

**ACCOUNTS PAYABLE VENDOR PAYMENT  
Follow-up**

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**Audit Report No. AP0210**

**July 02, 2010**



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

**Internal Audit Report**

**AUDITOR'S REPORT**

**Accounts Payable Vendor Payment  
Follow-up**

**Harris County, Texas**

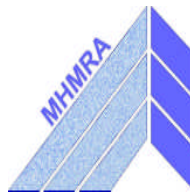
**Internal Audit Report**

**July 2, 2010**

**Henry E. Webb, CFE**

**Internal Auditor**





MENTAL HEALTH MENTAL RETARDATION  
AUTHORITY OF HARRIS COUNTY

July 2, 2010

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

Re: Accounts Payable Vendor Payments  
(Report No. AP0210) Follow Up Audit

Dear Dr. Schnee:

The Internal Audit Department has completed a follow up review of the Accounts Payable Vendor Payment process for the period September 1, 2009 through June 30, 2010.

The review was designed to assist management with the assessment of the adequacy of internal controls over the accounts payable process, the appropriateness of the payments, and compliance with laws and regulations.

Additionally, the follow up audit was designed to determine the progress made toward implementation of the recommendations made in the original report (Audit Report #AP0110). The review consisted primarily of interviews and document testing.

As a result of the audit procedures and surveys conducted, it was determined that the departmental compliance with established criteria and accuracy of reporting meets Agency policy and procedures. Internal Audit expresses an opinion on the Agency's compliance based upon the audit.

Internal audit appreciates the cooperation extended by personnel during the course of the audit.

Respectfully submitted,

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Henry E. Webb, CFE, 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

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## SCOPE AND PURPOSE

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.

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.

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.

## CONCLUSION

As a result of the audit procedures and surveys conducted, it was determined that the departmental compliance with established criteria and accuracy of reporting meets Agency policy and procedures. Internal Audit expresses an opinion on the Agency's compliance based upon the audit.

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Henry E. Webb, CFE  
Internal Auditor

## INTRODUCTION

The Accounts Payable Department of MHMRA of Harris County is responsible for the disbursement of funds for payment of all legal claims against the Agency. The Accounts Payable Department processed approximately 18,868 transactions during the audit period consisting of checks and electronic payments (ACH). Over \$23 million in payments was issued during the audit period September 1, 2009 through June 30, 2010. Of the \$23 million, over \$7 million consisted of 8,834 ACH transactions. The review focused on the internal controls over the accounts payable process, the appropriateness of the payments, and compliance with laws and regulations.

Accounts Payable of MHMRA disburses funds to vendors, employees, and other agencies for payment for goods and/or services received. Payments are made using the ROSS Accounts Payable Purchase Order System. ROSS is a central accounting system which includes, but is not limited to, the general ledger, accounts payable, accounts receivable, and the purchase order subsystem. Payments include invoices related to Purchase Orders, Payment Authorization Vouchers, and Recurring Transactions. A Purchase Order is an agreement made between the Agency and a vendor for goods and/or services. A Payment Authorization Voucher is for the disbursement of funds that do not require a P. O. Recurring payments are invoices paid on a regular basis such as monthly or quarterly payments.

MHMRA of Harris County and its component units (Pear Grove, Pecan Village, Villas at Bayou Park, Pasadena Cottage, Acres Home Gardens, Sunny Side, Friends of MHMRA), maintain five (5) bank accounts at various local banks with approximately thirty-one (31) separate accounts. The Finance and Accounting Department provides the day to day accounting and check writing services to the component units through the use of Quick Books. These support activities are separate from the Accounts Payable Department and require staff, software and IT support as well as other related costs that are not covered by these units.

**Exhibit 1** presents the compliance matrix categorizing the status of action taken by management.

### Exhibit 1 Accounts Payable Vendor Payments Audit Follow-Up Results

| AUDIT FINDING  | PRIORITY RATING | RECOMMENDATION  | ACTION STATUS  | WORK PERFORMED  |
|--|-----------------|---|--|---|
| Vendor list contained duplicate entries.                         | 1               | Review and block or delete duplicate vendors.   | Ongoing – The second phase of the ROSS upgrade is underway where workflow processes and policy and procedures will be updated. | As of March 24, 2010, there were 3,843 vendors and 18,327 duplicate payees either inactivated or deleted. |
| Full reimbursement from affiliated companies should be realized. | 1               | Agency staff provides approximately 360 overtime hours to meet deadlines and process work for the affiliated companies. | Affiliated companies reimburse MHMRA for hours directly spent providing services for each affiliated company.                  | Substantially completed.  |

**ATTACHMENT A**  
**SUMMARY OF RECOMMENDATIONS**  
**July 2, 2010**

|   |   |   |
|---|---|---|
| Unit: Accounts Payable  |   |   |
| Area: Procedural  |   |   |
| Inherent Risk:      Low<br><b>Moderate</b><br>High  | Control Environment:    Well Controlled<br><b>Acceptable</b><br>Poorly Controlled | Overall Risk:      Low<br><b>Moderate</b><br>High |
| Type of Procedures: <b>Audit</b>  |   |   |
| Scope:<br><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:    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).