

# **AUDITOR'S REPORT**

## **PURCHASING DEPARTMENT UNRECORDED CAPITAL ASSETS FOR THE 12 MONTH PERIOD ENDED JULY 1, 2019**



**January 24, 2020**

**Michael Post, C.P.A., M.B.A.  
Harris County Auditor**

**Leslie Wilks Garcia, C.P.A., C.F.E.**  
*First Assistant County Auditor*



1001 Preston, Suite 800  
Houston, Texas 77002-1817  
(832) 927-4600

**Errika Perkins, C.P.A., C.I.A.**  
*Chief Assistant County Auditor*  
*Audit Division*

FAX (713) 755-8932  
Help Line (832) 927-4558

**MICHAEL POST, C.P.A., M.B.A.**  
**HARRIS COUNTY AUDITOR**

January 24, 2020

Mr. DeWight Dopslauf, C.P.M., CPPO  
Purchasing Agent  
1001 Preston, 6<sup>th</sup> Floor  
Houston, Texas 77002

RE: Purchasing Department Unrecorded Capital Assets for the 12 months ended July 1, 2019

The purpose of this letter is to present the results of the Unrecorded Capital Assets engagement. The objective of the engagement was to comply with Local Government Code (LGC) §262.011(i) which requires an examination of inventory and an accounting of all property purchased or previously inventoried and not appearing in the inventory. Our procedures included the following:

- Determined whether the Purchasing Agent submitted an inventory of all property on hand with the County Auditor on July 1, 2019.
- Selectively examined purchases made during the period July 1, 2018 to June 30, 2019 to determine if capital purchases were appropriately accounted for.
- Examined the inventory submitted by the Purchasing Agent to determine whether items previously listed and no longer appearing on the inventory were appropriately removed.

The enclosed Auditor's Report presents the background information and the results of the analytics performed during the period. The work performed required our staff to exercise judgment in completing the scope objectives. As the procedures were not a detailed accounting of all County Inventory, there is a risk that error or misstatement was not detected during this engagement. The County Department officials retain the responsibility for the accuracy and completeness of their Department's inventory and ensuring sufficient controls are in place to safeguard the County's assets.

Mr. DeWight Dopslauf  
Purchasing Agent

We appreciate the time and attention provided by you and your staff during this engagement.

Sincerely,



Michael Post  
County Auditor

cc: District Judges  
County Judge Lina Hidalgo  
Commissioners:  
    R. Jack Cagle  
    Rodney Ellis  
    Adrian Garcia  
    Steve Radack  
Vince Ryan

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## OVERVIEW

In accordance with L.G.C. §262.011(i), the County Purchasing Agent (Purchasing Agent) is an independent officer of the County and is responsible for the procurement of goods and services that are essential to the operations of Harris County. In order to minimize unnecessary purchases, the Purchasing Agent is responsible for maintaining an inventory of County property. The Purchasing Agent will store, transfer, and/or dispose of County property as needed.

In order to ensure the accuracy and completeness of the County’s inventory, certain responsibilities have been assigned as follows:

All Departments: The appointed or elected official for each department has the primary responsibility for safeguarding and accounting for departmental assets. As such, each department is required to conduct an annual inventory and to submit an “Inventory Completion Statement” to the Purchasing Agent’s office by May 1. The Purchasing Agent’s Office will assist the department when requested.

Purchasing Agent: The Purchasing Agent is required to file an inventory of all property on hand and belonging to the County on July 1<sup>st</sup> of each year. The Purchasing Agent’s office also performs periodic inventories and spot checks of departments to verify the accuracy of their inventory records.

Auditor's Office: The County Auditor is required to “carefully examine the inventory and make an accounting for all property purchased or previously inventoried and not appearing in the inventory” (L.G.C. § 262.011(i)).

For purposes of the annual inventory and fulfilling statutory requirements, Harris County defines “property on hand” as personal property and further classifies capital assets as follows:

Capital County Assets	<ul style="list-style-type: none"><li>▪ County Personal Property with a unit value of \$5,000 or more</li><li>▪ Tagged by Purchasing Services</li><li>▪ Capitalized on the County’s General Ledger</li></ul> <p>Examples: rolling equipment, some generators, pumps, and mainframe computer equipment</p>
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## **RESULTS**

Based on the procedures performed to comply with L.G.C. §262.011(i) for the period under review, the Purchasing Agent was compliant with the requirement to file by the July 1<sup>st</sup> deadline. Furthermore, any capital assets purchased or previously inventoried that no longer appeared in the most recent inventory report were appropriately removed. However, our procedures identified twenty-two (22) items that qualified as a capital asset but were not recorded on the Fixed Asset Identification Report submitted on July 1, 2019. The Auditor's Office - Financial Accounting Department has reviewed and set up the identified items for capitalization. (See Appendix A for details of these items.)

## Appendix A – Missing Items from the July 1, 2019 Report

The following assets qualify as capital assets according to Accounting Procedure A.2-1-Attachment C-Capital Asset/Infrastructure Policy Matrix:

Fixed Asset ID	Description	Purchase Amount	Continuous Auditing Notes
P305765-001-001 to P305765-001-021 (21 assets)	Comdata Smartsite Fuel Management Card Readers	\$193,494.00 (\$9,214 each)	The department used the wrong code indicating the items were an expense, not an asset. Financial Accounting capitalized these assets on 10/31/19.
995B0000-001-001	904 Dell Dale Building	\$132,234.83	The department used the wrong code and expensed the costs of repurposing the donated building. Financial Accounting capitalized the asset on 11/29/19.