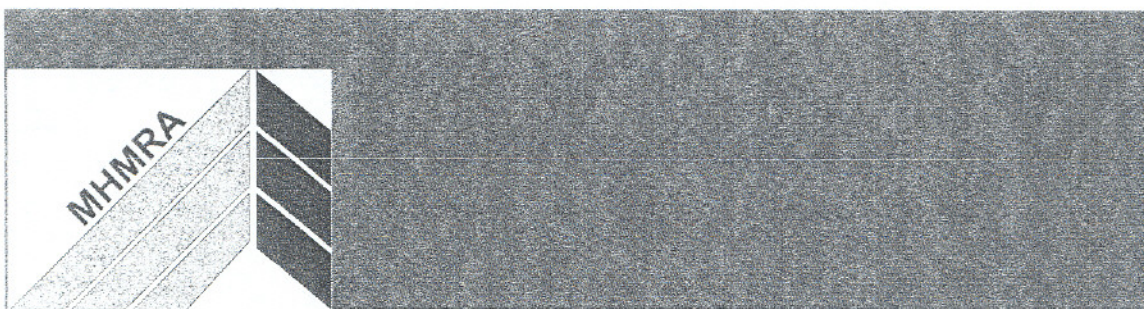


MENTAL HEALTH

SAFE HAVENS

UNANNOUNCED PETTY CASH AUDIT UNIT #2197



MENTAL HEALTH MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY

Internal Audit Report

AUDITOR'S REPORT

Mental Health (Safe Havens)

Unit #2197

Unannounced Petty Cash Audit

Internal Audit Report

September 13, 2004

Henry E. Webb, CFE

Internal Auditor





MENTAL HEALTH MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY

September 13, 2004

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

SUBJECT: Mental Health (Safe Havens)
Unannounced Petty Cash Audit – Unit #2197

Dear Dr. Schnee:

Internal Audit has completed an unannounced petty cash audit of the \$100 fund at Safe Havens Unit #2197 for the period of March 1, 2003 through September 10, 2004.

The audit's objective was to assist management with the assessment of the adequacy of internal controls related to the petty cash process. Additionally, the financial related audit evaluated the Unit's compliance with the MHMRA Policy and Procedures **BUS-F/B: 16-1-16.3**.

Based on the results of the work, the auditor noted no significant examples of non-compliance with **BUS-F/B: 16-1-16.3**. Accordingly, the auditor concluded that the controls over the petty cash fund 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 the Unit personnel during the course of the audit.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Henry E. Webb', is written over a horizontal line.

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 \$100 Petty Cash Fund, Unit #2197, Mental Health Safe Havens, for the period of March 1, 2003 through September 10, 2004. 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 Procedures **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 internal controls related to the petty cash funds. This was a financial related audit executed in accordance with Generally Accepted Government Auditing Standards.

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 petty cash 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 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 that the degree of compliance with procedures may deteriorate.

CONCLUSION

Based on the results of the review, Internal Audit conclude that internal controls over Petty Cash Fund – Unit #2197 Mental Health Safe Havens are adequate to provide management with reasonable assurance that the funds are adequately safeguarded, disbursed and replenished in compliance with Policy and Procedures **BUS-F/B: 16.1 – 16.3**.



Henry E. Webb, CFE
Internal Auditor

ATTACHMENT A
SUMMARY OF RECOMMENDATIONS
September 10, 2004

Unit: #2197 - Safe Havens		
Area: Unannounced Petty Cash Audit		
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 receipts, vouchers, and supporting documentation		
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, 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, requires third party cooperation, etc.).