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

April 30, 2021

Mr. Christian D. Menefee  
County Attorney  
Harris County Attorney's Office  
1019 Congress St. 15<sup>th</sup> Floor  
Houston, Texas 77002

Dear Mr. Menefee:

The Audit Division has completed a Closeout Audit of the Harris County Attorney's Office. Although you were not the official during the period subject to our procedures, we are addressing this Auditor Report to you as the newly elected official. The results of our audit are included in the attached report.

We appreciate the time and attention provided by you and your staff during this engagement. Please anticipate an email request to complete the Audit Division's Post Engagement Survey. We look forward to your feedback. If you have any questions, please contact me or Errika Perkins, Chief Assistant County Auditor, 713-274-5673.

Sincerely,

A handwritten signature in blue ink that reads "Michael Post". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael Post  
County Auditor

Report Copies:  
District Judges  
County Judge Lina Hidalgo  
Commissioners:  
R. Jack Cagle  
Rodney Ellis  
Adrian Garcia  
Tom Ramsey

AUDIT REPORT  
**COUNTY ATTORNEY VINCE RYAN CLOSEOUT**  
APRIL 30, 2021

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## Executive Summary

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### OVERALL CONCLUSION

Testing for compliance with Harris County Road Law identified that physical and system(s) access and user rights were appropriately removed for the previous executive leader. In addition, assets assigned to the former leader were verified for existence, and procurement card (P-card) and travel card expenditures materially complied with County policy. Furthermore, petty cash and change fund accounts reconciled to the imprest balances authorized by Commissioners Court. However, we did identify opportunities to improve controls related to bank reconciliations, bank signatory cards, safeguarding capital assets, and safeguarding the department's change fund.

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### SCOPE AND OBJECTIVE

Pursuant to the Harris County Road Law, Section 10, the objectives of this engagement were to determine whether:

- A sample of the department's capital assets and the full population of assets assigned to the former executive leader were verified for existence.
- The former executive leader's P-card and travel card expenditures were in compliance with County policy.
- Physical and system(s) access/user rights for the previous executive leader were appropriately removed.
- Certain bank reconciliations were completed timely and accurately.
- Bank account signatory rights for the former executive leader were appropriately removed.
- Petty cash and change fund accounts reconciled to the imprest balances authorized by Commissioners Court.

The audit period for the procedures performed was for the six months ended December 31, 2020.

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### SUMMARY OF AUDIT ISSUES

- Controls Over the Bank Reconciliation Process Need Improvement
- Insufficient Safeguarding of Capital Assets
- Terminated Employees are Not Removed Timely from the Bank Signature Cards
- Change Fund is Not Physically Secured

The audit issues, management's action plans to address the issues, and background information are discussed in more detail on the following pages.

## AUDIT ISSUES

### **ISSUE #1: Controls Over the Bank Reconciliation Process Need Improvement**

**What is the Issue:** The September and October 2020 bank reconciliations for the County Attorney Litigation Petty Cash in Bank Expense Account have a reconciling balance totaling \$521 that dates back to November of 2017. In addition, the bank reconciliations contain 2 outstanding checks totaling \$160 that have not been properly remitted. One check totaling \$150 has not been remitted to the State and one check totaling \$10 has not been remitted to the Treasurer's Office. Furthermore, Form 327A, *Imprest Bank Account Monthly Reconciliation Report*, is not signed by a County Attorney's Office reviewer on a monthly basis.

In addition, the Auditor's Office – Revenue Accounting Department (Revenue Accounting) has not been remediating or escalating old reconciling items that could not be cleared with the County Attorney's Office. However, Revenue Accounting is in the process of updating their escalation procedures.

**Why it Happened:** Reconciling items and outstanding checks were not monitored to ensure they were addressed timely. In addition, the County Attorney's Office internal procedures did not require Form 327A, *Imprest Bank Account Monthly Reconciliation Report*, to be signed by a County Attorney's Office reviewer. Furthermore, the Auditor's Office did not have escalation procedures for reconciling items that have not been cleared timely by the department.

**Why it Matters:** Not having proper controls over bank reconciliations impairs the County's ability to detect fraud, comply with state escheating laws, and could lead to misappropriation of funds and/or financial loss.

**What is Expected:** Pursuant to Accounting Procedure C.9-2, *Imprest Bank Accounts County Attorney's Litigation Expense Account*, the County Attorney's Office is responsible for reconciling and properly approving the petty cash bank account monthly on a County Auditor's Form 327A, *Imprest Bank Account Monthly Reconciliation Report*.

Also, reconciling items (excluding outstanding checks) should be cleared within 30 days from the end of the month following a bank statement month.

In addition, in accordance with Accounting Procedure D.14, *Unclaimed Property*, County Departments should remit outstanding checks that are older than three years and valued at \$100 or less to the Harris County Treasurer's Office. Outstanding checks over \$100 and older than three years must be reported and remitted to the State of Texas.

**What Action(s) are Suggested:** County Attorney's Office Management should clear the reconciling items or submit an indemnification request to Commissioners Court for the total unreconciled balance that cannot be cleared in accordance with Accounting Procedure C.3, *Indemnification of Public Officials - Lost or Stolen Cash*.

Form 327A, should be signed by the County Attorney's Office preparer and reviewer on a monthly basis.

The outstanding check totaling \$150 should be reported and remitted to the State of Texas, and the outstanding check totaling \$10 should be remitted to the County Treasurer.

## AUDIT ISSUES

### **MANAGEMENT'S ACTION PLAN**

**Responsible Party:** Larry Boenisch and Cara Protain, County Attorney's Office

We agree with the issue. We will work to clear all bank account reconciling items. We will submit an indemnification request to Commissioners Court for the total unreconciled balance if the items cannot be cleared.

In addition, we will ensure Form 327A, is signed by an authorized County Attorney's Office preparer and reviewer on a monthly basis.

Furthermore, the outstanding check totaling \$150 will be reported and remitted to the State of Texas, and the outstanding check totaling \$10 will be remitted to the County Treasurer. We will immediately engage the Treasurer's Office for assistance.

**Due Date:** June 1, 2021

## AUDIT ISSUES

### **ISSUE #2: Insufficient Safeguarding of Capital Assets**

**What is the Issue:** One of the 12 County Attorney's Office capital assets (Canon Micro MP-90 Printer) could not be located. The asset was purchased in 2002 at a price of \$7,851.

**Why it Happened:** The County Attorney's Office performed their annual inventory and identified the missing asset; however, they failed to complete the indemnification process and remove the asset from the County's financial records.

**Why it Matters:** Not properly safeguarding assets could result in misappropriation of assets and/or financial loss to the County. In addition, it could lead to a misstatement of capital assets in PeopleSoft.

**What is Expected:** Pursuant to County Accounting Procedure A.1-1, *Property Handling Guidelines*, County departments should establish internal property access and use guidelines to ensure the safeguarding of property in the department's control. In addition, County departments are required to perform an annual inventory for all assets recorded on the County Inventory Listing, and submit County Auditor's Form 3368, *Inventory Completion Statement*, to the County Purchasing Agent documenting the completion and accuracy of the annual inventory.

Furthermore, indemnification should be requested from Commissioners Court by any Officials with property (amount in excess of that covered by any insurance, if any) that has been stolen, lost, or otherwise damaged or destroyed outside the normal scope of County business, in accordance with Accounting Procedure C.3-1, *Indemnification of Public Official - Loss of Property*.

**What Action(s) are Suggested:** The missing asset should be documented on County Auditor's Form 3351, *County Property Deletion/Indemnification Request Form*, and submitted to the County's Purchasing Services Department to obtain Commissioners Court approval to remove the capital assets from the County's financial records.

### **MANAGEMENT'S ACTION PLAN**

**Responsible Party:** Cara Protain, County Attorney's Office

We agree with the issue. The missing asset will be documented on County Auditor's Form 3351, *County Property Deletion/Indemnification Request Form*, and submitted to the County's Purchasing Services Department to obtain Commissioners Court approval to remove the capital assets from the County's financial records.

**Due Date:** June 1, 2021

## AUDIT ISSUES

### **ISSUE #3: Terminated Employees are Not Removed Timely from Bank Signature Cards**

**What is the Issue:** Three former County Attorney's Office employees were not removed as authorized signatories from the County Attorney's Office Litigation Expense bank account in a timely manner. Specifically, one former employee was not removed from the account until 976 days after retiring, and 2 former employees were not removed until 25 days after retiring.

**Why it Happened:** Per discussion with County Attorney's Office Management, the County Attorney's Office employee termination check list does not contain a requirement to verify that former employees are removed as authorized signatories from County bank accounts.

**Why it Matters:** The untimely removal of terminated employees as authorized signers for bank accounts could result in unauthorized transactions, misappropriation of funds, and/or financial loss to the County.

**What is Expected:** Pursuant to the County's Accounting Procedure C.9-2, *Imprest Bank Accounts County Attorney's Litigation Expense Account*, departments are responsible for ensuring signatories are removed as authorized signers on all accounts when they leave the County. Departments are also responsible for following up with Financial Management to ensure the employee was removed as an authorized signatory.

**What Action(s) are Suggested:** County Attorney's Office Management should consider using County Auditor's Form 3412, *Employee Termination Summary*, when employees depart from the County Attorney's Office. This checklist includes a requirement to verify that former employees are removed as signatories from the County's bank accounts, as well as, other standard requirements.

If the County Attorney's Office elects to continue using their own employee termination checklist, the checklist should be updated to include a requirement to verify that former employees are removed as signatories from the County's bank accounts. Upon the employee's departure, County Attorney's Office Management should notify Financial Management to ensure applicable signatory rights are removed. HCAO should also follow up with Financial Management to confirm signatories are removed as applicable.

### **MANAGEMENT'S ACTION PLAN**

**Responsible Party:** Cara Protain, County Attorney's Office

We agree with the issue. We will use County Auditor's Form 3412, *Employee Termination Summary*, when employees depart from the County Attorney's Office. In addition, upon the employee's departure, we will notify Financial Management to ensure applicable signatory rights are removed.

We affirm that past signatories have been removed from all accounts.

**Due Date:** Complete

## AUDIT ISSUES

### **ISSUE #4: Change Fund is Not Physically Secured**

**What is the Issue:** The County Attorney's Office \$800 change fund for law library operations is stored in an unlocked filing cabinet located within a law library room that is accessible to all law library employees, as well as janitorial and maintenance staff.

**Why it Happened:** The County Attorney's Office does not have sufficient controls in place to ensure the proper safeguarding of their change fund.

**Why it Matters:** A failure to adequately secure change funds can result in the misappropriation of funds and financial loss to the County.

**What is Expected:** Pursuant to County Accounting Procedure A.1-2, *Change Funds*, County departments that maintain change funds are required to:

1. Keep the change funds in a locked place with restricted access that is under the control of the custodian.
2. Maintain control over any keys or combination lock to the secure environment.

**What Action(s) are Suggested:** County Attorney's Office Management should improve the controls surrounding the change fund by ensuring funds are properly secured in place with restricted access that is under the control of the custodian.

### **MANAGEMENT'S ACTION PLAN**

**Responsible Party:** Mariann Sears and Cara Protain, County Attorney's Office

We agree with the issue. The County Attorney's Office \$800 change fund for law library operations will be moved to secure location that has restricted access and is under the control of the custodian. The key to the locked location will remain in the custody of Mariann Sears, or her designee.

**Due Date:** June 1, 2021

## BACKGROUND

Closeout audits are primarily performed to provide a newly elected or appointed official reasonable assurance that capital assets exist and cash is accounted for pursuant to the Harris County Road Law.

The Harris County Road Law was originally passed in 1913 as a Special Law by the 33rd Legislature pursuant to Texas Constitution Article VIII. Section 10, Chapter 17 states that “Upon the death, resignation or retirement of any officer or employee, the Auditor shall require an accounting of all property of every kind of the County or its political subdivisions of which he has custody, possession, control or supervision...”

Pursuant to a County Attorney Opinion dated July 12, 2016, “the Harris County Auditor has the duty and the power to conduct a separation audit for every officer or employee of Harris County who terminates employment by death, resignation or retirement to account for all Harris County property within the employee’s custody, possession, control or supervision. It is within the discretion of the Auditor as to the scope of the detail and documentation necessary in each case.”

## ACCOUNTABILITY

The work performed required our staff to exercise professional judgment in completing the engagement’s scope. As the engagement’s scope did not include a detailed examination of all transactions, there is a risk that fraud, errors, or omissions were not detected during this engagement. The official, therefore, retains the responsibility for the accuracy and completeness of their financial records and for ensuring sufficient controls are in place to detect and prevent fraud, errors, or omissions.