

**MEMORANDUM OF UNDERSTANDING
TECHS AND TRAINERS, INC.**

Audit Report No. TT0110

April 28, 2010



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

Internal Audit Report

AUDITOR'S REPORT

**Memorandum of Understanding
Techs and Trainers, Inc.**

Harris County, Texas

Internal Audit Report

April 28, 2010

Henry E. Webb, CFE

Internal Auditor





April 28, 2010

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

RE: Memorandum of Understanding (Techs and Trainers, Inc.)
(Report No. TT0110/Limited Official Use Audit)

BACKGROUND

The Mental Health and Mental Retardation Authority of Harris County entered into a Memorandum of Understanding (MOU) with Techs and Trainers, Inc., (T&T), a 501(s) corporation in Texas in order to provide opportunities where people with mental disabilities residing in Harris County may more fully realize their inherent potential.

Both T&T and MHMRA identified that training utilizing information technology (IT) equipment may afford people with mental disabilities the opportunity to expand their knowledge, develop marketable job skills, and create avenues to earn revenue to contribute to their living expenses in the community.

The main conditions and responsibilities of each party is identified below:

1. MHMRA of Harris County
 - a. MHMRA may from time to time identify Agency owned information technology equipment which is no longer functional for its operations, is defective and not capable of being repaired, and would normally be disposed of in accordance with existing Fixed Assets policies and procedures;
 - b. The Agency may, at its sole discretion, decide to transfer all or a portion of such obsolete and dysfunctional equipment to Techs and Trainers on a periodic basis in accordance with all applicable MHMRA policies and procedures for the purposes of providing training opportunities for consumers of Techs and Trainers with mental disabilities utilizing this transferred IT equipment;
 - c. MHMRA is required to validate and store for each piece of transferred IT equipment to Techs and Trainers the documentations that all HIPPA requirements have been addressed by Techs and Trainers; and
 - d. The Agency shall cease having any responsibility for the maintenance or upkeep of any such IT equipment transferred to Techs and Trainers.

2. Techs and Trainers, Inc.
 - a. Techs and Trainers are responsible for accepting transfer of MHMRA designated IT equipment at MHMRA facilities and transporting those IT equipment items as designated by MHMRA to a T&T facility;
 - b. T&T shall solely utilize such transferred IT equipment for enhancing the training opportunities for consumers of Techs and Trainers with mental disabilities;
 - c. T&T is to provide a monthly report to MHMRA as to the number of consumers with a mental disability and the amount or type of training and or assistance provided by T&T that they received during that month;
 - d. T&T is required to at all times be in compliance with all applicable State and Federal laws pertaining to IT equipment and data;
 - e. T&T is to certify in writing to MHMRA that each piece of transferred IT equipment has been "cleaned" of all and any MHMRA data/software, including but not limited to HIPPA protected information; and,
 - f. T&T is to assume full responsibility for any further maintenance, support, or upkeep of all IT equipment transferred from MHMRA.

The Agreement between MHMRA of Harris County and Techs and Trainers became effective January 1, 2009 through December 31, 2009. The term is automatically renewed for additional and consecutive one year terms at the expiration of this initial term or any renewal term and without any action by either party.

MHMRA entered into a Business Associate Agreement (signed May 2009), that has an effective date of January 1, 2009, to conform the Agreement to the requirements of the Health Insurance Portability and Accountability Act of 1996 ("HIPPA"), as codified at 42 U.S.C. Section 132d, and its regulations, as codified at 45 CFR Parts 160 and 164 and as may be codified in succeeding and related regulations, implementing 42 U.S.C. Section 132d and promulgated by the Secretary of the Department of Health and Human Services (collectively, the "HIPPA Regulations").

MHMRA and T&T entered into an Addendum to the MOU (signed September 2009), that provides for the opportunity for consumers of MHMRA to receive re-constituted computers for the value of services rendered equivalent to fifty-dollars (\$50.00). The addendum provides for two levels of opportunities that represent activities which are valued at the price of minimum wage seven-dollars and twenty-five cents (\$7.25) per hour. In exchange for a computer, the consumer is expected to participate in one or more of these activities specified below for no more than a six (6) hour period. These activities may be scheduled with T&T staff. Upon completion of these volunteer activities, the computer will be awarded to the consumer.

Level 1 (rate of \$7.25 per hour)

- deconstruct computers
- answer telephone/give directions
- sort computer components
- clean equipment
- assist with Recycling Drives
- assist with transportation of equipment

Level 2 (rate of \$7.25 per hour)

- test equipment
- assist technicians
- assist with instruction of beginning computer users
- provide help to beginning users

As of the audit period, MHMRA has disposed of approximately 1,697 pieces of equipment and received approximately \$2,451 from various vendors for the equipment. Techs and Trainers has received approximately 200 pieces of equipment at no cost.

OBJECTIVES

The objectives of the audit were:

- evaluate internal controls provided for in the Memorandum of Understanding between Techs and Trainers, Inc., and the Mental Health and Mental Retardation Authority of Harris County;
- verify that transactions were made correctly, accurately accounted for, and properly supported;
- evaluate compliance with policy, procedures, and laws and regulations.

SCOPE

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 established policy and procedures and to test the internal control over tested areas and material. The audit scope period was from September 1, 2009 through February 15, 2010.

Department management is responsible for establishing and maintaining a system of internal controls to adequately comply with approved policy 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 timely. 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 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 the management and staff for their cooperation throughout the audit.

METHODOLOGY

In order to meet the objectives, Internal Audit used process mapping and evaluated controls found in the Memorandum of Understanding between Techs and Trainers, Inc., and MHMRA of Harris County, and reviewed the internal as well as external regulations for compliance and completeness. Internal Audit interviewed Purchasing/Contracts and other Agency staff 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 compliance with established criteria to govern internal controls over the Memorandum of Understanding between Techs and Trainers, Inc., and the Mental Health and Mental Retardation Authority of Harris County do not meet the guidelines set forth in the Agency policy and procedures.

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Henry E. Webb, CFE, Internal Auditor

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Michele L. Johnson, MPA, Staff Internal Auditor

Cc: External Audit Firm
Audit Committee:
Tom Hamilton, Ph.D. (Chairman)
Jane B. Cherry
Paige M. Cokinos
Charles O. Buckner, CPA
Vicki S. Raynold, CPA
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ATTACHMENT A
SUMMARY OF RECOMMENDATIONS
April 28, 2010

Unit: Memorandum of Understanding - Techs and Trainers, Inc.		
Area: Audit		
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:	Audit Recommendations: Limited Official Use	
Follow-up: One 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).
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).