

WIRELESS PHONES AND PAGERS

Audit Report No. CELL0107

March 21, 2007



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

Internal Audit Report

AUDITOR'S REPORT

Wireless Phones and Pagers

Audit Report Number CELL0107

Harris County, Texas

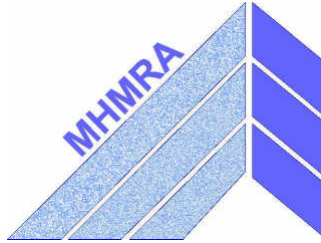
Internal Audit Report

March 21, 2007

Henry E. Webb, CFE

Internal Auditor





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

March 21, 2007

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7011 SW Freeway
Houston, TX 77074

Re: Wireless Phones and Pagers
(Report No. CELL0107)

BACKGROUND

The Mental Health and Mental Retardation Authority of Harris County (MHMRA) provide various employees with cellular telephones, pagers, and/or compensation/stipend for using personal cellular telephones to conduct business. Qualification for cellular telephone compensation includes: job performance, job mobility and/or timely critical business two-way communication.

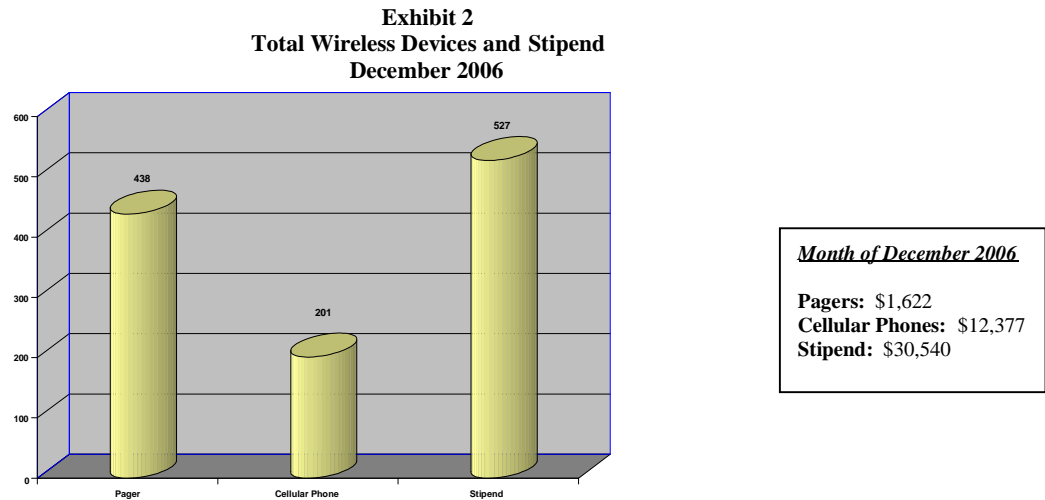
The administration for the cellular telephone, pager and cellular telephone compensation is centralized with Information Technology Department, Contracts and Purchasing Department, and Human Resources Department, respectively. Specific documents maintained by each administrative unit are required before processing wireless devices or cellular telephone compensation. Upon signing the agreement form(s), employees are required to comply with the policies, procedures and agreement. Billings for wireless devices are reviewed at each centralized administration except where cellular telephone compensation/stipend is standardized.

Exhibit 1 presents standard cellular telephone compensation/stipend.

**Exhibit 1
Standard Cellular Telephone Compensation**

Category	Compensated Amount
Early Childhood Intervention	\$35
Assertive Community Treatment	\$150
Psychiatric Emergency Program	\$50 - \$75
All Other	\$50

Exhibit 2 presents total number of wireless devices and cellular telephone compensation/stipends.



OBJECTIVE

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

- Applicable policies, procedures and contracts are complied with
- Records, payments and usage are appropriate

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, laws, and regulations and to test internal control over tested areas and material. The audit scope was from July 1, 2006 through December 31, 2006.

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 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 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 flowcharted and evaluated controls over the wireless phones and pagers, and reviewed contracts, regulations, operational activities and policies and procedures for compliance and completeness. MHMRA staff was interviewed and technical research, 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 3% to 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 controls over Agency compliance with established criteria to govern wireless phones and pager activities are inadequate. The control activities which require strengthening are presented in the body of the report.

FINDING

Lack of Approved Policy and Procedures

The use of all MHMRA cellular telephones is currently administered by the Information Technology Department. Two cellular phone agreement forms provide criteria for formal documentation, equipment/use agreements and appropriate authorization. In testing the documentation, there was no evidence indicating that there is a consistent approval process. Furthermore, agreement forms were not consistently completed or were completed with inappropriate information. Information contained on the agreement forms was not appropriately documented including: inappropriate authorized signature, user signature, equipment serial number and/or justification of needs.

A formal documentation process provides reasonable assurance that there is an approval process to prevent un-authorized use of Agency equipment, that the user has read the agreement of equipment use form, and provides accountability.

RECOMMENDATION

Management should establish a Cellular Telephone Policy and Procedure to promote standardization and accountability.

Management Response (Information Technology)

“With no formal policy in place, the staff has used existing forms and agreements that do not fully cover the requirements for maintenance and monitoring of these items. It is important that we establish a Policy for cell phone and blackberry usage. I recommend that this policy cover the stipend and air card usage in addition.

Our current procedure requires that a supervisor provide a standard Agency requisition that is made out to IT for cell phone, blackberry, or air card purchases for their staff. When the requisition (signed by budget manager) is received, our staff will then fill the order. The requisition is considered our approval to purchase but as a mechanism to show that the staff have received the equipment and understand their usage requirements. All other agency purchases are handled through a requisition; therefore we have used this method for these in the absence of a formally stated policy and procedure.

We recommend the following changes be coordinated between the IT, Purchasing, HR, and Management staff that are responsible for these items:

- 1. Create a Formal Policy and Procedure for the allocation of cell phones, blackberry devices.*
- 2. Formulate better reporting to monitor these policies and procedures and ensure that Management has timely and accurate lists of what devices their staff have in their possession or are receiving stipends for.”*

FINDING

Lack of Adherence to Policy

According to Policy BUS-F/B:22.1-22.2, "employee's eligibility, based on these requirements, must be documented by the Unit Director or immediate supervisor and Division Budget Manager on the Cellular Telephone Stipend Agreement."

Designated authorities did not adhere to Policy BUS-F/B:22.1-22.2 when completing documentation on the Cellular Telephone Stipend Agreement form. 10 out of 65 samples (15%) selected for testing either had inappropriate signature or incomplete information, i.e., justification of needs. Despite incomplete documentation on the agreement forms, cellular telephone compensation was processed in the payroll system.

RECOMMENDATION

- Management should enforce Policy BUS-F/B:22.1-22.2.
- Payroll should not process any incomplete Cellular Telephone Stipend Agreement form in the payroll system, and incomplete agreement forms should be returned to the originator for correction.

Management Response

“Effective immediately, Payroll will not process any call phone stipend forms that are not COMPLETELY filled out.” – Human Resource Department

“In order to ensure that transfers are adhering to the policy: We are recommending that a section be placed about other stipends the position may be eligible for (like cell phone stipends) be added to the Recommendation For Hire Form. The Recommendation For Hire Form is the common form applicable to both new hires and transfers and is completed by the hiring supervisor. The hiring supervisor would

complete the form and indicate whether what stipends (like a cell phone stipend) is appropriate for that position/person and how much it should be.

That section on the Recommendation For Hire Form would indicate to HR and payroll that the person (transfers) should have the current stipends reviewed and removed as of the date of transfer – there should be no exceptions to this because the stipends (like cell phone agreements) are specific to units, not staff.

A copy of the Recommendation For Hire Form would be submitted to Payroll to turning off the staffs stipends as provided for in the previous unit. Since there is no current mechanism for the supervisors to see what they staff have.

The hiring supervisor would then be responsible for completing a new stipend agreements (like cell phone stipend agreement) with the staff member and submitting it for approval. If it is done prior to the person coming into their unit, then great, there will be no break in service. If not, then the stipends (like cell phone stipend) starts at the time of processing. It is the hiring managers responsibility for ensuring that their staff have all the necessary tools in order to perform their duties.

*Another recommendation is to create a check box for the justification on the cell phone stipend, rather than the current blank box.” – **Budget Managers***

FINDING

A Record Maintenance Process

A systematic record maintenance process has not been established to ensure that the first source documents for cellular telephone stipends are maintained current, and that new information is processed timely in the payroll system. 12 out of 65 samples (18%) selected for testing contained inaccurate cellular telephone stipend data. Inaccuracy included change in cellular telephone number and stipend status as a result of transferred job position.

RECOMMENDATION

Management should establish a record maintenance process for updating record change for Policy BUS-F/B:22.1-22.2.

Management Response

“We will recommend that the cell phone stipend agreement be changed to be an agreement for the staff to have a cell phone contract in place so that they may be reachable by work - that the agreement not be specific to a number.

The budget manager in each division is responsible for maintaining an accurate cell phone number listing. This staff is to notify the budget manager if the numbers change. This is currently being done for MH and MR. The CPEP budget mgr is relatively new and will create the listing. Admin will have to identify a person to keep track of the numbers.

*Also, the budget managers are to perform a quarterly audit to ensure that the numbers they have listed are in use.” - **Budget Managers***

FINDING

Procedure Deficiency

The exception of allowing a unit designee to pick up equipment and sign agreement form for the user had compromised the user accountability for the pager use agreement. In addition, the Pager Policy requires

employee's signature on the agreement form. Current procedures could not meet both objectives because the agreement form preparation was conducted by purchasing staff. In order to meet both objectives simultaneously with user accountability, the agreement form should be completed with appropriate signature at the unit level and then be turned in to the Purchasing Department during equipment pick-up. Furthermore, a log should be maintained for the transaction exchange to strengthen physical control.

RECOMMENDATION

- The responsibility for the agreement form preparation should be conducted at the unit level.
- A record should be maintained identifying the Agency employee who picks up the equipment.

Management Response (Purchasing)

- *Purchasing will provide the Employee Pager Agreement Form to the unit for original signatures prior to employee pick-up of assigned pager(s) from Purchasing.*
- *Purchasing will notify all employees of procedure change.*
- *An additional column and or a separate log will be developed to identify the agency employee who picks up the "pager" equipment.*
- *Purchasing will perform an agency-wide review of end-user pager assignments to ensure end-user accountability.*
- *Procedural change will be implemented tentatively by, May 1, 2007 (Date may be adjusted due to staff workflow).*

FINDING

Timely Master Record Maintenance

14 out of 41 (34%) samples compared against the master record contained insufficient information to identify pager issue date, user name, and/or supervisor. According to Pager Policy, master record is used for checking duplicated or transferred user, verifying and updating pager information. The master record is the only available information once the first source documents are filed at offsite storage. Therefore, it is critical to maintain accurate and current master record.

RECOMMENDATION

The Unit Supervisors should periodically review master record for completeness and accuracy.

Management Response (Purchasing)

- *Designated Support Staff will review and input data to the master pager database on a daily basis. In the event support staff is unavailable Buyer Lead will perform required maintenance.*
- *Designated Buyer Lead will review master pager database for completeness and accuracy on a weekly, monthly and or quarterly basis.*
- *Manager will perform a review of current spreadsheet on a quarterly basis.*
- *Procedural change will be implemented immediately.*

FINDING

Non-Centralized Administration for Cellular Telephone

MHMRA cellular telephone administration should be centralized to ensure policy and procedures are uniform and administration is cost effective. TCOOMMI's cellular telephone is not managed by

centralized administration. As a result, the use of the cellular telephone agreement form was not current (or the unit was not aware of the change). Furthermore, because of insufficient information, documentation that was reviewed did not consistently identify records of when user or device had been changed, added or cancelled.

Furthermore, as stated in the current TCOOMMI Agreement:

“Performing Party (MHMRA) agrees to establish controls that ensure the expenditures charged to program activities are allowable.”

“Performing Party shall develop, implement, and maintain a financial management and control system...”

“Inventory lists shall include complete descriptions of items, serial numbers, model numbers and location of each item of capitalized and non-capitalized furnishings and equipment.”

RECOMMENDATION

It is recommended that Unit management consider a transition for the cellular telephone administration to Information Technology Department where Agency-wide equipment, etc. is already being maintained.

Management Response (TCOOMMI)

“Will meet with [REDACTED] to develop procedures and centralize administration of TCOOMMI’s cellular phones. Will obtain the current cell phone agreement.”

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Cc: Rose Childs, MSW, CSWM, Deputy Director, Mental Health Division
 Kenneth Collins, LMSW, Deputy Director, Mental Retardation Division
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ATTACHMENT A
SUMMARY OF RECOMMENDATIONS
March 21, 2007

Unit: Agency-Wide Area: Wireless Phones and Pagers		
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	Establish a Cellular Telephone Policy and Procedures	
1	Follow Cellular Telephone Stipend Policy	
1	Reject incomplete Cellular Telephone Stipend Agreement forms from payroll processing	
1	Redesign procedures to meet pager objectives	
1	Review pager master record for timely completion and accuracy	
1	Transition TCOOMMI's cellular telephone administration to Information Technology Department	
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).