

IN HOME AND FAMILY SUPPORT PROGRAM

Audit Report No. IHFS0108

November 2, 2007



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

Internal Audit Report

AUDITOR'S REPORT

In Home and Family Support Program

Harris County, Texas

Internal Audit Report

November 2, 2007

Henry E. Webb, CFE

Internal Auditor





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Re: In Home Family Support Program (Report No. IHFS0108)

BACKGROUND

The In Home and Family Support Program (IHFS) was established during the 70th Legislature in 1987 under the Texas Health and Safety Code, Chapter 535, Subchapter A “Assistance For Persons with Mental Disabilities.” The program’s primary purpose is to provide funds to meet disability needs for people with mental disabilities and their families living in the community. It supports people living in a family and community environment (to prevent admission to an institutional setting) while fostering independence for the person with a disability. The program is funded by state general revenue and is limited to \$2,500 per individual annually based on the fiscal year from September 1st through August 31st.

The following highlights the provisions/requirements of the program:

- The administering agency staff must ensure a written plan is developed and approved. A written plan is current only for the fiscal year for which it is developed.
- Personal information must be provided such as name of the person with a mental disability, name of contact person, the diagnosis of the person with the mental disability and any co-payment percentage and amount of co-payment.
- A description of the person’s or family’s need, as determined by the need factor, and how each item meets the criteria of the IHFS program (described in 40 TAC & 1.40(a)).
- The person’s or family’s goal(s) and desired outcome(s).
- How each item will assist in achieving the goal(s) and outcome(s).
- How each item will positively impact the mental disability or co-occurring physical disability.
- A specific description of each item to be paid and/or leased with assistance from IHFS.
- A statement must be provided by the person or family that the person or family agrees to submit a receipt for each item purchased with assistance within 30 days after purchase.

IHFS rules allow for the recipient of funds and the coordinator to negotiate how funds are distributed. Options are advance payment and reimbursement.

ADVANCE PAYMENT

Advance payment is payment to the recipient before the service or item has been purchased. Some purchases, such as those for special equipment or home modification, may require advance payment or partial payment with the balance paid upon receipt of the item or completion of the modifications. It is recommended that the full amount of funds for the fiscal year not be one large advance payment, but rather smaller advance payments on a periodic basis with the stipulation that the next advance payment will **not** be distributed until the receipts of payment of services or item(s) have been submitted for the previous advance payment.

REIMBURSEMENT

Reimbursement is payment made to the recipient after the item has been purchased/delivered and the recipient has paid the vendor/provider. In order to receive reimbursement, the recipient must submit a service log or invoice from the vendor/provider within 30 days after purchase.

As stated in the In Home and Family Support Program's Program Manual: ***“Regardless of the method of payment used, all funds will be distributed according to the written plan.”***

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 associated with compliance with applicable federal and state laws, regulations and policies.

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, 2006 through July 31, 2007.

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 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.

Internal Audit conducted a review, which included the following verification:

- Services and supports were provided as specified in the written IHFS plan
- Payment on services and supports rendered per IHFS written plan were supported
- Evidence that providers received payment for services rendered
- Alternate resources were contacted ensuring IHFS was the payer of last resort

In addition, Internal Audit reviewed the following documentation to support any conclusions made as a result of the review:

- Initial evaluation or re-evaluation form {included service(s) requested}
- Income Verification Form
- Documentation supporting income reported on Income Verification Form
- Proof of consumer's address
- IHFS Written Plan/Person Directed Plan
- Individual Plan of Care with signatures
- Payment Schedule
- Acknowledgement of IHFS Requirements
- Demographic form (if any changes)
- CARE form
- Alternate Resource Information
- Receipt verification

METHODOLOGY

In order to meet the objectives, Internal Audit evaluated controls 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 decision 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 the departmental compliance with established criteria and accuracy of reporting generally meet Agency Policy and Procedures. Further, IHFS has an adequate system of internal controls as detailed in the latest version of IHFS Policy and Procedures. Compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal and State programs is the responsibility of the Authority's management. Internal Audit expresses an opinion on the Authority's compliance based upon the audit.

The results of the auditing procedures disclosed instances where internal controls require strengthening and are presented below.

FINDING

Internal Audit reviewed approximately 180 samples of warrants and receipts. Approximately 30 or 17% of the warrants reviewed were issued prior to the receipts for services and did not reflect method of payment in the Written Plan. The Program Director spoke with the DADS spokesperson who agreed that it could be questionable if the warrants are dated prior to the date of the receipts and not stated in the Written Plan.

RECOMMENDATION

It is recommended that the Unit add a statement to the Written Plan regarding advance pay or reimbursement.

Management Response

"I have reviewed the audit finding and will comply with your recommendation. All written plans completed after today's date will include a statement that paid services will be reimbursed after the receipt is received in the unit; unless upfront funds are requested."

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Cc: Rose Childs, MSW, CSWM, Deputy Director, Mental Health Division
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ATTACHMENT A
SUMMARY OF RECOMMENDATIONS
November 2, 2007

Unit: In Home Family Support Services		
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	Audit Recommendations: The Unit should add a statement to the written plan regarding advance pay and reimbursement.	
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).