

**Employee Travel Reimbursement
Consumer Direct Care**

Audit Report No. TR0107

December 15, 2006



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

Internal Audit Report

AUDITOR'S REPORT

Employee Travel Reimbursement

Consumer Direct Care

Harris County, Texas

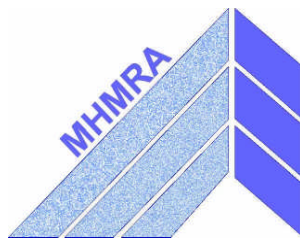
Internal Audit Report

December 15, 2006

Henry E. Webb, CFE

Internal Auditor





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

December 15, 2006

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

Re: Employee Travel Expense Reimbursement
Consumer Direct Care - (Report No. TR0107)

BACKGROUND

The Mental Health and Mental Retardation Authority of Harris County (MHMRA) maintains formal policies and procedures for employee travel reimbursement. These policies (**BUS-F/B:6.1-6.5**) outline procedures for employees to obtain travel reimbursement for in-county and out-of-county travel.

In addition to mileage incurred for conducting business activities, MHMRA reimburses its employees for travel expenses related to hotel, airfare, parking and tolls. Parking fees and tolls are paid if a receipt accompanies the travel report except parking meter fees, which are paid without receipts.

The highest category of mileage reimbursement is for direct consumer care. This accounted for 87% of total travel reimbursed for Fiscal Year 2006.

Direct consumer care is based on a consumer’s acute need for services. Depending on the service or program uniqueness, some services are frequently provided outside the clinic or program site, such as traveling to a consumer’s home or other location(s).

In Fiscal Year 2006, MHMRA reimbursed its employees \$1,270,738 for direct consumer service travel; \$98,482 for meetings, training and other travel expenses; \$50,295 related to hotel and airfare; and \$22,064 for parking and tolls.

Exhibit 1 presents total employee travel reimbursement for Fiscal Year 2006.

Exhibit 1
MHMRA of Harris County
Employee Travel Expenditure
September 1, 2005 through August 31, 2006

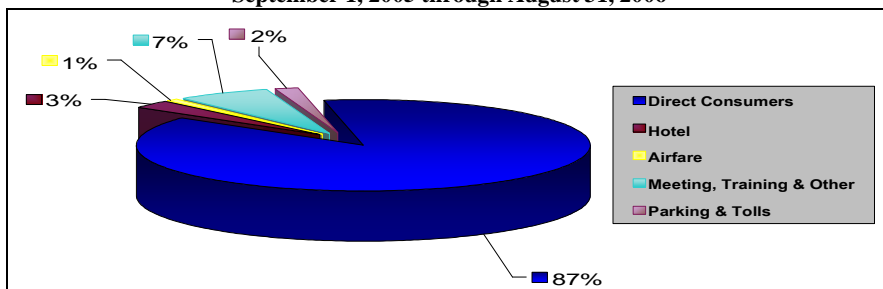


Exhibit 2 presents a two-month analysis of employees with the highest travel reimbursement for direct consumer care for Fiscal Year 2006.

Exhibit 2
Highest Reimbursement
Direct Consumer Care

Employee	Mileage	Travel and Service Time (Minutes)	Revenue Generated	Cost (Employee Compensation and Travel)	Net (Revenue – Cost)
A	11,440	18,380	\$23,356	\$10,779	\$12,577
B	10,730	15,072	\$20,456	\$10,644	\$9,812
C	10,356	23,035	\$23,073	\$14,056	\$9,017
D	10,216	17,274	\$16,895	\$11,093	\$5,802

OBJECTIVE

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 objectives of the audit were to determine whether:

- Internal controls of travel expense reimbursements are adequate to prevent or detect irregularities
- Travel forms are accurately completed, approved, and processed in compliance with applicable policies and procedures
- Cost of travel is effectively and reasonably administered and used

SCOPE

The scope of the audit 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 internal control over tested areas and material. The audit scope was from September 1, 2005 through August 31, 2006.

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 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 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 recording and approval processes of employee travel expense reimbursement, 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%, an 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 controls over Agency compliance with established criteria to govern employee travel expense reimbursement are adequate. However, it was discovered that certain internal controls need to be strengthened. These and other items are discussed below.

FINDING

Lack of Travel Record Integrity for Consumer Direct Services

Agency employees travel to provide direct consumer services and are reimbursed for mileage, tolls, and/or parking fees. In reviewing the accuracy of travel forms against service records, the following results were noted:

- 5 out of 11 samples (45%) did not contain information in the progress notes or system records to support the travel expense reimbursement.
- 4 out of 11 samples (36%) contained unmatched consumer or travel/service time.

RECOMMENDATION

- A process to perform a periodic reconciliation of employee travel forms against medical/system records should be considered to improve data integrity.

Management Response

“Beginning September 06, employees have been submitting progress notes or clients services listing report to their supervisor for reconciliation. Additionally, we have used map quest to ensure accuracy of mileage.”

_____S_____
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Internal Auditor

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Staff Internal Auditor

- Cc: Rose Childs, MSW, CSWM, Deputy Director, Mental Health Division
 Kenneth Collins, LMSW, Deputy Director, Mental Retardation Division
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 Audit Committee:
 Tom Hamilton, Ph.D. (Chairman)
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 Vicki S. Raynold, CPA
 Bob Borochoff

ATTACHMENT A
SUMMARY OF RECOMMENDATIONS
December 15, 2006

Unit: Agency-Wide		
Area: Employee Travel Expense Reimbursement - Consumer Direct Care		
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, obtain understanding of management controls * Examined detailed receipts, vouchers, and supporting documentation 		
Priority Rating: 1	Audit Recommendations: Reconcile travel record with service record.	
Follow-up: Nine 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).