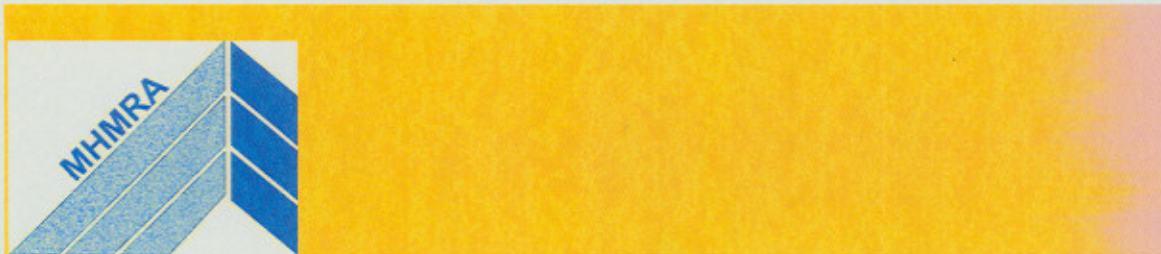


**NORTHWEST BUSINESS OFFICE  
FOLLOW-UP**

---

**Audit Report No. NWCS0106**

**June 30, 2006**



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

**Internal Audit Report**

**AUDITOR'S REPORT**

**Northwest Business Office  
Follow-up**

**Harris County, Texas**

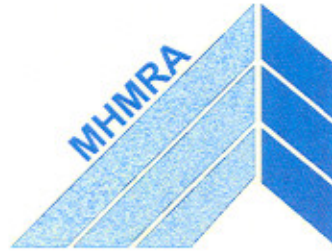
**Internal Audit Report**

**June 30, 2006**

**Henry E. Webb, CFE**

**Internal Auditor**





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

June 30, 2006

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

Re: Northwest Business Office  
(Report No. NWCSC0106) – Follow-up Audit

Dear Dr. Schnee:

The Internal Audit Department has completed a follow-up audit relative to the Northwest Business Office for the audit period December 1, 2005 through May 31, 2006.

The review was designed to assist management with the assessment of the adequacy of internal controls related to the Business Office's function. Additionally, the follow-up audit was designed to determine the progress made toward implementation of the recommendations made in the original report (Audit Report #NWCSC0105). The review consisted primarily of conducting on-site visits, interviews with unit personnel, and reviewing relevant documentation related to recommendations implemented.

As a result of the audit, there were no significant examples of non-compliance with established or proposed procedures. Accordingly, it was concluded that the system of internal controls can provide management with reasonable, but not absolute assurance that the Business Office is operated in compliance with regulations, policies and procedures, and that assets are adequately safeguarded and efficiently used.

I appreciate the cooperation extended by personnel during the course of the audit and commend the staff for taking continued actions to address the recommendations in the report.

Respectfully submitted,

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

Henry E. Webb, CFE, Internal Auditor

A handwritten signature in black ink, appearing to read 'Cheire Lee', written over a horizontal line.

Cheire Lee, Staff Internal Auditor

CC: Rose Childs, Deputy Director, Mental Health Division  
David Witt, MPA, CPA  
Kenneth Collins, Deputy Director, Mental Retardation Division  
Jeanne Mayo, JD  
Eric S. Eaton, CPA  
Audit Committee

**CONTENTS**

LETTER OF TRANSMITTAL.....1  
SCOPE AND PURPOSE.....3  
CONCLUSION.....3  
INTRODUCTION.....4

### SCOPE AND PURPOSE

Internal Audit completed a follow-up review of the Northwest Business Office. The objective was to assist management with the assessment of the adequacy of internal controls related to the operations of the Business Office that assets are adequately safeguarded and efficiently used, and that transactions are properly executed in accordance with regulations, policies and procedures. Additionally, the audit evaluated progress made toward implementation of the recommendations made in the original report (Audit Report #NWCS0105).

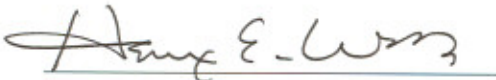
The scope of the work did not constitute an evaluation of the overall internal control structure of the unit. The examination was designed to evaluate and test compliance with procedures and adequacy of the internal controls related to the Business Office's function. This audit was executed in accordance with Generally Accepted Government Auditing Standards (GAGAS).

Unit management is responsible for establishing and maintaining a system of internal controls to adequately safeguard assets 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 Business Office is operated in compliance with regulations, policies and procedures, and that assets are adequately safeguarded and efficiently used.


Because of inherent limitations in any system of internal controls, 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

As a result of the audit, Internal Audit concluded that internal controls over the Business Office's function is adequate to provide management with reasonable assurance that assets are adequately safeguarded and efficiently used, and regulations, policies and procedures are appropriately complied.



Henry E. Webb, CFE, Internal Auditor



Cheire Lee, Staff Internal Auditor

## INTRODUCTION

The Northwest Clinic provides mental health services to the Harris County community. Following is a summary of activities performed at the Northwest Clinic Business Office which provides support to clinical and financial operations:

- Maintenance of client status for clinic visit
- Client information verification
- Client payment collection and deposit
- Processing various documents
- Authorization of Continuity of Care with Behavioral Health Organizations
- Authorization of Agency medications
- (Re)scheduling appointments
- Annual client financial assessments
- Reconciliation of suspended/denied services and client's account balance

Exhibit 1 presents the compliance matrix categorizing the status of action taken by management.

**Exhibit 1  
Northwest Business Office  
Follow Up With Response**

AUDIT FINDING	PRIORITY RATING	RECOMMENDATION	ACTION STATUS	WORK PERFORMED
<u>Business Office Policy</u>  1. Inadequate policies established 2. Outdated policies and procedures	1	Revise and approve Business Office Policy by (Assistant) Deputy Director.  Review with staff.	In review stage.	Business Office Policy is to be revised upon audit completion of Southwest Business Office (reference to Audit Report #SECSC0106).
<u>Payment Collection Cycle</u>  1. Inadequate segregation of duties between authorization and recording	1	Remove access for "deletion" to Business Office Coordinator position.  Authorization to delete or adjust transactions should be conducted by supervisor.	Implemented.	Authority to delete transactions is removed in the system to staff level.
<u>Document Control</u>  1. Documents not accounted for 2. Opportunity to record fictitious transactions	1	Prenumber Consumer Encounter Forms and service invoices using a unique and non-identical numbering sequence.  Perform reconciliation and follow-up on issued documents.	Partially implemented.  No further implementation is being considered.	Service invoices for clinic visits are numbered with daily identical numbering sequences and to be reconciled with "Scheduler" report.