341 of the Health and Safety Code.

Recommendation:

We recommend that HHSVS verify, with the appropriate entities, the legality of charging these two plan review fees. If no statutory basis can be found, HHSVS should cease collecting these fees immediately and refund past collections as is deemed appropriate.

Manager Response:

HHSVS will touch base with the County Attorney to obtain their opinion in writing.

2. Cash controls

During the examination period, PHSD issued 1,172 receipts totaling \$76,550 for the collection of Travis County food permit fees. We selected a random sample of 59 (5%) receipts totaling \$6,140 (6%) for testing. A breakdown of the receipt population and sample by revenue type is provided below:

Fee Description	<u>Population</u>		<u>Stratified Sample</u>			
	Count	Amount	Count	Percent	Amount	Percent
Fixed Food Estmt. Permit	416	\$64,950	21	5.0%	\$3,845	5.9%
Mobile Food Vending Permit	310	18,120	15	4.8%	900	5.0%
Temp. Food Event Permit	213	8,780	11	5.2%	470	5.4%
Food Enterprise Plan Review	34	300	2	5.9%	20	6.7%
Pool/Spa Permit	24	2,280	1	4.2%	95	4.2%
Pool/Spa Plan Review	10	400	1	10.0%	50	12.5%
Pool/Spa Permit Renewal	165	15,105	8	4.8%	760	5.0%
Totals	1172	\$109,935	59		\$6,140	

During our review of the sampled receipts and the internal control environment in place to safeguard funds collected, we noted that PHSD deposits County collections on a weekly basis. Specifically, all sampled County food and pool/spa permit collections were deposited from three to eight business days after they were received.

Significance:

Regarding the importance of the daily deposit of County fees, Section 6.3.2 of the Interlocal Agreement Between the City of Austin and Travis County for Public Health Services states that the “*City shall deposit fees as they are collected to a designated County account.*” Funds kept on hand for longer periods of time are at increased risk of theft or loss.

Recommendations

We recommend that PHSD comply with the ILA by remitting County funds to the County Treasurer within one working day of receipt.

Management Response:

- EHSD (Environmental Health Services Department) has received an approval from TC for the weekly deposits during FY13-14 audit.
- EHSD has considered the cost/benefit of daily deposits for Travis County Permit Fees and, at this time, has determined that following the City of Austin and APH Cash Handling policies for timely deposits provides for adequate controls. EHS management is following-up with HHSVS to reflect the changes in the ILA.

ATTACHMENT B – FINANCIAL STATEMENTS

**Travis County Health & Human Services
Special Revenue Fund - Health Food Permits
Balance Sheet
December 31, 2016**

Assets	
Cash	\$ 413,351
Interest Receivable	739
Total assets	<u>\$ 414,090</u>
 Liabilities and Fund Balance	
Liabilities:	
Accounts payable	<u>\$ -</u>
Total liabilities	<u>-</u>
 Fund balance:	
Restricted:	
Special Revenue Funds	<u>414,090</u>
Total fund balance	<u>414,090</u>
Total liabilities and fund balance	<u>\$ 414,090</u>

NOTE: The express purpose of presenting this financial statement and the appropriate findings is to comply with applicable local government code statutes and to provide internal control feedback to Travis County officials. Travis County's external auditors have not currently audited this financial statement.

**Travis County Health & Human Services
Special Revenue Fund - Health Food Permits
Detailed Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the 12 Months Ended December 31, 2016**

Revenues:

Charges for services	\$	93,140
Investment income		3,264
		96,404
 Total Revenues		 96,404

Expenditures:

Current:		
Health and human services		
Other charges		
Capital outlay		-
Debt service		-
		-
 Total expenditures		 -
 Excess (deficiency) of revenue over expenditures		 96,404

Other financing sources (uses):

Operating transfers in		-
Operating transfers out		-
		-
 Total other financing sources (uses)		 -
 Net change in fund balance		 96,404
 Fund balance beginning of year		 317,686
 Fund balance end of year	\$	 414,090

NOTE: The express purpose of presenting this financial statement and the appropriate findings is to comply with applicable local government code statutes and to provide internal control feedback to Travis County officials. Travis County's external auditors have not currently audited this financial statement.