

**HOME AND COMMUNITY-BASED SERVICES (HCS)
Special Request**

Audit Report No. HCBS0111

March 31, 2011



**MENTAL HEALTH MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY**

Internal Audit Report

AUDITOR'S REPORT

**Home and Community-based Services (HCS) Program
Special Request**

Harris County, Texas

Internal Audit Report

March 31, 2011

Henry E. Webb, CFE

Internal Auditor





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Steven B. Schnee, Ph.D.
Executive Director
MHMRA of Harris County
7011 SW Freeway
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Re: Home and Community-based Services (HCS) Program
Audit Report No. HCBS0111 (Special Request)

BACKGROUND

The Internal Audit Department of the Mental Health and Mental Retardation Authority of Harris County (MHMRA) received a letter from the Executive Director of MHMRA dated January 20, 2011. The letter was sent to the Executive Director of MHMRA addressing several concerns as it deals with The Department of Aging and Disability Services' Home and Community-based Services Program (HCS) within MHMRA of Harris County. At this time, the Internal Audit Department began a review of the program within the Agency.

The HCS program provides services and support for individuals with mental retardation or a related condition as an alternative to residing in an institution. Individuals may live in their own or family home, in a foster / companion care setting, or in a residence with no more than four individuals who receive similar services.

Services include case management and, as appropriate to the individual's needs, residential assistance, supported employment, day habilitation, respite, dental treatments, adaptive aids, minor home modifications, and specialized therapies.

Fiscal year 2011 budget for the HCS program within MHMRA totals \$4,236,350 (local revenue and third party billing).

As of March 21, 2011, the HCS program was serving 116 consumers.

OBJECTIVES

The overall objectives of the audit were to determine whether the department:

- Managed and used resources in an efficient, effective, and economical manner
- Administered funds in compliance with applicable laws, regulations, policies and procedures
- Implemented internal controls to prevent or detect material errors and irregularities

The specific objectives in this audit were to:

- Evaluate the processes the HCS program uses to assess the needs of HCS program consumers, provide services, and ensure that services were provided according to the needs assessments.
- Determine whether the HCS program has controls to ensure that allegations of improper care are reported, disposed of, or investigated in a manner that promotes the safety of consumers.

SCOPE

The scope of the work did not constitute an evaluation of the overall internal control structure of the units. The examination was designed to evaluate and test compliance with established policies and procedures and to test the internal control over tested areas and material. The audit scope was from January 1, 2010 through February 28, 2011.

Department management is responsible for establishing and maintaining a system of internal controls to adequately comply with approved policies and procedures. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected in a timely manner. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate.

The purpose of the audit report is to furnish management independent, objective analyses, recommendations, and information concerning the activities reviewed. The audit report is a tool to help management discern and implement specific improvements. The audit report is not an appraisal or rating of management.

Although due professional care in the performance was exercised, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud will be detected. Specific areas for improvement are addressed later in this report.

Other minor findings, not included in this report, have been communicated to management and/or corrected during the audit process. Internal Audit would like to thank management and staff for their cooperation throughout the audit.

METHODOLOGY

In order to meet the objectives, Internal Audit used process mapping and evaluated controls over the HCS program, and reviewed policies and procedures for compliance and completeness. MHMRA staff were interviewed and audit tests and procedures were conducted as considered necessary.

The sample size and selection were statistically generated using a desired confidence level of 95%, expected error rate of 5%, and a desired precision of +/-5%. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

STATEMENT OF AUDITING STANDARDS

The audit was conducted in accordance with generally accepted government auditing standards (GAGAS). Those standards require that Internal Audit plan and perform the audit to afford a reasonable basis for the judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. An audit also includes assessing the estimates, judgments, and decisions made by Agency management. It is believed that this audit provides a reasonable basis for the findings, conclusions, and recommendations.

RESULTS

As a result of the audit procedures and surveys conducted, it was determined that controls over the HCS program meet Agency policy and procedures. These controls are adequate and provide reasonable assurance that the Mental Health and Mental Retardation Authority of Harris County's HCS program has controls / processes to ensure that the needs of HCS program consumers are provided as outlined in the needs assessment. There were areas noted that needed improvement over internal control and these areas are discussed below.

FINDING

Lack of Client Participation in Financial Planning

During the course of the audit the following was observed in reference to what appears to be a lack of client participation in their financial planning (bank reconciliation / budgeting / Food Stamp Program):

- While the bank statements appear to have been reconciled, there is no visible indication that the clients participated in the process. This is evidenced by non sufficient fund fees, utility and other bills paid late or partial payments of bills when sufficient funds were available to cover the full amount. Further, a partial payment on one client's utility bill was made (incurring late fees), while paying a cellular phone bill over \$600 which included 30 "add on" items such as weather alerts, etc. The same client incurred a cable bill with the same type of "add ons".
- Currently 17 out of the 116 clients participate in the Food Stamp Program. However, 87 of the clients reside in their family/legally authorized representative's home. It was stated that the HCS staff do not have the time to take the client for Food Stamp Program determination. MHMRA provides approximately \$32,490 per year in additional funding through the use of Agency P-card and flex funds. Approximately half is used for food item purchases.

RECOMMENDATION

- It is recommended that HCS management include client / staff / signatures / dates that indicate participation in the monthly bank reconciliation and budgeting process.
- It is recommended that HCS management recommend that every client apply for the Food Stamp Program and utilize these services if they are eligible to offset daily dietary needs being supplied by MHMRA.
- It is recommended that management prepare an internal policy procedure that addresses the steps that outline the process on an on-going basis. Targets and objectives for 100% determination of eligibility should be included as part of this policy.

Management Response

"Currently 87 consumers in the MHMRA of Harris County HCS program reside in their family/legally authorized representative home under the foster care or supported home living residential models. We have no financial responsibility for any of these individuals. Families are aware of the Temporary

Assistance for Needy Families program. However, we have no knowledge if individuals participate in the TANF Program.

Approval is based on the income of the entire household.

A portion of the consumers in the HCS residences have legally authorized representatives either a family member or through the Harris County Guardianship Program. We will ensure that the LARS are aware of this program and the benefit to their ward (s).

The HCS Program will implement the proposed recommendations and train staff upon hire of the policy and procedure.

Based on written assessment the Service Planning Team as mandated by the Department of Aging and Disability Services determines an individual's ability to participate in a monthly budgeting process. The HCS Program will implement a policy and procedure to address the individual's participation in a monthly budgeting process based on planning team's assessment. The participation level will be agreed upon by the Service Planning Team including the individual and legally authorized representative and documented in the Authorization to Assist Consumers With Personal Financial Affairs established annually by the individual/LAR and the HCS Provider.

HCS employees will be trained upon hire of the policy and procedure.

The majority of the actual dollar amount for P-Card and Flex Fund annual usage (\$24,066) reflects the utilization in two identified areas which are food/household supplies and room/board for two (2) HCS residences -Barbarella and Stonechase. It is noted that consumers reimburse the agency for these expenditures.

We have an established procedure that the seven (7) individuals who reside in the Barbarella and Stonechase residences will have food/household supplies purchased through the P-Card and submit monthly reimbursements to MHMRA.

We have an established procedure that rent and utilities be paid through Flex Fund by the agency under obligation when there is a vacant bed in any of the other eight (8) locations leased by MHMRA. The P-Card is used for purchases for individuals during respite stays; consumer holiday events; foster care meetings; and for day habilitation supplies.

In addition, a lesser percentage of funds are expended on an annual basis due to a temporary interruption of Medicaid/Medicare/Supplemental Security Income/Social Security benefits for emergency food/household supplies for individual(s) in the program.

Flex Funds are not used for the purchase of groceries for any individuals in the HCS program. An internal policy/procedure will be developed to outline the process for application to the TANF Program.”

FINDING

Staff aiding clients' during the client signature process

Based on conversations with HCS staff and supported by email confirmation, HCS at times obtains signatures from the clients by using the “handover” method. This method is where a pen is placed in the consumer's hand and a staff person places theirs over the consumer's and signs the document. There was no evidence that showed any gain by staff had occurred; and it appears this is with the intent to help the client.

RECOMMENDATION

- It is recommended that management of HCS have a client place an X or mark which is witnessed by another staff member and notarized.
- It is recommended that management of the HCS program provide internal policies that outline clear steps for staff to follow when the need for a signature from a client occurs whereby the client may not be able to sign.

This process, while seemingly cumbersome, is to protect the client, staff and the Agency.

Management Response

“The HCS Program will implement the proposed recommendations and train staff upon hire of the policy and procedure.”

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Henry E. Webb, CFE, Internal Auditor

Michele L. Johnson, MPA, CFE, Staff Internal Auditor

Cc: Rose Childs, MSW, Deputy Director, Mental Health Division
 Kenneth Collins, LMSW, Deputy Director, Mental Retardation Division
 Barbara Dawson, MSE, Deputy Director, Comprehensive Psychiatric Emergency Program Division
 Daryl Knox, MD, Medical Director, Comprehensive Psychiatric Emergency Program Division
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 Sylvia Muzquiz, MD, Medical Director, Mental Health Services
 Jeanne Mayo, MS, JD, General Counsel
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 Charles O. Buckner, CPA
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ATTACHMENT A
SUMMARY OF RECOMMENDATIONS
March 31, 2011

Unit: Home and Community-based Services Program (HCS)		
Area: Special Request		
Inherent Risk: Low Moderate High	Control Environment: Well Controlled Acceptable Poorly Controlled	Overall Risk: Low Moderate High
Type of Procedures: Audit		
Scope: <ul style="list-style-type: none"> * Using Internal Control Evaluation (ICEs) forms, documented internal controls * Conducted a preliminary survey reviewing applicable policies and procedures, etc. * Interviewed various staff, obtained understanding of management controls * Examined detailed receipts, vouchers, and supporting documentation 		
Priority Rating:	Audit Recommendations:	
1	Provide client/staff signature for evidence of bank reconciliation/budgeting monthly process (internal policy)	
1	Target 100% participation for determination of eligibility for TANF Program (internal policy)	
1	Client signature/mark be witnessed/notarized when client not able to complete signature (internal policy)	
Follow-up: six months		

Priority Rating

1. Implement immediately (30 - 90 days) - Serious internal control deficiencies or recommendations to reduce cost, maximize revenues, or improve internal controls that can be easily implemented.
2. Work towards implementing (6 - 18 months) - Less serious internal control deficiencies or recommendations that can not be implemented immediately because of constraints imposed on the unit (i.e., budgetary, technological constraints).
3. Implement in the future (2 - 3 years) - Recommendations that should be implemented but that can not be implemented until significant and/or uncontrolled events occur (i.e. legislative changes, buy and install major systems, requires third party cooperation).