

SOUTHWEST FAMILY RESIDENTIAL CENTER

Audit Report No. SWRC0110

December 16, 2009



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

Internal Audit Report

AUDITOR'S REPORT

**SW Family Residential Center
Unit #4323**

Unannounced Petty Cash Audit

Harris County, Texas

Internal Audit Report

December 16, 2009

Henry E. Webb, CFE

Internal Auditor





MENTAL HEALTH MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY

December 16, 2009

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

Re: Southwest Family Residential Center
Unannounced Petty Cash Audit - Unit #4323

Dear Dr. Schnee:

The Internal Audit Department has completed an unannounced petty cash audit of the \$100 Petty Cash Fund at the SW Family Residential Center, Unit #4323 for the period ended December 31, 2009.

The review was designed to assist management with the assessment of the adequacy of internal controls related to the issuance, use, and control over the petty cash process. Additionally, the financial audit evaluated compliance with MHMRA Policy and Procedure **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 do 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,

_____-S-_____
Henry E. Webb, CFE, Internal Auditor

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Michele L. Johnson, Staff 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:
Tom Hamilton, Ph.D. (Chairman)
Bob Borochoff
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Vicki S. Raynold, CPA

CONTENTS

LETTER OF TRANSMITTAL I
SCOPE AND PURPOSE III
CONCLUSION III

SCOPE AND PURPOSE

Internal Audit has completed an audit of the \$100 Petty Cash Fund Unit #4323, SW Family Residential Center, for the period ended December 31, 2009. 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, and 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 – Unit #4323, SW Family Residential Center are adequate to provide management with reasonable assurance that this fund is adequately safeguarded, disbursed and replenished in compliance with Policy and Procedure **BUS-F/B: 16.1 – 16.3**.

_____-S-_____
Henry E. Webb, CFE

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Michele L. Johnson, Staff Internal Auditor

ATTACHMENT A
SUMMARY OF RECOMMENDATIONS
December 16, 2009

Unit: SW Family Residential Center		
Area: Petty Cash Audit - Unit # 4323		
Inherent Risk: Low Moderate High	Control Environment: Well Controlled Acceptable Poorly Controlled	Overall Risk: Low Moderate High
Type of Procedures: Audit		
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:	
Follow-up: As required.		

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.).