

**TRAVEL AND CREDIT CARD USAGE  
SPECIAL REQUEST**

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**Audit Report No. TR0105**

**July 14, 2005**



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

**Internal Audit Report**

**AUDITOR'S REPORT**

**Travel and Credit Card Usage  
Special Request**

**Harris County, Texas**

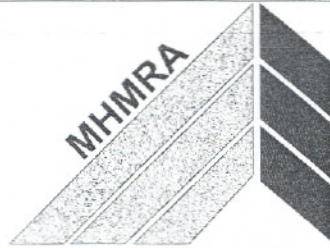
**Internal Audit Report**

**July 14, 2005**

**Henry E. Webb, CFE**

**Internal Auditor**





MENTAL HEALTH MENTAL RETARDATION  
AUTHORITY OF HARRIS COUNTY

July 14, 2005

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

Re: Travel and Credit Card Usage  
Special Request

Dear Dr. Schnee:

The Internal Audit Department has completed an audit relative to travel and credit card usage for the period of December 1, 2004 through May 31, 2005.

The review was designed to assist management with the assessment of the adequacy of internal controls related to the issuance, use, and control over travel and credit card usage. Additionally, the audit evaluated compliance with MHMRA Policy and Procedure to govern such use. The audit was a special request by an anonymous individual. The review consisted primarily of conducting on-site interviews with unit personnel, testing of travel receipts, and reviewing other relevant documentation.

Based on the results of the work, there were no significant examples of non-compliance with established or proposed procedures. Accordingly, it was concluded that the controls over the use of company issued credit cards and travel related costs provide management with reasonable assurance that such assets are properly controlled and safeguarded, except for the observation noted in the body of the report.

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

Respectfully submitted,

A handwritten signature in cursive script that reads '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  
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## SCOPE AND PURPOSE

Internal Audit has completed a review related to MHMRA issued credit cards and travel related expenses for the period of December 1, 2004 through May 31, 2005. The objective was to assist management with the assessment of the adequacy of internal controls related to the issuance, use, and control over travel and credit card usage. Additionally, the audit evaluated compliance with MHMRA Policy and Procedure to govern such use.

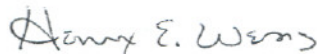
The scope of the work did not constitute an evaluation of the overall internal control structure of the units. The examination was designed to evaluate and test compliance with procedures and adequacy of the internal controls over usage of credit cards and travel related expenses.

Unit management is responsible for establishing and maintaining a system of internal controls to adequately safeguard assets in relation to the use of credit cards and travel expenses, which is an integral part of the unit's overall internal control structure. The objectives of a system or plan are to provide management with reasonable, but not absolute assurance that the organization's usage of credit cards and travel related expenses are adequately controlled.

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

Based on the results of the audit, there were no significant examples of non-compliance with established or proposed procedures. Accordingly, it was concluded that the controls over use of company issued credit cards and travel related expenses are adequate, except for the findings presented in the body of the report and other issues discussed with management.



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Henry E. Webb, CFE  
Internal Auditor

## INTRODUCTION

Mental Health and Mental Retardation of Harris County (MHMRA) employees attend a variety of local and out-of-county conferences, conventions, seminars, workshops, and meetings to gain knowledge specific to their area of responsibility, enhance professional skills, and conduct MHMRA business. The MHMRA's travel policy, revised November 1, 1990, outlines procedures for employees to obtain approval for and reimbursement of travel expenses connected with both local and out-of-county travel. It designates those responsible for authorizing travel and sets forth the procedures and forms necessary to obtain approval for travel and reimbursement of travel expenses. The policy also distinguishes between travel expenses that are eligible and not eligible for reimbursement. The policy applies to all salaried and non salaried MHMRA employees and to members of the Board of Trustees and the various Advisory Councils.

## AUDIT OBSERVATIONS AND RECOMMENDATIONS

### TIMELINESS OF PAYMENTS

A review of a six month payment history by MHMRA to various travel related vendors showed that MHMRA had issued 3 out of 6 checks after the due date, which resulted in several hundred dollars in late penalties or charges.

It should be noted that the penalty associated with the payment history for travel related vendors is not material; however, the practice of paying later than the agreed terms is not a sound business practice.

#### *Recommendation*

- It is recommended that the current prompt payment policy and procedures be revised to ensure that a stated timeline is established for the prompt payment of all vendors.

### EXCESSIVE MILEAGE

In 12 of 60 in-county expense reports reviewed for travel between MHMRA Harris County facilities or client locations, an average of 375 miles per day were calculated traveled and reimbursed for. The average of the 12 expense reports reimbursements was \$1,385 per month (excluded weekend travel).

#### *Recommendation*

- It is recommended that unit personnel responsible for reviewing employees' expense reports should thoroughly review all mileage to ensure the reimbursement is warranted.