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

October 2, 2020

Mr. Christopher G. Hollins  
Harris County Clerk  
201 Caroline, Suite 460  
Houston, Texas 77002

Dear Mr. Hollins:

With the change in officials within the Harris County Clerk's Office (Office), the Harris County (County) Auditor's Office – Compliance Audit Department has completed a Closeout Audit. Although you were not the office holder during the period subject to our procedures, we are addressing the Auditor's Report to you as the current office holder.

The Closeout Audit was performed pursuant to the Harris County Road Law, Section 10, which 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..." 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, 713-274-5673.

Sincerely,

A handwritten signature in blue ink that reads "Michael Post".

Michael Post  
County Auditor

Attachment

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

AUDIT REPORT  
**HARRIS COUNTY CLERK CLOSEOUT AUDIT**  
OCTOBER 2, 2020

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## Executive Summary

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### OVERALL CONCLUSION

Based on the procedures performed, procurement card transactions complied with County policy, capital assets existed, and the petty cash and change funds reconciled to the imprest balances authorized by Commissioners Court. However, we did identify opportunities for improvement in regards to change funds, controls over capital assets, system access rights and signatory cards.

These issues were discussed with Office Management, and a management action plan has been developed that will address the issues identified by October 31, 2020.

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### SCOPE AND OBJECTIVES

We performed testing to determine the status of the following objectives:

1. Procurement card expenditures were in compliance with County policy.
2. The Office's petty cash and change fund reconciled to the imprest balances authorized by Commissioners Court.
3. A sample of capital assets could be verified for existence.
4. Bank reconciliations were timely and accurately prepared, and reconciling items were timely resolved (on a sample basis).
5. System(s) access/user rights were removed for the terminated County Clerk.

Due to the COVID-19 pandemic and the associated social distancing guidelines, the testing of the Office's petty cash and change fund could not be performed on a surprise basis, but they were counted.

The audit reviewed financial data for the six-month period ended June 1, 2020, and system access data as of June 10, 2020.

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### SUMMARY OF AUDIT ISSUES

Testing identified the following issues:

1. Quarterly reconciliations of the Office's change fund were not conducted.
2. One capital asset could not be located.
3. The user access review process of the Office's various systems did not include County Fusion.
4. A bank account signatory was not timely removed from the Office's bank account.

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

## AUDIT ISSUES

### **ISSUE #1: Change Fund Was Not Reconciled**

**What is the Issue:** The Office does not perform quarterly reconciliations of its change fund. As a result, a \$300 discrepancy between the actual change fund balance and the balance recorded in the County's Financial System was not identified and corrected.

**What is Expected:** Harris County Accounting Procedure A.1-2, *Change Funds*, requires departments to reconcile their change funds at least quarterly on County Auditor's Form 1267A, *Department Non-Bank Imprest Account - Quarterly Reconciliation*. This procedure requires that a separate management level person (other than the custodian) approve the quarterly reconciliation and submit it to Financial Accounting by the applicable due date.

**Why it Matters:** Lack of quarterly reconciliations increases the risk that overages and shortages in the Office's change fund may not be detected.

**Why it Happened:** The Office does not adequately ensure its supervisory personnel are familiar with the County's accounting procedures that impact their operations.

**What Action(s) are Suggested:** Management should implement immediate training for all supervisory personnel regarding change funds. In addition, quarterly reconciliations of the Office's change fund should be prepared by the custodian and reviewed by a separate management level person to ensure the actual balance at the Office reconciles to the balance recorded in the County's Financial System.

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

**Responsible Party:** County Clerk's Director of Finance

Our office acknowledges Harris County Accounting Procedure A.1-2, Change Funds. We have established a business process to ensure we reconcile the Change Fund on form 1267A and submit it to Financial Accounting quarterly.

**Due Date:** As of 9/28/2020, we have established a business process. We will submit fiscal quarter Change Fund reconciliations starting in November 2020. The FY2021 Q3 reconciliation is due on 12/20/2020.

## AUDIT ISSUES

### **ISSUE #2: Unable to Locate a Capital Asset**

**What is the Issue:** One of the 50 (2%) capital assets selected from the capital asset listing with a purchase price of \$15,307.79 could not be located.

**What is Expected:** Harris County Accounting Procedure A.1-1 *Property Handling Guidelines*, states, "The elected or appointed Official is responsible for all County property within their department. Written policies/procedures should be established within each department for handling and safeguarding County property. In addition to this and other applicable Auditor prescribed accounting procedures, departments must also adhere to applicable procedures prescribed in the Harris County Purchasing Agent Rules and Procedures (Purchasing Manual) with regard to County property."

**Why it Matters:** Failure to maintain appropriate controls to ensure the safeguarding of capital assets could result in a financial loss to the County.

**Why it Happened:** The Office does not conduct routine capital asset counts to ensure all assets are accounted for.

**What Action(s) are Suggested:** The Office should conduct routine capital asset counts and maintain a capital asset list that is reviewed at least annually to ensure all capital assets are accounted for. In addition, the Office should prepare County Auditor's Form 3351, *County Property Deletion/Indemnification Request Form*, and submit it to Purchasing Services to obtain Commissioners Court approval to remove any capital asset from the departmental records that cannot be located.

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

**Responsible Party:** County Clerk's Director of Purchasing

Our office acknowledges Harris County Procedure A.1-1, Property Handling Guidelines and will prepare County Auditor's Form 3351, County Property Deletion for the capital asset that could not be located. We have established a policy that will ensure annually that all assets located in the computer room are accounted for and maintained by the Information and Technology Team and all assets located outside of the computer room are accounted for and maintained by the Director of Purchasing.

**Due Date:** As of 9/28/2020 we have established a business process.

## AUDIT ISSUES

### **ISSUE #3: Preventing Unauthorized Access to the County Fusion Receipting System**

**What is the Issue:** Although the Office does have sufficient procedures in place to review system access for STARS and Odyssey, there is no formal review of system access to the County Fusion system. As a result, 23 out of 160 (14%) County Fusion accounts were not disabled timely, within 24 hours after an employee's date of separation. On average, these accounts were still open 680 days since the employee's date of termination. Five of the accounts noted were testing accounts and were not assigned to employees. None of the former employees' accounts were accessed subsequent to the employee's date of separation and none of the testing accounts were inappropriately accessed. The Office's Information Technology team has since disabled all of the identified accounts to prevent unauthorized access.

**What is Expected:** Pursuant to the County's Universal Services (US) Department's Security Access Control Policy Section C.1.9, User Termination (US Security Control Policy), "All user access privileges to Harris County systems and applications must be disabled immediately or, in any event, no later than 24 hours after an employee or non-employee termination. Business Owners must verify the membership, access and contents of the systems, applications and/or resources for which they have primary responsibility on a regular basis (at least once per year), to ensure that only authorized members maintain access to and permissions for the systems, applications and/or resources involved. System Administrators must review and disable all inactive user accounts on the systems and applications that they manage at least every 90 days."

**Why it Matters:** Access to the County Fusion receipting system enables employees to create and edit cash receipts for the County Clerk's fees. The cash transactions in County Fusion interface to PeopleSoft. Failure to disable employee access after their separation with the County or maintaining "test" accounts can expose the County's financial data to data breaches, fraud, or disruption of services.

**Why it Happened:** The Office did not develop preventative and formal monitoring controls to ensure the removal of unauthorized accounts from the County Fusion system.

**What Action(s) are Suggested:** Management should develop and implement preventative and formal monitoring controls to ensure system access for terminated/transferred employees and testing accounts are removed within 24 hours, as required by US Security Control Policy. Management should consider developing a termination checklist to include procedures for removing system access from all relevant applications for terminated/transferred employees.

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

**Responsible Party:** County Clerk's Information Technology Team

Our office agrees with this issue and we have developed a business process which will both identify each relevant software application and notify the IT department to remove system access to each of those applications within 24 hours after the employees last date of employment.

**Due Date:** As of 9/28/2020 we have established a business process.

## AUDIT ISSUES

### **ISSUE #4: Bank Account Signatory not Timely Removed**

**What is the Issue:** The Office did not timely remove a former Chief Deputy as an authorized signatory from a County bank account. The former Chief Deputy retired on January 3, 2020, but the Office did not notify the Budget Management Department until August 21, 2020, 165 days later.

**What is Expected:** Harris County Accounting Procedure C.10, *Departmental Bank Accounts – Non-Imprest*, requires that authorized signatories for the bank account are County employees or Officials and that when a signatory leaves the County (i.e., due to resignation, termination, lost election, retirement, etc.), the signatory is removed as an authorized signer on all bank accounts.

**Why it Matters:** Failure to remove terminated employees as authorized signatories from all bank accounts in a timely manner could result in unauthorized transactions, misappropriation of funds, and/or financial loss to the County.

**Why it Happened:** The Office did not have sufficient controls in place to ensure timely removal of bank account signatories.

**What Action(s) are Suggested:** The Office should improve controls to help ensure Financial Management is immediately notified when an employee with signatory rights is terminated. The Office should also follow up with Financial Management to confirm signatories are removed as applicable.

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

**Responsible Party:** County Clerk's Director of Finance

Our office agrees with this issue. We have established a policy and the Director of Finance will be in charge of notifying Financial Management immediately following the end date of employment for and employee with signatory rights to the bank accounts.

**Due Date:** As of 8/21/2020 we have established a business process.

## BACKGROUND

The Office maintains the records of Commissioners Court, Probate Courts, and County Civil Courts at Law. As Recorder, the Office records vital documents such as property records, marriage licenses, assumed name certificates, birth records, and death records. The Office collects fees with various amounts on court cases and documents. The fees collected on the vital documents are uploaded to STARS (County-wide financial system) through an automated interface process from the County Fusion and Odyssey systems. The County Clerk utilizes two receipting systems. County Fusion is used to record land record receipts and Odyssey is used for both receipting purposes and serves as a civil and probate case management system.

## 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.