

CRISIS RESIDENTIAL UNIT #9210

UNANNOUNCED

**PETTY CASH AUDIT
FOLLOW-UP**

Audit Report No. CRU0207

May11, 2007



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

Internal Audit Report

AUDITOR'S REPORT

Crisis Residential Unit #9210

**Unannounced Petty Cash Audit
Follow-Up**

Harris County, Texas

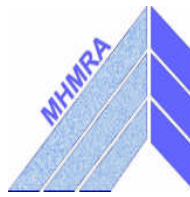
Internal Audit Report

May 11, 2007

Henry E. Webb, CFE

Internal Auditor





MENTAL HEALTH MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY

May 11, 2007

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

Re: Crisis Residential Unit
Unannounced Petty Cash Follow-up Audit - Unit #9210

Dear Dr. Schnee:

The Internal Audit Department has completed an unannounced petty cash follow-up audit of the \$400 Petty Cash Fund at the Crisis Residential Unit #9210 for the period April 6, 2007 through May 8, 2007.

The review was designed to assist management with the assessment of the adequacy of internal controls related to the issuance, use, and control of the petty cash process. Additionally, the follow-up audit was designed to determine progress made toward implementation of the recommendations made in the original report (Audit Report # CRU0107). The review consisted primarily of document testing in accordance with **BUS-F/B: 16.1-16.3**.

Based on the results of the work, there were no significant examples of non-compliance with **BUS-F/B: 16.1-16.3**. Accordingly, it was concluded that the controls over the use of petty cash provide management with reasonable assurance that the fund is adequately safeguarded, disbursed, and replenished in compliance with **BUS-F/B: 16.1-16.3**.

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

Respectfully submitted,

Henry E. Webb, CFE, Internal Auditor

Cheire Lee, Staff Internal Auditor

Cc: Rose Childs, MSW, CSWM, 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
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David Witt, MPA, CPA, Chief Financial Officer
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Vicki S. Raynold, CPA

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SCOPE AND PURPOSE

Internal Audit has completed a follow-up audit of the \$400 Petty Cash Fund #9210, Crisis Residential Unit, for the period of April 6, 2007 through May 8, 2007. The objective was to assist management with the assessment of the adequacy of internal controls related to the petty cash process. Additionally, the audit evaluated compliance with MHMRA Policy and Procedure **BUS-F/B: 16.1 – 16.3**.

The scope of the work did not constitute an evaluation of the overall internal control structure of the unit. The examination was designed to evaluate and test compliance with procedures and adequacy of the internal controls related to the petty cash fund. This was a financial related audit executed in accordance with generally accepted government auditing standards (GAGAS).

Unit management is responsible for establishing and maintaining a system of internal controls to adequately safeguard assets in relation to the use of cash, which is an integral part of the unit's overall internal control structure. The objectives of a system or plan are to provide management with reasonable, but not absolute assurance that the organization's usage of petty cash is adequately controlled, used in accordance with administrative procedures and, is safeguarded against loss.

Because of inherent limitations in any system of internal controls, 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.

CONCLUSION

Based on the results of the audit, Internal Audit concluded that internal controls over the use of Petty Cash Fund #9210, Crisis Residential Unit are adequate to provide management with reasonable assurance that this fund is adequately safeguarded, disbursed and replenished in compliance with Policy and Procedures **BUS-F/B: 16.1 – 16.3**.

S
Henry E. Webb, CFE
Internal Auditor

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Cheire Lee
Staff Internal Auditor

INTRODUCTION

The Crisis Residential Unit has a \$400 Petty Cash Fund. According to MHMRA Policy and Procedures **BUS-F/B:16.1-16.3**, the funds should be used for payments of Agency business-related expenditures not exceeding the Petty Cash purchase limit of \$100. The Unit’s Approving Authority designates a Custodian to be responsible for managing and controlling the petty cash fund in accordance with **BUS-F/B: 16.1-16.3**. The Custodian’s responsibilities include the following:

- Maintaining Cash Receipts and Disbursements Log accurately
- Processing authorized disbursements
- Initiating requests to replenish and/or increase the fund
- Maintaining adequate security over the petty cash fund
- Replacing any shortages not reported in an incident report or resolved through disciplinary actions against another employee
- Reporting losses or thefts through the Approving Authority

BUS-F/B: 16.1-16.3 establishes policies for creating or increasing a petty cash fund, disbursing from and replenishing the fund, changing the fund custodian or transferring the fund to backup custodian, reconciling the fund balance, and closing out the petty cash fund.

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

**Exhibit 1
Petty Cash of Crisis Residential Unit
Follow-up Results**

AUDIT FINDING	PRIORITY RATING	RECOMMENDATION	ACTION STATUS	WORK PERFORMED
Lack of adherence to Petty Cash Policy. 1. Inconsistency of issuing receipts. 2. Inadequate reconciliation to ensure accuracy. 3. Fund shortage.	1	Issue receipts for all reimbursements. Reconcile petty cash monthly for accuracy. Replace missing funds.	Implemented.	Receipts were reasonably issued for reimbursements. Petty Cash Log is used for reconciliation per activity. Petty Cash fund is balanced.