

# Key Points of Report

**Texas Department of Mental Health and  
Mental Retardation  
1994 Statewide Financial and Compliance Audit**  

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**March 1995**

## Overall Conclusion

The Department's accounts that are significant to the statewide financial report, which include all Human Services Expenditures, are accurately reported. The Department expended approximately \$1.3 billion to provide mental health and mental retardation services to Texans in fiscal year 1994. This audit also identified areas where the Department can improve controls which help protect its automated information.

## Key Facts And Findings

- The Department is not adequately protecting its automated information. Controls over access to the Uniform Statewide Accounting System (USAS) are not adequately enforced. A disaster recovery plan has not been developed, implemented, and tested. These issues have been identified in prior audits.
- Administrative responsibility for the Medicaid Intermediate Care Facilities program (CFDA 93.778) moved to the Department, effective September 1, 1994. (This program was formerly administered by the Texas Department of Human Services.) For fiscal year 1994, this program made available in excess of \$375 million in federal dollars to provide care for mentally ill and mentally retarded Texans.

## Table of Contents

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<b>Prior Audit Issues</b> .....	1
<b>Internal Control Issues</b> .....	1
Evaluate Appropriateness of USAS Access .....	1
Complete The Disaster Recovery Plan .....	2
<b>Audit Scope</b> .....	2

## Prior Audit Issues

The State Auditor's Office has verified that \$18,358 in adjustments have been made as required by the U.S. Department of Health and Human Services' letter of resolution. These adjustments resulted from the November 1993 report on the State Legalization Impact Assistance Grant (CFDA 93.565) issued by the Department's Office of Inspector General. The report related to the Texas Department of Mental Health and Mental Retardation and other state agencies.

## Internal Control Issues

Internal Control Issue 1:

### **Evaluate the Appropriateness of USAS Access**

(Prior Audit Issue)

**Policies for granting access to the Uniform Statewide Accounting System (USAS) are not enforced.** At August 31, 1994, a total of 338 Department employees were defined as USAS users. Ninety-three (28 percent) of these individuals had the ability to approve payment transactions (batch release). Eighty-two of the 93 individuals also had data entry capabilities. Allowing the same employee the ability to perform these tasks increases the risk of unauthorized transactions and misuse of funds.

The Department had not monitored access requests submitted to verify that duties were appropriately segregated at each facility. The Department had not evaluated whether the number of employees able to record, correct, and approve transactions within USAS was appropriate given each facility's size and number of accounting employees. Facilities have been informed of the need for strong internal controls. The Department's Internal Audit staff has recently completed a review and has also expressed concerns over these issue areas.

Recommendation: The Department should continue improving the processes which evaluate the appropriateness of the access granted at each location, segregate tasks where possible, and monitor the USAS access requests to ensure compliance with Department policies.

Management's Response: *Management agrees. Central Office has removed the accounting entry capability for all non-accounting personnel. A complete review of USAS access is being initiated. Facilities will be asked to justify in writing the necessity for any individual having both entry and release capability, including the internal controls in place to prevent unauthorized transactions and misuse of funds. We expect a significant reduction in the number of individuals that will have both entry and release capability. This process should be completed by May 1, 1995.*

Internal Control Issue 2:

## **Complete the Disaster Recovery Plan**

(Prior Audit Issue)

**The current disaster recovery plan is not adequate to provide an efficient and timely strategy for restoring computing resources in the event of disaster.** Without a current and comprehensive plan, the Department risks delays in processing critical information, including payroll, accounting, client data, and billing information.

The Department has signed a contract, and preliminary work has begun for developing a disaster recovery plan. The risk assessment process began in December 1994 and is scheduled to be completed during 1995. While these procedures are being performed, the agency does not have an adequate plan in case of disaster.

Recommendation: The Department should complete development, implementation, and testing of an adequate disaster recovery plan.

Management's Response: We concur. The old disaster recovery plan is and has been for several years, inadequate. We have joined several other agencies in a statewide contract with Sungard, Inc. to begin the process of rebuilding a disaster recovery plan that will be of value to the organization. The risk assessment contract is well underway and we are approximately 50% of the way through the initial business recovery plan interviews. We intend to request management support and funding for the next steps in the process as part of the FY 96-97 funding process.

## **Audit Scope**

The primary purpose of our audit was to determine the material accuracy of Human Services Expenditures incurred by the Department. The Department expended approximately \$1.3 billion to provide mental health and mental retardation services to Texans.

We gained an understanding of the internal control structure, including the general control environment, as well as controls over cash disbursements, payroll/personnel, and journal vouchers. We also performed follow-up procedures on prior year audit comments.