



Behavioral Health Initiatives

Internal Audit

October 2018

Bernalillo County Internal Audit Behavioral Health Initiatives

Executive Summary

SUMMARY OF PROCEDURES

REDW performed internal audit procedures over the Behavioral Health Initiative. Our internal audit focused on evaluating the controls and oversight related to the incoming tax monies and related expenditures of behavioral health funds including the tracking and monitoring of the initiatives.

We performed the following procedures:

- Obtained an understanding of Behavioral Health processes related to the tracking and monitoring of gross receipt tax revenues and expenditures.
- Tested a selection of monthly revenue entries to determine whether the amounts allocated agreed to amounts received and were expensed to the correct cost centers.
- Tested a selection of Budget to Actual reports to verify the accuracy and timeliness of submission to the appropriate individuals.
- Tested the fiscal year 2018 online newsletters to determine whether timely communication to the Commissioners' and the public were made available in the BHGRT website.
- Tested a selection of Behavioral Health administrative expenditures and project expenditures to determine whether it was an allowable/justified cost in accordance with Bernalillo County Behavioral Health Business Plan.
- Tested a selection of Behavioral Health Projects to determine whether the project has a contract/service agreement and monitoring requirement with the agency. We also tested the projects to determine whether the expenses within the project were properly reviewed by Behavioral Health personnel.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

During the course of the audit we identified areas which appeared to be functioning properly, most noticeably was the area related to the tracking and monitoring of expenditures as well as the allocation of tax revenues to appropriate cost centers. In addition, newsletters published during FY 2018 outlining project accomplishments and updates were uploaded to the Bernalillo County website timely.

As a result of our testing, the following high and moderate risk observations were identified:

- 1) ***Budget to Actual reports:*** One of three reports tested had two expenditure variances by cost center, which resulted in an understatement of expenditures during the month. Behavioral Health Personnel and Budget should ensure information within the report matches the information in the system.
- 2) ***Lack of monitoring requirement in agreements with agencies:*** Two of four projects tested have agreements with agencies that did not have clear verbiage to specify the timeframe for reporting or content of programmatic reports. Behavioral Health should include verbiage outlining the expenditure reporting requirements for each of the agencies.

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Further detail of our purpose, objectives, scope, and procedures are included in the internal audit report.

We received excellent cooperation and assistance from the Behavioral Health Department during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
November 6, 2018

Bernalillo County Internal Audit Behavioral Health Initiatives

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Bernalillo County Internal Audit Behavioral Health Initiatives Report

INTRODUCTION

We performed the internal audit services described below solely to assist the Bernalillo County Behavioral Health in evaluating the controls and oversight related to the incoming tax monies and related expenditures of behavioral health funds including the tracking and monitoring of the initiatives. Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants and the terms of our Professional Services Contract agreement for internal audit services. Since our procedures were applied to samples of processes, it is possible that significant issues related to the areas tested may not have been identified.

Although we have included management's responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

An entrance conference was held on August 21, 2018, and fieldwork began September 4, 2018. An exit conference was held on October 16, 2018.

PURPOSE AND OBJECTIVES

Bernalillo County Commissioners imposed the one-eighth percent Behavioral Health Gross Receipt Tax on February 26, 2015, this funds the County's Behavioral Health Initiative and created the behavioral health care system. Our internal audit evaluated the process from incoming tax revenues to the expenditure of the monies received as well as reporting deliverables to both County Commission and the public. We tested if tax revenues received were allocated accurately to the program and that revenues and expenses were accurately and timely reported on monthly budget to actual reports. We tested to determine if administrative costs were allowable in accordance with the Bernalillo County Behavioral Health Business Plan. In addition, we tested that agency in various projects were submitting program reports timely and that the department was appropriately reviewing, expensing, and monitoring selected projects. Finally, we assessed if newsletters, outlining the accomplishments of the program, were being released to County Commissioners and the public in a timely manner.

SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the controls and processes, we interviewed the following personnel:

- Fran Martinez- Romero, Special Project/DWI Coordinator
- Katrina Hotrum-Lopez, Director of Behavioral Health Services
- Mario A Ruiz, Principal Budget Analyst

In order to gain an understanding of the processes we read relevant portions of:

- Behavioral Health Business Plan dated December 2015
- Behavioral Health Initiative dated January 2017

We performed the following testwork:

Incoming Tax Revenues: Selected three months between July 1, 2017 through June 30, 2018, and tested to determine whether the amount of tax revenues received agreed to the revenues allocated to the Behavioral Health Department.

Reporting Deliverables: Selected three months of Budget to Actual reports from July 1, 2017 through June 30, 2018, and tested to determine whether the Budget to Actual reports were completed by the 10th of the following month. We also tested the expenditure line items on the Budget to Actual spreadsheets to ensure the values were supported.

Additionally, we obtained the fiscal year 2018 published newsletters from the Bernalillo County website and tested to determine if the newsletters were uploaded to the website for public viewing within a reasonable time period after quarter-end. Additionally, we tested that the reports were provided to the Commissioners quarterly.

Allowable Administrative Costs: We obtained the detail for the Administrative Cost Center from July 1, 2017 through June 30, 2018, and selected of the 10 largest non-payroll transactions from a total population of 257. We tested to evaluate whether the non-payroll expenses were an allowable/justified cost in accordance with Bernalillo County Behavioral Health Business Plan.

Program Reporting and Monitoring: We selected four of eight projects and obtained the Appropriations and Expenditures (A&E) detail for July 1, 2017 through June 30, 2018, and selected 70 transactions from a population of 693. We tested the selected transactions to determine whether:

- They were recorded in the proper cost center based on the program they were associated with.
- Expenditures were properly supported, reviewed, and appeared to be in line with the contract agreement between the agency and Behavioral Health.
- Program monitoring was performed in accordance with the contract agreement and appeared to support the associated project objective.
- Program expenses were properly supported and reviewed by the Behavioral Health personnel.

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

During the course of the audit we identified areas which appeared to be functioning properly, most noticeably was the area related to the tracking and monitoring of expenditures as well as the allocation of tax revenues to appropriate cost centers. In addition, newsletters published during FY 2018 outlining project accomplishments and updates were uploaded to the Bernalillo County website timely.

As a result of our testing, REDW identified the following observations:

1 Differences identified in the Budget to Actual reports

On a monthly basis, the Behavioral Health Department must submit a Budget to Actual report to the Budget Department. One of three reports tested had two expenditure variances by cost center, which resulted in an understatement of expenditures. Specifically, one of the cost centers had a \$50,000 variance due to a transposition error. The second cost center had a variance of \$340,766 due to the exclusion of expenditures for a project. These variances were not identified during the report review. In addition, the information did not easily agree back to the system as it was not generated after the close of the month.

Potential Risk: Moderate – If there errors in the expenditures in the Budget to Actual reports, there is a risk that decisions will be based on incorrect information.

Recommendation: Behavioral Health personnel should ensure information within the report matches the expenditures in the system. If the Budget Department identifies an error during their report review, the report should be sent back to Behavioral Health to be corrected. In addition, Behavioral Health personnel should consider updating their budget spreadsheet to reflect a month-end close value with a second column that encompasses activity subsequent to month-end if presenting externally. This will ensure that all budget reports match the actual program expenditures in the system for month-end.

Management's Response: The Department of Behavioral Health Services will ensure the information, whether revenue, allocation or expenditures match the SAP system. Moving forward, these reports will be submitted on the 1st of the month, or the following business day rather than at mid-month to capture a full months of activity and will include a snapshot of the actual SAP system to ensure accuracy.

2) Lack of consistent monitoring requirements in agreements with agencies

On a monthly basis, agencies are required to submit programmatic reports, detailing who they assisted, how many served, as well as several other details in order to substantiate the need for reimbursement. These required deliverables are typically agreed-upon during contract development at the time the agencies are brought onto the project. Two of four projects tested had agreements with agencies that did not have clear verbiage to specify the timeframe for reporting. Additionally, the contracts did not appear to have consistent language detailing what is required of the agencies in regards to the frequency and content of reporting.

Potential Risk: Moderate – The Behavioral Health Department may not be able to adequately monitor agencies and their progress towards program goals and accomplishments. As the department is receiving reports this is considered a moderate risk.

Recommendation: The Behavioral Health Department should include consistent verbiage outlining the reporting requirements and timeframe for each of the agencies. This will allow the Department to hold the agency accountable if they do not comply with their reporting requirements. Additionally, having consistent verbiage throughout all agreements will assist the Department in having a clear, streamlined approach for monitoring projects.

Management’s Response: The Department of Behavioral Health Services is working to include consistent verbiage outlining the reporting requirements for each of the agencies funded under the Behavioral Health Initiative to ensure a clear and streamlined approach for monitoring the projects. Agreements will be executed to include this consistent verbiage and agreements already executed will be amended to include this consistent verbiage.

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This report is intended for the information and use of the Bernalillo County Behavioral Health Department, the audit committee, members of Bernalillo County Commission and others within the organization.

We discussed and resolved other minor observations with management and received excellent cooperation and assistance from the Behavioral Health Department during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
November 6, 2018