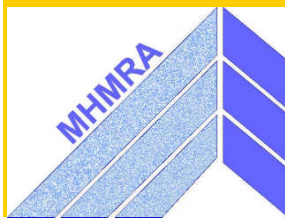


**BACKGROUND SCREENING
EMPLOYEES
CONTRACTORS
STUDENT INTERNS
VOLUNTEERS**

Audit Report No. BSR0110

October 9, 2009



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

Internal Audit Report

AUDITOR'S REPORT

Background Screening

**Employees
Contractors
Student Interns
Volunteers**

Harris County, Texas

Internal Audit Report

October 9, 2009

Henry E. Webb, CFE

Internal Auditor





October 9, 2009

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

RE: Background Screening of Employees, Contractors, Student Interns and Volunteers
Audit Report #**BSR0110**

BACKGROUND

In an effort to promote the safety and well-being of clients, employees, and visitors, MHMRA conducts criminal conviction clearances of all applicants, employees, volunteers, interns, and contract providers, as stated in the Employee Handbook (November 1, 2006), *Sec. D. 5. Criminal Conviction Clearance*.

Information obtained from the criminal conviction clearance of any individual may deem the individual ineligible for employment, volunteer service, intern status, or provider of contract services. If the employee, individual contract provider, volunteer, or intern contends that the criminal conviction clearance report contains errors of fact or identify, they may appeal the accuracy of the report to the issuing agency. The individual will be suspended pending the outcome of the appeal and in the event the appeal is made by an employee, the suspension will be without pay.

Every employee, individual contract provider, volunteer, or intern must immediately inform the Human Resources department of any criminal charges that are brought against the individual and any adverse adjudication he/she has received prior to beginning work or while working at MHMRA. Conviction or deferred adjudication of the following offenses will result in termination:

- criminal homicide
- kidnapping and false imprisonment
- indecency with a child
- agreement to abduct from custody
- sale or purchase of a child
- arson
- robbery or aggravated robbery
- aggravated assault
- sexual assault/rape
- intent to sell or distribute illegal drugs
- felony theft

Conviction or deferred adjudication for other types of crimes, including drug-related offenses, sexual offenses, and crimes involving injury or threat to another person may also result in termination.

Policy and Procedures for Criminal History Clearances (March 21, 2000), provides for “...*annual criminal history clearances on all existing employees, individual contractors, student interns, and volunteers.*”

OBJECTIVES

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 policy and procedures for criminal history clearances for employees, potential employees, individual contractors, student interns and volunteers of the Agency.

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 September 1, 2008 through August 31, 2009.

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 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 effectiveness of background screening by MHMRA, 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 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 departmental compliance with established criteria to govern the Agency conducting criminal history clearances of applicants, employees, individual contractors, student interns, and volunteers generally meet Agency policy and procedure requirements. However, it was discovered that certain internal controls need to be strengthened and are communicated in the body of this report.

FINDING

Lack of Adherence to Policy

Agency policy and procedures **Criminal History Clearances** (March 21, 2000) provides that “*The Agency will also conduct criminal history clearances on all existing employees, individual contractors, student interns, and volunteers.*”

Section I:C “*Any entity which contracts with MHMRA of Harris County to deliver services to individuals with mental illness or mental retardation. This does not include private ICF/MR or ICF/MR/RC [providers’ TDHS (Texas Department of Health and Safety) is responsible for conducting criminal history clearances for those entities.*”

Section I:G “*An individual who contracts with MHMRA of Harris County to deliver services to individuals with mental illness or mental retardation.*”

Two individual contractors with the Agency did not have the required background screening as required by Agency policy and procedures.

Recommendation

- Individual contractors of the Agency are paid directly from the Accounts Payable department, Internal Audit recommends the Contracts department request the Human Resources department to conduct the background clearance on all individual contract providers prior to awarding the contract.

Management Response (U.S. Security Associates, Regional Loss Prevention Manager)

“I was notified by my HR department there were two individuals that are not included but they are going to follow up with me with the final two employees”

Management Response (Contracts Department MHMRA)

“When a Service Needs Assessment Form is received from the end user requesting a contract that requires a background check for the provider as described above, Contracts will contact HR and provide the necessary information for the background check as well as contact information for the potential provider.

HR will inform Contracts as to whether or not there are any problems with potential provider.

All future contracts in this category will have a provision which states that the individual must provide necessary information to undergo a background check to be performed by MHMRA HR department prior to providing services.”

Management Response (Human Resource Department MHMRA)

“We concur with the recommendation.”

-S-

-S-

Henry E. Webb, CFE, Internal Auditor

Michele L. Johnson, MPA, 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
External Audit Firm
Audit Committee:
Tom Hamilton, Ph.D. (Chairman)
Jane B. Cherry
Paige M. Cokinos
Charles O. Buckner, CPA
Vicki S. Raynold, CPA
Bob Borochoff

ATTACHMENT A
SUMMARY OF RECOMMENDATIONS
October 9, 2009

Unit: Background Screening Area: Procedural		
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: 1 1	Audit Recommendations: Confirm that contracted Security Services have conducted the required background clearance on employees Contracts should provide information to HR prior to hiring any Contractors for background screening	
Follow-up: As Risk Assessment Warrants		

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).