

# **ACCESS AND USE OF LONG DISTANCE CALLING**

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**Audit Report No. TLL0107**

**April 13, 2007**



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

**Internal Audit Report**

**AUDITOR'S REPORT**

**MHMRA of Harris County**

**Access and Use of Long Distance Calling**

**Harris County, Texas**

**Internal Audit Report**

**April 13, 2007**

**Henry E. Webb, CFE**

**Internal Auditor**





April 13, 2007

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

Re: Telecommunications – Long-Distance/Land Line Access  
(Report No. TLL0107 )

## **BACKGROUND**

The Telecommunications function for the Mental Health and Mental Retardation Authority of Harris County (MHMRA) is a part of the Information Technology Department. MHMRA has formal policies and procedures designed to ensure only MHMRA business related long distance calls are placed by employees. MHMRA had expenditures of approximately \$350,470 for telephone related services in Fiscal Year 2006 and will spend approximately \$306,544 in Fiscal Year 2007. The Agency receives an average of 48 collect calls each month to various facilities at a cost of approximately \$338 per month. Approximately \$1,076 is spent on long distance and directory assistance calls each month. Internet and other charges associated with providing local phone coverage make up the bulk of the annual billings.

MHMRA takes advantage of the Agency's ability to participate in the General Services Commission (GSC) Cooperative Purchasing Program for telecommunications services referred to as TEX-AN 2000 in order to reduce cost. TEX-AN 2000 is an agreement between the State of Texas Department of Information Resources (DIR) and AT&T Texas (formerly SBC Texas) for various telecommunications services, data services, hardware, software, and IT services. The participation of the Agency in TEX-AN 200, allows MHMRA to purchase any quantity of services available from a vendor at the prices negotiated by DIR ("DIR Discounted Price"). These services include:

- Local Switched Services
- Dedicated Services – Data
- Dedicated Services – Voice
- Packet Services – ATM, Frame Relay Services, Circuit Emulation
- Long Distance – Outbound Services
- Long Distance - Inbound Services
- Conferencing Services
- DSL – RLAN, DSL+ Internet
- Dedicated Internet Access
- Hardware, Software, and IT Services

The Interlocal Cooperative Act, Texas Government Code, Chapter 791, authorizes local governments, including local governments of other states, to directly contract with DIR to increase their efficiency and effectiveness. State agencies of other states may be eligible to purchase from a contract between DIR and a local government of that state under the Interlocal Cooperative Act.

Texas Government Code, Section 791.025 (c) indicates that a local government that purchases goods and services under the Interlocal Cooperation Act satisfies the requirement of the local government to seek competitive bids for the purchase of goods and services. Furthermore, all customers are exempt from state sales, use and excise taxes, Section 151.309, Texas Tax Code, and Federal Excise Tax, 26 USC Sections 4253 (i) and (0). State agency customers are exempt from the assessment and collection of sales taxes imposed by political subdivisions Sections 321.208 (municipalities) and 323,207 (counties), Texas Tax Code.

Several vendors provide land-line phone services to various MHMRA facilities, due to the fact that one vendor does not provide service to all property owned by the Agency. These services provide for receiving and placing local and long-distance calls. In general, the Agency assumes responsibility for telecommunication equipment at the point of entry and exit of owned property. Periodically the Information Technology Department reviews the rates from their long distance carrier and compares it with other carries to determine the best rate for the Agency. The Agency adopted a Telephone Usage Policy (revision date May 27, 1992) and an Administrative Directive on November 4, 1996 that currently provides guidance for employees for the use of long distance calling.

The key provisions of these guiding documents are:

- Requests for numbers from Directory Assistance shall be kept to a minimum.
- When numbers must be obtained through Directory Assistance, the operator is not to complete the call as additional charges are incurred.
- Each employee authorized for long distance access **will be issued an individual account code** by the Communication Systems Analyst.
- Each employee issued an account code is required to sign a **'Long Distance Access Acknowledgment' form (BUS-F/B: 14.003)**.
- All long distance calls placed on MHMRA lines are to be placed using an account code unless they are calls charged to Personal Calling Cards and/or 1-800 calls.
- An employee may request an account code change by making a request in writing to the Information Technology Department. Account code changes should be requested if unauthorized calls are listed on the employee's long distance call list.
- Component Director shall review copies of long distance phone calls made by staff assigned to that Component.
- Personal long distance telephone calls billed to the MHMRA telephone system are prohibited. There is no provision for employees to make long distance calls and charge them to MHMRA even though the employee intends to reimburse the Agency at a later date.

## 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:

- Determine whether departments are in compliance with Agency policy and procedures, and whether controls are in place to adequately govern the use of long distance calling by employees.

## **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 March 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.

## **METHODOLOGY**

In order to meet the objectives, Internal Audit evaluated controls over the use of overtime 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 samplings were 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 controls over Agency use of long distance access codes are inadequate, ineffective, and do not provide management with reasonable assurance that assets are adequately safeguarded, disbursed, and controlled. The control activities which require strengthening are presented in the body of the report.

## FINDING

### *Long Distance Access Codes, Invoice Review, and Controls*

Currently, the majority of Agency employees are provided with the same long distance access code in order to complete long distance dialing. This code is given to employees by ‘word of mouth.’ At some Agency facilities, the long distance code does vary, however, these codes are shared with other employees and no new codes are given out to any new employees at these locations. Agency long distance access codes have not been changed for approximately 7 years.

Agency employees are not required to sign a long distance access Acknowledgment form and several employees are not required to use **any** Long Distance Access code. Additionally, there is no mechanism in place to review calls made from Agency-owned land lines or a process that allows for an association of access codes to a particular land line. Currently, all calls placed from inside the Agency are ‘routed’ through a very limited number of out-going numbers. **In the event a 9-1-1 call is placed from within the Agency, the responding parties may not be able to determine what physical location the call was made from in order to respond appropriately, i.e. To the 7011 SW location or Ripley.**

## RECOMMENDATIONS

It is recommended that Agency Policy and Procedures, as well as other controls, should be updated and implemented. These recommendations include:

- Remove the use of the current “default” long distance access codes (all locations) and replace with individually issued codes
- All employees that require long distance dialing privileges should be required to sign the Long Distance Access Acknowledgment form
- Unit Directors, Department Heads, or appropriate Supervisors (level of approval to be determined), should only approve those employees that are required to place long distance calls for Agency related business for a long distance access code
- In case of employee transfer, terminations, or other situation whereby the employee no longer requires the use of a long distance dialing code, the employee’s immediate supervisor should contact IT to have the individual code deactivated
- MHMRA should not allow any personal long distance calls to be made using Agency long distance dialing codes. When personal long distance calls are necessary, the employee should use their personal “Calling Card,” or make other arrangements.
- The Agency IT Department should provide an analysis of the cost benefit of implementing an activity analysis and accounting system for processing and tracking Agency generated calls. This system should provide the minimum reporting data:
  - 1) Calls by site locations and time
  - 2) Calls by line extensions
  - 3) Calls by employee issued long distance access code
  - 4) Calls made internationally
  - 5) Calls over a certain time limit
  - 6) Repeated call numbers

- At a minimum, management at each ‘billed’ location should review calls made by their staff for accuracy and appropriateness on a quarterly basis.
- Provide for individual numbers that will reflect actual locations for 9-1-1 calls at all Agency locations.
- Any misuse of the MHMRA telephone system should result in disciplinary action, up to, and including, termination.

**Management Response (IT Department)**

*“The following course of action will be implemented by the IT Communications staff:*

- 1) *Generic Access Codes for Long Distance calling will be removed from the phone system by September 1, 2007. Individual codes will be assigned to each staff member. All employees will be required to use the personal code assigned to them by the IT Communications staff for long distance and they will be informed it is for Business Use only. They will be responsible for keeping this confidential.*
- 2) *The Policy and Procedures recorded for Long Distance Use are extremely outdated (15 years old). These are in the process of revision and will be submitted to Executive Staff for review by April 15<sup>th</sup>, 2007. In addition the forms for Long Distance Access Acknowledgement that are recommended for use no longer appear in the QM forms area on the Agency Intranet. This form will be updated and placed back on the Intranet for employee use.*
- 3) *Currently, the Agency phone system cannot prevent personal long distance use. In order to bill back the employees for personal use when it does occur, the Agency would need to purchase additions to the phone system that provide “call accounting” functions that monitor and report each call made from the various extensions within the Agency. This has not been pursued in the past due to expense. The March 2007 phone charges for long distance total \$315.97. Normal long distance monthly charges appear to be very close to this amount on a regular basis. The cost of installing the call accounting functions on our phone system were recently quoted at \$11,745. The long distance charges do not appear to justify the expense at this time. However, other functions can be gained through these features that would allow us to track emergency calls back to an extension and also review the phone calls for personal use and charge personal calls back to the staff. Therefore, it is recommended that Executive Staff review the Proposal for the call accounting system and provide a decision on the cost effectiveness of such a solution.*
- 4) *Operator Assisted/Director Assistance call charges are higher than long distance charges at this time. It is recommended that the Agency block these types of calls. The staff have multiple methods of finding phone numbers without incurring this additional expense.*
- 5) *International Phone calls will be blocked across the Agency unless staff provide a business need for this capability.”*

-S-

Henry E. Webb

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  
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Jeanne Mayo, MS, JD, General Counsel  
David Witt, MPA, CPA, Chief Financial Officer  
Sivam Mahasivam, CPA – External Audit Firm  
Audit Committee

**ATTACHMENT A**  
**SUMMARY OF RECOMMENDATIONS**  
**April 13, 2007**

Unit: Agency-Wide		
Area: Long Distance Access Codes		
Inherent Risk:	Control Environment:	Overall Risk:
Low	Well Controlled	Low
Moderate	Acceptable	Moderate
<b>High</b>	<b>Poorly Controlled</b>	<b>High</b>
Type of Procedures: <b>Audit</b>		
Scope:		
<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:	
1	Remove "default" long distance access code and replace with individual codes	
1	Management review on a periodic basis their land line billing statements	
1	Employees that receive access codes should sign a " <i>Long Distance Access Acknowledgment</i> " form	
1	No personal long distance calls should be made from Agency lines (use of personal calling cards, etc. should be used)	
2	Determine costs benefit of activity and accounting data system	
Follow-up: 1 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).