

**FLEXIBLE SPENDING FUND**

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**Audit Report No. FS0105**

**April 5, 2005**



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

**Internal Audit Report**

**AUDITOR'S REPORT**

**Flexible Spending Fund**

**Unit #1122**

**Internal Audit Report**

**April 5, 2005**

**Henry E. Webb, CFE**

**Internal Auditor**





MENTAL HEALTH MENTAL RETARDATION  
AUTHORITY OF HARRIS COUNTY

April 5, 2005

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

Re: Flexible Spending Fund  
Unannounced Audit – Unit #1122

Dear Dr. Schnee:

Internal Audit has completed an unannounced audit of the \$1,000 Flexible Spending Fund at 7011 Southwest Freeway, Unit #1122 for the period of December 1, 2004 through April 5, 2005.

The audit's objective was to assist management with the assessment of the adequacy of internal controls related to the flexible spending fund. Additionally, the financial related audit evaluated the unit's compliance with MHMRA Policy and Procedures.

Based on the results of the work, the auditor noted no significant examples of non-compliance with the flexible spending fund. Accordingly, the auditor concluded that the controls over the fund provide management with reasonable assurance that the fund is adequately safeguarded, disbursed, and replenished.

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

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Henry E. Webb'.

Henry E. Webb, CFE  
Internal Auditor

Cc: David Witt, MPA, CPA  
Jeanne Mayo, JD  
Eric S. Eaton, CPA  
Rose Childs, Deputy Director, Mental Health Division  
Kenneth Collins, Deputy Director, Mental Retardation Division  
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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## SCOPE AND PURPOSE

Internal Audit has completed an unannounced audit of the \$1,000 Flexible Spending Fund Unit #1122, Southwest Freeway location for the period of December 1, 2004 through April 5, 2005. The objective was to assist management with the assessment of the adequacy of internal controls related to the flexible spending fund process. Additionally, the audit evaluated compliance with MHMRA Policy and Procedures.


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 internal controls related to the flexible spending 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 cash as an integral part of the unit's overall internal control structure. The objectives of a system are to provide management with reasonable, but not, absolute assurance that the flexible spending fund is used in accordance with administrative procedures and is safeguarded against loss.

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.

## CONCLUSION

Based on the results of the review, Internal Audit concluded that internal controls over the Flexible Spending Fund – Unit #1122 are adequate to provide management with reasonable assurance that this fund is adequately safeguarded, disbursed, and replenished in compliance with Policy and Procedures.



Henry E. Webb, CFE  
Internal Auditor

**ATTACHMENT A**  
**SUMMARY OF RECOMMENDATIONS**  
 April 5, 2005

|   |   |                                |
|---|---|--------------------------------|
| Unit: 1122  |   |                                |
| Area: Audit (Unannounced Flexible Spending Fund)  |   |                                |
| Inherent Risk:  | Control Environment:                                      | Overall Risk:                  |
| <i>Low</i><br>Moderate<br>High  | <i>Well Controlled</i><br>Acceptable<br>Poorly Controlled | <i>Low</i><br>Moderate<br>High |
| Type of Procedures: <b>Audit</b>  |   |                                |
| Scope:<br><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:                                    |                                |
| 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).