



**MHMRA**  
*of Harris County*

**INTERNAL AUDIT REPORT**

EXECUTIVE STAFF / BOARD MEMBER  
TRAVEL RELATED EXPENSES

AUDIT REPORT No. EXE0111

December 15, 2011

**AUDITOR'S REPORT**

**Annual Executive Staff / Board Member Expense Audit**

**Harris County, Texas**

**Internal Audit Report**

**December 15, 2011**

**Michele L. Johnson MPA, CFE**

**Staff Internal Auditor**





December 15, 2011

Steven B. Schnee, Ph.D.  
Executive Director  
MHMRA of Harris County  
7011 SW Freeway  
Houston, TX 77074

Re: Review of Expense and Credit Card Use for Executive Staff and Board Members  
Audit Report No. EXE0111

## **BACKGROUND**

### ***Travel and Travel-Related Reimbursement***

Mental Health and Mental Retardation of Harris County (MHMRA) Executive Staff and employees attend a variety of local and out-of-county conferences, conventions, seminars, workshops, and meetings to gain knowledge specific to their area of responsibility, enhance professional skills, and conduct MHMRA business. MHMRA's travel policy outlines procedures for employees to obtain approval for and reimbursement of travel expenses connected with both local and out-of-county travel. It designates those responsible for authorizing travel and sets forth the procedures and forms necessary to obtain approval for travel and reimbursement of travel expenses. The policy also distinguishes between travel expenses that are eligible and not eligible for reimbursement. The policy applies to all salaried and non salaried MHMRA employees and to members of the Board of Trustees and the various Advisory Councils.

Members of the Board of Trustees and the various Advisory Councils are reimbursed under the same terms and conditions as employees with the following exceptions:

No application or Approval of Leave form is necessary; the expense report may be completed by the Executive Director; and it is not necessary for a Board Member to sign the Travel Expense Report, needing only the Executive Director's signature for processing payment.

Employees are reimbursed for all travel at the current allowable rate per mile as directed by the Executive Director. When travel is required to a location prior to the employee going to his/her unit, the employee will be reimbursed for the mileage exceeding that which they would normally travel between their home and their office. For staff issued a Center credit card, hotel reservations may be charged with the approval of the supervisor.

In order to be reimbursed, employees must file an Expense Report for In-County Travel (**BUS-F/B: 6.001**). Payment to the staff member is processed and paid within the current Agency cash disbursement schedule. All travel must be submitted in ink and signatures signed in ink.

Parking fees and tolls are paid if a receipt accompanies the travel report. Parking meter fees are paid without a receipt.

An Expense Report for In-County Travel is to cover expenses incurred during an entire month. Only one (1) report is to be submitted for each calendar month. Proof of auto liability insurance must be attached to the expense report and the auto liability insurance must be under the driver's name.

#### ***Credit Card Use***

#### **Bank of America**

As of the audit period, MHMRA has authorized the use of eight (8) credit cards from Bank of America to be used primarily for travel and emergency purchases. Each month, Accounts Payable receives a combined statement and a travel statement. The eight (8) cardholders receive a statement, which they use to verify and reconcile their charges. In order to avoid late fees, MHMRA makes payment of the credit card charges by Electronic Funds Transfer (EFT).

### **OBJECTIVE**

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

- 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 objective in this audit was to:

- Assist management with the assessment of the adequacy of internal controls related to recording, reporting, and safeguarding the Agency's control over Executive Staff and Board expense accounts.

### **SCOPE**

The scope of the audit 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, procedures and to test the internal control over tested areas and material. The audit scope was for the period August 31, 2010 Through July31, 2011.

Department management is responsible for establishing and maintaining a system of internal controls to adequately comply with approved policy 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 control, errors or irregularities may occur and not be detected timely. Also, projection of any evaluation of the system to future periods is subject to the risk those procedures may become inadequate because of changes in conditions, or 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 discerns and implements specific improvements. The audit report is not an appraisal or rating of management.

Although due professional care in the performance of the audit 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 evaluated controls over the use of Executive Staff expense accounts, and reviewed policies and procedures for compliance and completeness. MHMRA staff was 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 of 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 departmental compliance with either established or drafted criteria to govern Executive Staff and Board expense accounts as well as credit card use generally meets Agency policy and procedure requirements.

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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  
Sarah Flick, MD, Medical Director, Mental Retardation Services  
Sylvia Muzquiz, MD, Medical Director, Mental Health Services  
Jeanne Mayo, MS, JD, General Counsel  
Alex Lim, MBA, CPA, Chief Financial Officer  
Scott Strang, Ph.D., MBA, Chief Operating Officer  
External Audit Firm  
Audit Committee:

Tom Hamilton, Ph.D. (Chairman)  
Jane B. Cherry  
Jo Monday  
Charles O. Buckner, CPA  
Vicki S. Raynold, CPA  
Bob Borochoff

**ATTACHMENT A**  
**SUMMARY OF RECOMMENDATIONS**  
**December 15, 2011**

Area: Expense Account		
Inherent Risk: Low <b>Moderate</b> High	Control Environment: Well Controlled <b>Acceptable</b> Poorly Controlled	Overall Risk: Low <b>Moderate</b> High
Type of Procedures: <b>Audit</b>		
Scope <ul style="list-style-type: none"> <li>• Using Internal Control Evaluation (ICEs) forms, documented internal controls</li> <li>• Conducted a preliminary survey reviewing applicable policies and procedures, etc.</li> <li>• Interviewed various staff, obtained understanding of management controls</li> <li>• Examined detailed receipts, vouchers, and supporting documentation</li> </ul>		
Priority Rating:	Audit Recommendations:	
Follow-up: 1 year		

**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 cannot 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 cannot be implemented until significant and/or uncontrolled events occur (i.e. legislative changes, buy and install major systems, requires third party cooperation).