

**EXPENSE AND CREDIT CARD USE  
FOR  
EXECUTIVE STAFF AND BOARD MEMBERS**

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**Audit Report No. EXE0109**

**August 28, 2009**



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

**Internal Audit Report**

**AUDITOR'S REPORT**

**Expense and Credit Card Use  
For  
Executive Staff and Board Members**

**Harris County, Texas**

**Internal Audit Report**

**August 28, 2009**

**Henry E. Webb, CFE**

**Internal Auditor**





August 28, 2009

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 #**EXE0109**

## **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 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 (\$0.54/\$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.

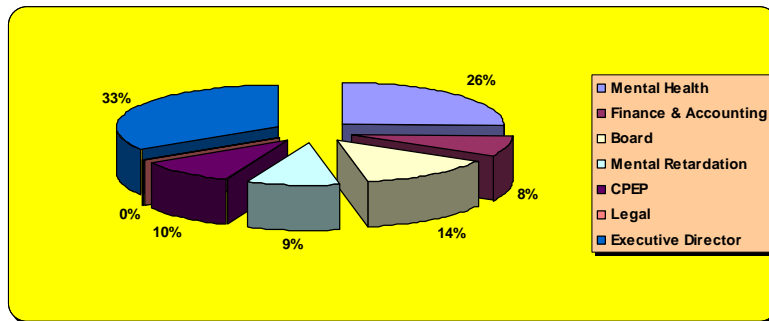
**Credit Card Use**

**Bank of America**

As of the audit period, MHMRA has authorized the use of six (6) 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 six (6) 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).

**Exhibit 1** presents the total Executive Staff and Board members' related expenses incurred by Division.

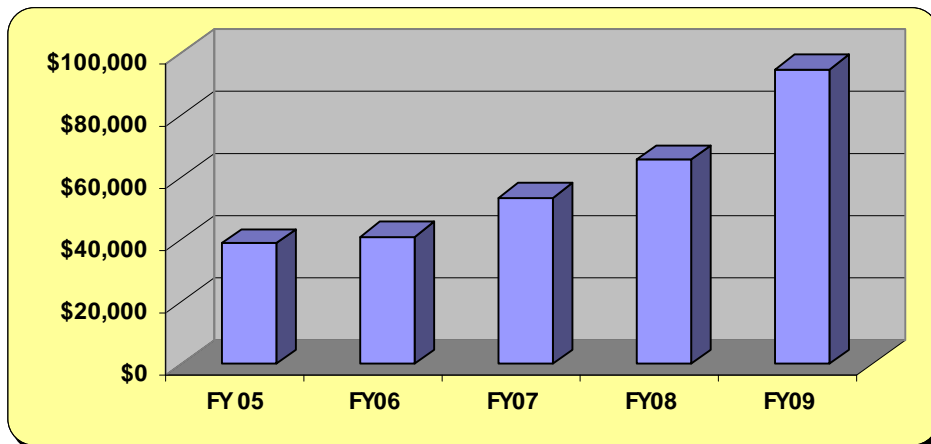
**Exhibit 1  
By Division  
MHMRA of Harris County  
Credit Card Charges and Personal Reimbursement  
For Executive Staff and Board Members  
September 1, 2008 through July 31, 2009**



Board	Finance	Mental Health	Mental Retardation	CPEP	Legal	Executive Director
\$13,052	\$7,178	\$24,302	\$8,860	\$9,266	\$0	\$32,236

**Exhibit 2** presents a five year history of Executive Staff and Board Members' expenses.

**Exhibit 2  
By Division  
MHMRA of Harris County  
Credit Card Charges and Personal Reimbursement  
For Executive Staff and Board Members  
Fiscal Year 2005 through 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 Executive Staff and Board expense accounts.

## 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 July 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 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 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 Executive Staff and Board expense accounts as well as credit card use generally meet Agency policy and procedure requirements. However, it was discovered that certain internal controls need to be strengthened and were communicated through a minor issues memo.

-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  
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**  
**August 28, 2009**

Unit: Executive Staff Area: Expense Accounts		
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 the internal controls</li> <li>* Conducted a preliminary survey reviewing applicable policies and procedures, etc.</li> <li>* Interviewed various staff to obtain understanding of management controls</li> <li>* Examined detailed invoices/work orders, statements provided by the vendor, etc.</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 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.).