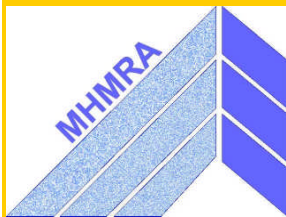


**EMPLOYEE TRAVEL  
AND  
TRAVEL RELATED EXPENSES**

---

**Audit Report No. TRE0110**

**December 11, 2009**



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

**Internal Audit Report**

**AUDITOR'S REPORT**

**Employee Travel  
And  
Travel Related Expenses**

**Harris County, Texas**

**Internal Audit Report**

**December 11, 2009**

**Henry E. Webb, CFE**

**Internal Auditor**





December 11, 2009

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

RE: Review of Employee Travel and Travel Related Expenses  
Audit Report #**TRE0110**

## **BACKGROUND**

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

Mental Health and Mental Retardation of Harris County (MHMRA) 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 nonsalaried 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 (\$0.51 effective 01/01/09). 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.

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.

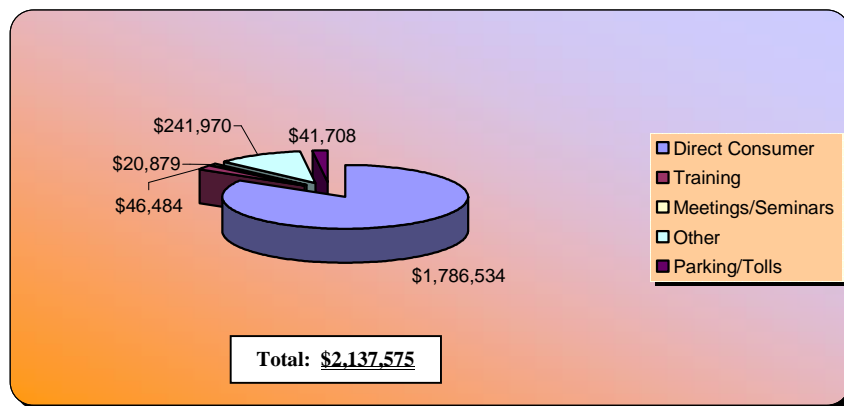
**State of Texas Travel Rates**

**State Comptroller Set Rates**

MHMRA of Harris County has recently adopted the Texas State Comptroller’s Office travel rates (effective October 1, 2009) which establishes maximum lodging rates for certain geographic and specific locations.

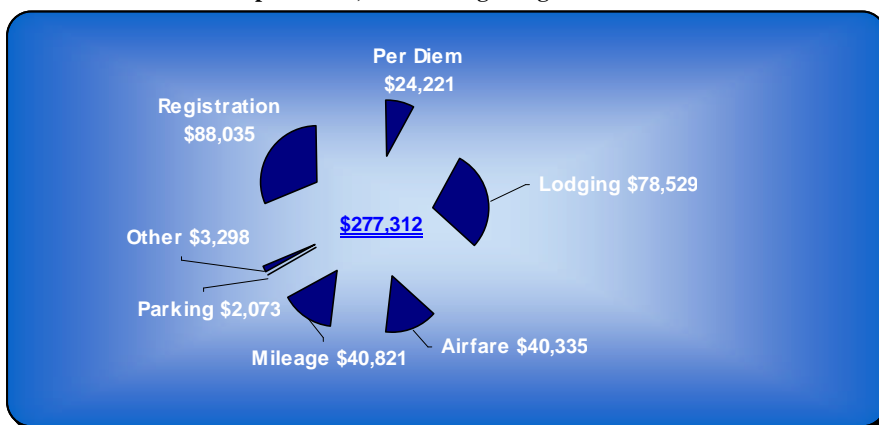
**Exhibit 1** presents the total amount reimbursed for mileage for in-county travel by MHMRA to employees for Fiscal Year 2009.

**Exhibit 1  
MHMRA of Harris County  
Mileage for In-County Travel  
September 1, 2008 through August 31, 2009**

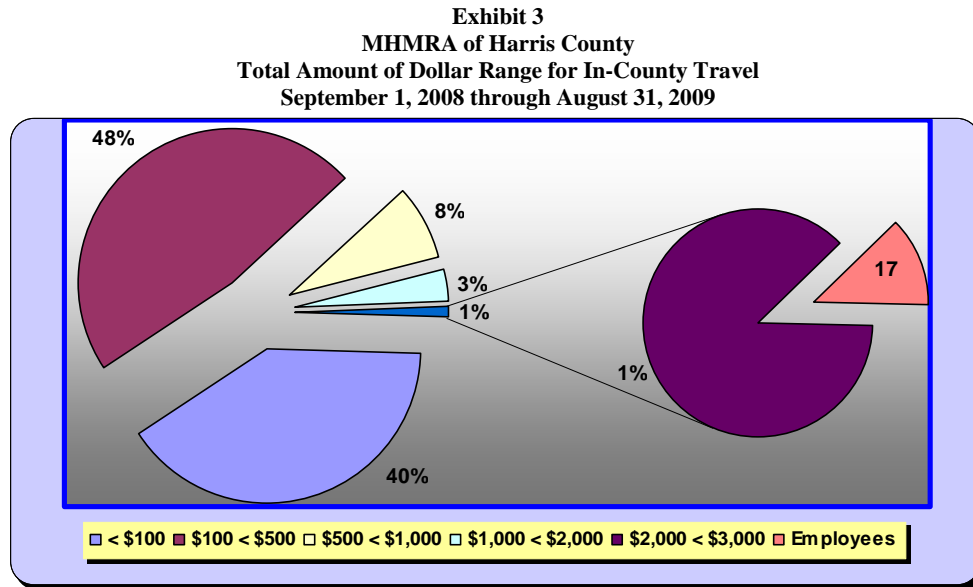


**Exhibit 2** presents the total amount reimbursed for mileage for out-of-county travel by MHMRA to employees for Fiscal Year 2009.

**Exhibit 2  
MHMRA of Harris County  
Total Travel for Employee Out-of-County Travel  
September 1, 2008 through August 31, 2009**



**Exhibit 3** presents range of reimbursement to employees for in county travel for Fiscal Year 2009.



## 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 recording, reporting, and safeguarding the Agency's control over employee travel and travel related expenses.

## 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 employee travel and travel related expenses, 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 departmental compliance with either established or drafted criteria to govern employees travel and travel related expenses generally met Agency policy and procedure requirements. However, it was discovered that certain internal controls need to be strengthened and these matters are discussed in the body of the report.

## **FINDING**

### ***Current Travel Policy Not Reflective of Travel Activity***

MHMRA policy currently provides for the following summarized guidelines for out-of-county travel for all staff:

1. No cash advances
2. Registrations for conferences and reservations for lodging accommodations are to be made by the employee
3. **Reimbursement** for lodging will be at actual costs
4. Registration fees will be pre-paid by the Agency **only** if necessary information is received by the Accounts Payable Department two (2) weeks before they are due
5. Air travel is **pre-paid** by the Agency
6. Hotel reservations should be obtained using governmental rates whenever possible
7. Rental car expense must be approved by the Executive Director prior to the trip
8. In order to be reimbursed, employees must file an **Expense Report for Out-of-County Travel**

Currently, MHMRA practices the following three (3) methods of payment for lodging for employees who travel out-of-county on Agency related business:

1. Employees are held to the current approved policy for travel reimbursement as related to out-of-county travel (employee pays and is reimbursed)
2. Employees are allowed to use Direct Billing with approved hotels
3. Employees with Agency credit cards are allowed to charge hotel reservations and stay to card

#### **Recommendation**

- It is recommended that MHMRA revise their current policy and procedure for out-of-county travel to reflect the the current practices that are being conducted within the Agency
- It is recommended that MHMRA use the Direct Bill option whenever possible to provide a more efficient and effective method for billing and payment of travel for all employees

#### **Management Response**

*“The policy on Travel will be revised to include the 3 current practices in paying for staff travel expenses. The Direct Bill option which was initially adopted to underwrite the travel expenses of staff who do not otherwise have the resources to pay for said expenses in advance will be used whenever possible.”*

-S-

---

Henry E. Webb

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  
Paige M. Cokinos  
Charles O. Buckner, CPA  
Vicki S. Raynold, CPA  
Bob Borochoff

**ATTACHMENT A**  
**SUMMARY OF RECOMMENDATIONS**  
**December 11, 2009**

Unit: ALL		
Area: Travel and Travel Related Expenses		
Inherent Risk:	Low Moderate <b>High</b>	Control Environment: Well Controlled <b>Acceptable</b> Poorly Controlled
		Overall Risk: Low <b>Moderate</b> High
Type of Procedures: <b>Audit</b>		
Scope: * Using Internal Control Evaluation (ICEs) forms, documented the internal controls * Conducted a preliminary survey reviewing applicable policies and procedures, etc. * Interviewed various staff to obtain understanding of management controls * Examined detailed invoices/work orders, statements provided by the vendor, etc.		
Priority Rating:	Audit Recommendations:	
1	Revise current Policy and Procedures to reflect current practice	
1	Use Direct Bill whenever possible to foster a more effective and efficient method for billing and payment	
Follow-up: As Risk Matrix Requires		

**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, etc.).
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, or require third party cooperation, etc.).