

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

533



**FROM:** County Auditor-Controller

**SUBMITTAL DATE:**  
August 1, 2005

**SUBJECT:** Internal Auditor's Report #2005-012 – Department of Mental Health

**RECOMMENDED MOTION:** Receive and file the Internal Auditor's Report.

**BACKGROUND:** The Auditor-Controller completed an audit of the Department of Mental Health. Our purpose was to provide management and the Board of Supervisors with an independent assessment about the adequacy of controls over clinic fee collections, Institutes of Mental Disease payment receipts, revenue receipts from youth substance abuse prevention events, Flexible Fund expenditures and donated cash and items.

Departmental Concurrence

Based upon the results of our audit, we determined the department had an adequate system of internal controls over clinic fee collections, Institutes of Mental Disease payment receipts, revenue receipts from youth substance abuse prevention events, Flexible Fund expenditures and donated cash and items. Throughout the audit, we discussed the results contained in our report, as well as comments and suggestions of lesser significance, with the appropriate level of management.

The department indicated corrective action was taken on the finding and recommendation from this report. We will conduct a detailed follow-up review at a later date to verify the corrective action.

*Robert E. Byrd*  
Robert E. Byrd  
County Auditor-Controller

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

<b>SOURCE OF FUNDS:</b> N/A	<b>Positions To Be Deleted Per A-30</b>	<input type="checkbox"/>
	<b>Requires 4/5 Vote</b>	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:** Receive and file. The Auditor noted misappropriation of cash receipts in the amount of \$609 and copied this report to the District Attorney and Grand Jury.

**County Executive Office Signature** *Dennis C. Hardin*

- Dep't Recomm.:  Policy
- Per Exec. Ofc.:  Policy
- Consent
- Consent

**Prev. Agn. Ref.:**

**District:**

**Agenda Number:**

2 . 11



# County of Riverside

## INTERNAL AUDITOR'S REPORT

### Department of Mental Health

August 1, 2005

Office of  
**Robert E. Byrd, CGFM**  
County Auditor-Controller

4080 Lemon Street  
P.O. Box 1326  
Riverside, CA 92502-1326



OFFICE OF THE  
COUNTY AUDITOR-CONTROLLER

County Administrative Center  
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AUDITOR-  
CONTROLLER

Robert E. Byrd, CGFM  
AUDITOR-CONTROLLER

Ivan Chand, CGFM  
ASSISTANT AUDITOR-CONTROLLER

August 1, 2005

Mr. Jerry Wengerd, Director  
Department of Mental Health  
4095 County Circle Drive  
Riverside, CA 92513

Subject: Internal Auditor's Report # 2005-012 – Department of Mental Health

Dear Mr. Wengerd:

We have completed an audit of the Department of Mental Health. We conducted the audit during the period March through May 2005, for operations of July 1, 2002 through February 28, 2005.

Our purpose was to provide management and the Board of Supervisors with an independent assessment about the adequacy of controls over clinic fee collections, Institutes of Mental Disease payment receipts, revenue receipts from youth substance abuse prevention events, Flexible Fund expenditures and donated cash and items.

We conducted our audit in accordance with the auditing standards established by the Institute of Internal Auditors. These standards require that we plan and perform the audit to provide sufficient, competent, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusions.

The Riverside County Department of Mental Health provides effective, efficient and culturally sensitive mental health treatment and services to residents throughout the County of Riverside. It provides inpatient and outpatient care, emergency treatment services, treatment to jail inmates and treatment for drug and alcohol abuse. The Department serves severely mentally disabled adults and older adults, children at risk of mental disability and individuals on conservatorship that enable them to achieve and maintain their optimal level of healthy personal and social functioning.

Based upon the results of our audit, we determined the department had an adequate system of internal controls over clinic fee collections, Institutes of Mental Disease payment receipts, revenue receipts from youth substance abuse prevention events, Flexible Fund expenditures and donated cash and items. Throughout the audit, we discussed the results contained in this report, as well as comments and suggestions of lesser significance, with the appropriate level of management.

We thank the Mental Health staff for their cooperation during the audit. Their assistance contributed significantly to the successful completion of the audit.

Robert E. Byrd, CGFM  
County Auditor-Controller

A handwritten signature in black ink, appearing to read 'M. G. Alexander', with a long horizontal stroke extending to the right.

By: Michael G. Alexander, MBA, CIA  
Chief Internal Auditor

cc: Board of Supervisors  
County Executive Office  
District Attorney  
Grand Jury  
County Counsel  
Maria Mabey, Administrative Manager II

## Table of Contents

	Page
Clinic Fee Collections.....	1
Institutes of Mental Disease Payment Receipts.....	2
Friday Night Live Event Revenue Receipts.....	3
Management's Response.....	Appendix

## **Clinic Fee Collections**

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### **Objectives**

To determine:

- if clinic fee collections were performed in accordance with the department's and the County's established policies and procedures;
- if a system of internal controls existed to adequately safeguard fee collections from loss, errors and misappropriation; and,
- if a system was in place to ensure that revenues were accurately posted and reconciliations between the supporting documentation and the accounting records were performed monthly.

### **Methodology**

To accomplish our objectives, we:

- conducted interviews with key staff and management within the Department of Mental Health at the following clinics:
  - Riverside Alcohol Screening
  - Indio Substance Abuse Clinic
  - Western Adult Crisis Out Patient – Blaine Street Clinic
- reviewed the department's and the County's policies and procedures;
- reviewed cash receipting and deposits to verify internal controls existed, were functioning as intended, and were adequate over the fee collection and deposit processes at the following clinics:
  - Riverside Alcohol Screening
  - Indio Substance Abuse Clinic
- reviewed the reports generated by the Statistical and Psychological User Data System (SPUD) (the software program used to track clinic patient visits, payments, billings and revenue) and the daily reconciliations; and,
- reviewed the accounting records to verify that reconciliations are performed on a monthly basis.

### **Results**

There were two incidences of cash shortages at the Blaine Clinic in December 2004. Though the amounts were small, totaling \$609, the lapses in internal control procedures were significant. The misappropriated amounts included approximately seven months of the Blaine Clinic's cash collections.

Following the reported cash shortages, Mental Health Administration conducted a review of the cash collection and deposit procedures at the Blaine Clinic. A report was prepared and recommendations were made that will be implemented when the clinic resumes accepting cash payments and will adequately address the weaknesses in internal control that resulted in the cash shortages. The recommendations included training of staff in cash handling procedures, making more timely deposits and changing the combination to the safe when there is a change in staff.

We interviewed the staff at the Blaine Clinic and found that they have been instructing clients to mail their payments to Mental Health Administration. The clinic has not accepted payments of any kind since the second cash shortage incident in December 2004.

We did not include the Blaine Clinic in our testing because the recommendations made in the report prepared by Mental Health Administration will not be implemented until the clinic resumes receiving cash, which would cause us to make recommendations based on policies and procedures which were no longer being practiced.

In the remaining clinics, we determined the fee collection process followed good internal control procedures where collections were restricted to specified locations in the clinics for departmental receipting. Receipts were securely stored with access limited to only appropriate staff. Checks and money orders were restrictively endorsed upon receipt and Official County Receipts (OCRs) were issued for all monies received. The deposit slips were reconciled with the SPUD daily deposit reports, OCRs and supporting documentation at the clinics and again at the department's fiscal office. Procedures existed to ensure collections were recorded accurately and promptly with management's review.

### **Institutes of Mental Disease Payment Receipts**

#### **Objectives**

To determine:

- if Institutes of Mental Disease (IMD) collection processes were performed in accordance with the department's and the County's established policies and procedures;
- if a system of internal controls existed to adequately safeguard IMD collections from loss, errors and misappropriation; and,
- if a system was in place to ensure that revenues were accurately posted and reconciliations between the supporting documentation and the accounting records were performed monthly.

## Methodology

To accomplish our objectives, we:

- conducted interviews with key staff and management at the IMD Program office;
- reviewed the department's and the County's policies and procedures, contracts, ordinances, laws and regulations;
- performed tests to verify internal controls existed, were functioning as intended, and were adequate over the payment receiving processes in the IMD Program office; and,
- reviewed the reconciliation process between the supporting documentation and the accounting records to ensure it is performed on a monthly basis.

## Results

We noted that the payment receiving process followed good internal control procedures with two exceptions. Checks and money orders were not restrictively endorsed until they were prepared for deposit and deposits were made once a week. In addition, due to the limited number of staff, segregation of duties is not practical; however, compensating controls are in place to reduce the exposure to risks that may result from not having segregation of the payment receiving duties.

Checks and money orders were securely stored with access limited to only the Services Manager and the Senior Accounting Assistant. Official County Receipts were issued for all monies received. The deposit slips were reconciled with Mental Health's deposit reports and supporting documentation. Procedures existed to ensure collections were recorded accurately and promptly with management's review.

## **Youth Substance Abuse Prevention Event Revenue Receipts**

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## Objectives

To determine:

- if youth substance abuse prevention event revenue receipts processes were performed in accordance with the department's and the County's established policies and procedures;
- if a system of internal controls existed to adequately safeguard youth substance abuse prevention event revenue from loss, errors and misappropriation; and,
- if a system was in place to ensure that revenues were accurately posted and reconciliations between the supporting documentation and the accounting records were performed monthly.

## Methodology

To accomplish our objectives, we:

- conducted interviews with key staff and management within the youth substance abuse prevention program;
- reviewed the department's and the County's policies and procedures;
- reviewed the receipting and deposit preparation documentation to verify internal controls existed, were functioning as intended, and were adequate over revenue receipts;
- Reviewed the calendar of events and receipts to verify revenues were received for scheduled events; and,
- reviewed the reconciliation process between the supporting documentation and the accounting records to ensure it is performed on a monthly basis.

## Results

We noted that the revenue processing followed good internal control procedures with one exception. Checks were sometimes held for several days before depositing in the bank. Checks and money orders were restrictively endorsed immediately upon receipt. Official County Receipts were issued for all monies received. The deposit slips were reconciled with Mental Health's daily deposit reports and supporting documentation at the Friday Night Live office and again at Mental Health Administration. Procedures existed to ensure revenues were recorded accurately and promptly with management's review.

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## Finding 1

Cash receipts from the Institutes for Mental Diseases and youth substance abuse events were not immediately restrictively endorsed or deposited on a daily basis. For example, an IMD deposit was prepared on September 30, 2004, that included approximately 60 checks received during the week of September 27 totaling \$45,253.12. The checks were not endorsed, deposited and recorded as revenue until October 4, 2004. Likewise a check in the amount \$4,455 for substance abuse prevention events was received on November 5, 2004, and not deposited until November 18, 2004.

The Board of Supervisors' Policy A-25 and the Auditor-Controller's Standard Practice Manual 705, Paragraph 2 requires that deposits be made daily. The Auditor-Controller's Internal Handbook (ICH), Chapter 2, Section 2 (g) states that checks should be restrictively endorsed upon receipt. Receipts retained longer than absolutely necessary are more vulnerable to loss, misappropriation or theft.

**Recommendation 1** Checks and money orders should be restrictively endorsed immediately upon receipt and daily deposits should be made.

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**Management's Reply** Concur. Actual/estimated Date of Corrective Action: July 26, 2005.  
Estimated cost to implement recommendation: \$0

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JOHN J. RYAN, Director

# COUNTY OF RIVERSIDE

## Department of Mental Health

DATE: July 26, 2005  
TO: Auditor-Controller  
Audits-and Specialized Accounting Division  
FROM: *JW* Jerry Wengerd, Director  
Department of Mental Health  
SUBJECT: Reply to Draft Audit Report

**Recommendation Number 1 :**

Checks and money orders should be restrictively endorsed immediately upon receipt and daily deposits should be made.

- a. **Management position concerning the recommendation:**  
    X     Concur                                 Disagree
- b. **Comments:**
- c. **Actual/estimated Date of Corrective Action:** 07/26/05
- d. **Estimated cost to implement recommendation (if material)**  
    \$ 0

cc: Dan Martinez, Executive Office  
Ted Kubota, Assistant Director  
Maria Mabey, Administrative Manager II  
Joe Zamora, Principal Accountant