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

September 25, 2020

Joel Levine, Executive Director  
Harris County Protective Services for Children and Adults  
2525 Murworth  
Houston, Texas 77054

Dear Joel Levine:

With the retirement of the Senior Director of Financial & Business Services at the Harris County Protective Services for Children and Adults Department (Office) the Harris County (County) Auditor's Office - Audit Services department has completed a Closeout Audit. 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 County Auditor, 713-274-5673.

Sincerely,

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

Michael Post  
County Auditor

Attachment

Report Copies:

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

**AUDIT REPORT**  
**HARRIS COUNTY PROTECTIVE SERVICES FOR CHILDREN AND ADULTS**  
**SEPTEMBER 25, 2020**

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## **Executive Summary**

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### **OVERALL CONCLUSION**

Based on the procedures performed in accordance with applicable County policies, we identified opportunities to implement or improve internal controls with regards to debit cards, gift cards, the Children's Participatory Accounting System's (CPAS) Vendor Master File, bank reconciliations, the Emergency Imprest Account, and system access. In addition, we determined the Office is not consistently implementing prior audit recommendations.

These issues were discussed with Office Management, and management action plans have been developed to address these issues by September 1, 2021.

Other opportunities for improvement that were not deemed a reportable issue were verbally discussed with Office Management.

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### **SCOPE AND OBJECTIVES**

Pursuant to the Harris County Road Law, Section 10, procedures were developed to achieve the following objectives:

1. Selectively test and evaluate key controls surrounding the purchase, safeguarding, and distribution of gift cards.
2. Selectively test and evaluate key controls surrounding expenditures and related reimbursements for imprest bank accounts including the safeguarding of debit cards.
3. Selectively test to determine whether bank reconciliations are timely and accurately prepared, and reconciling items are timely resolved.
4. Selectively test to ensure only active employees have user access rights and privileges in IFAS and the Active Directory.
5. Follow up on prior audit recommendations to determine whether they have been implemented.

Due to the COVID-19 pandemic and the associated social distancing guidelines, we decided to perform controls testing over the Guardianship Ward Program in a future audit. The audit reviewed internal controls and data for the six month period ended December 31, 2019.

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### **SUMMARY OF AUDIT ISSUES**

Controls over the following areas need improvement:

1. Segregation of Duties within the debit and gift card processes.
2. Gift Card Inventory, Reconciliations and Disbursements.
3. The CPAS Vendor Master File.
4. Gift Card Purchasing and Receiving.
5. Bank Reconciliations

6. Emergency Imprest Bank Account.
7. System access.
8. Safeguarding of Debit Cards.
9. Timely completion of debit card transactions.
10. Implementation of prior audit recommendations.

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: Improper Segregation of Duties**

**What is the Issue:** Improper segregation of duties exist within the debit and gift card processes. Specifically, the following was noted during testing:

- **Debit Card Process:**
  1. The Accounting Supervisor is responsible for the custody of the Emergency Imprest Account debit cards, loading funds onto these cards, reviewing supporting documentation for purchases, and authorizing purchases from this account.
  2. The Office's Accounts Payable processors for the Emergency Imprest Bank Account have the ability to create and edit vendors in the CPAS Vendor Master File.
- **Gift Card Process:** The Accounting Assistant is responsible for custody of the gift cards, authorizing gift card distributions, processing, recording, and reviewing the transactions/receipts for accuracy and completeness.

**What is Expected:** Pursuant to the County's Internal Controls Manual, County departments should organize their departments in a manner which promotes segregation of duties. Segregation of Duties is a preventive control that includes separating the responsibilities for custody, authorization, and recording a transaction.

**Why it Matters:** Not properly segregating responsibilities for custody, authorization, processing, recording, and reviewing transactions impairs the Office's ability to prevent and detect fraud and could result in errors, misappropriation of assets and/or financial loss to the County.

**Why it Happened:** Management informed us that staffing levels, turnover, and workload have impaired the Office's ability to properly segregate key duties and responsibilities. In addition, Office Management has not implemented compensating controls to mitigate this risk.

**What Action(s) are Suggested:** The Office should implement controls that would provide proper segregation of duties for both the debit and gift card processes. If it is determined that proper segregation of duties cannot be achieved with the current staffing levels, then Office Management should implement compensating controls that help mitigate this risk going forward. This may include, but not be limited to, adding additional levels of review/approvals by independent management or personnel with no responsibilities within the applicable process being reviewed.

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

**Responsible Party:** Robert Brannon

The accounting department is in the process of restructuring responsibilities to provide for proper segregation of duties. Specifically, the Accounting Supervisor will only have physical custody of the debit cards and the ability to approve payment requests. They will not have access to load or unload debit cards going forward. Loading of the debit cards will only be allowed with an approved CPAS register and will be performed by another accountant. Also, vendor creation in CPAS will be segregated from Accounts Payable processors.

With regards to gift cards, the accounting assistant will now only have physical custody of the gift cards for distribution. Another accountant will handle the recording, processing, and reviewing of receipts and transactions. Finally a second independent accountant will handle the monthly inventory count.

**Due Date:** September 1, 2021

## AUDIT ISSUES

### **ISSUE #2: Controls over the Inventory, Reconciliation and Disbursement of Gift Cards Need Improvement**

**What is the Issue:** Controls to help ensure gift cards are properly inventoried, reconciled, and disbursed need improvement. Specifically, the following was noted during testing:

1. Documentation was not provided to support that 362 gift cards totaling \$18,110 were disbursed to clients across the different program locations.
2. Invoices could not be provided to support the purchase of 197 gift cards totaling \$4,055 across the different program locations.
3. 11 cards recorded on the master gift card inventory log could not be located, totaling \$200 across 4 of the 17 different program locations. This issue is similar to an issue noted in the 2017 Harris County Protective Services George Ford Closeout Audit.
4. There were 10 extra cards not recorded on the master gift card inventory log totaling \$100.

**What is Expected:** Pursuant to the County's Accounting Procedure P.3, *Program Gift Cards*:

1. All gift card invoice and disbursement documentation should be filed and maintained in accordance with internal procedures. In addition, the Office's internal procedures for gift cards require the custodian to obtain receipts and ensure they are consistent with the intended purchase.
2. Departments should perform a physical inventory of undistributed program gift cards each week, which includes reconciling the program gift card inventory to the Independent Log and initialing and dating as evidence of completion.
3. A physical count of gift cards should be coordinated by an employee who has no inventory responsibilities.

**Why it Matters:** Not having controls in place to properly inventory, reconcile, and disburse gift cards could lead to lost or misappropriated gift cards, negative media exposure and/or financial loss to the County.

**Why it Happened:**

1. The central location custodian is not consistently receiving or following up on supporting documentation for the purchase and distribution of gift cards from program managers.
2. An independent inventory and reconciliation to the master gift card inventory log is not performed on a periodic basis by a person with no inventory responsibilities as required by County policy.
3. Although the department has formal gift card guidelines, these guidelines need improvement to help ensure gift cards are properly, inventoried, reconciled and disbursed.
4. The existing gift card guidelines were not communicated appropriately to staff at the different gift card program locations.

**What Action(s) are Suggested:** The Office should improve controls to help ensure gift cards are properly inventoried, reconciled, and disbursed. Specifically:

1. The Office should maintain adequate supporting documentation for tracking gift cards purchased and disbursed including invoices, Request for Funds forms, Commissioners Court approval letters and supporting receipts/signatures for disbursed gift cards.
2. Training should be provided to gift card custodians at the program locations to help ensure they are aware of County procedures and are properly performing inventory counts, reconciliations and timely submittal of receipts.

3. An independent inventory and reconciliation to the master gift card inventory log should be performed on a periodic basis (at least annually) by a person with no inventory responsibilities as required by County policy.
4. The Office should evaluate the cost and consider moving to an automated gift card inventory tracking system to reduce errors and/or inefficiencies. Office Management can work with the County's Universal Services Department (US) to determine what inventory tracking systems are available.
5. In order to detect potential fraud, Office Management should develop and implement follow up procedures with the clients to determine whether they received their gift cards or the items that were purchased with the gift cards. This may include program managers calling a sample of clients to verify they either received the card or the items that were purchased by the card.
6. Office Management should update their gift card policy and train staff on the policy. At a minimum, the Office's gift card policies and procedures should:
  - a. Be communicated and readily available to all employees who need it.
  - b. Outline the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records.
  - c. Indicate which employees are to perform which procedures while considering competency and proper segregation of duties.
  - d. Be reviewed and approved at least annually or when material updates are needed.

## **MANAGEMENT'S ACTION PLAN**

**Responsible Party:** Robert Brannon

Management will maintain files of all supporting documentation for gift card purchases. Gift card custodians will receive training and will be required to send weekly reports to the accounting department until all gift cards have been used and reconciled. An accountant not otherwise involved in the gift card process will receive the weekly reports and perform a reconciliation. Management is in the process of reviewing with US software for gift card tracking. Management will continue to implement fraud detection measures such as requiring clients to sign for the gift cards they have received. Management will update the gift card policy to reflect the additional changes and updates.

**Due Date:** September 1, 2021

## AUDIT ISSUES

### **ISSUE #3: Controls over the Vendor Master File Need Improvement**

**What is the Issue:** The Office's controls over the CPAS Vendor Master File need improvement. Specifically, the following was noted during our testing:

1. 1,394 of the 10,290 (14%) active vendors in the CPAS Vendor Master File were duplicate vendors.
2. Debit card purchases are not consistently associated with the vendor the goods are purchased from (e.g. Walmart).
3. The Office is not monitoring changes to their CPAS Vendor Master File.

**What is Expected:**

1. As a best practice, the CPAS Vendor Master File should be reviewed and updated at least once a year to remove duplicate/similar, terminated, one time use, stale, and/or ineligible vendors.
2. Where possible, debit card purchases should be associated with the vendor at which the goods are purchased from.
3. It is best practice to monitor changes to the CPAS Vendor Master File for proper authorization/approval.

**Why it Matters:**

1. Having duplicate or similar vendors in the CPAS Vendor Master File could result in duplicate payments being processed to the same vendor and financial loss to the County.
2. Not consistently associating debit card purchases with the vendor impairs the Office's ability to monitor purchases made from the vendors in which the goods or services were purchased.
3. Not monitoring changes to the CPAS Vendor Master File impairs the Office's ability to detect unauthorized vendor changes that could lead to misappropriation of assets and financial loss to the County.

**Why it Happened:**

1. The Office has not established an owner of the CPAS Vendor Master File and has not implemented a maintenance process as they were unaware of the magnitude of duplicate vendors in their Vendor Master File. They also do not have a formal policy in place governing this process. In addition, the Office's Accounts Payable processors are all responsible for creating new vendors and making changes to existing vendors (See Issue #1) without established name and address standards to mitigate duplicate vendors.
2. Office Management informed us they set up some employees as vendors to receive debit cards in their name for emergency purchases from vendors. The Office was not aware that a better control would be to associate debit card purchases with the vendor rather than the employee.
3. The CPAS Financial System does not have a tracking function to monitor changes to the Vendor Master File and the Office has not implemented a compensating review process to monitor these changes.

**What Action(s) are Suggested:** The Office should improve controls surrounding the Vendor Master File by performing the following:

1. The Office should implement a Vendor Master File maintenance process. At a minimum, the Office should:
  - Establish one owner of the Vendor Master File who is responsible for creating/editing vendors with a separate individual for authorization. Proper segregation of duties should be considered when selecting the owner and a formal policy should be created to govern this process, including the assignment of a designated backup and subsequent review of any changes made to the Vendor Master File by the backup.

- Determine frequency and the individual responsible for Vendor Master maintenance. One person annually is best practice.
  - Remove duplicate, terminated, one time use, dormant and/or ineligible vendors. Microsoft Excel's Fuzzy Lookup function can assist with identifying similar/duplicate vendors.
  - Establish vendor name and address standards to minimize future duplicate vendors with consideration given to using the United States Postal Service address validation standards.
2. The Office should associate debit card purchases with the vendor rather than the employee.
  3. The Office's internal Information Technology department should work with the County's Universal Services Department (US) to determine if a tracking function can be implemented into the CPAS Financial System to monitor changes to the Vendor Master File. If a tracking function cannot be implemented into the CPAS Financial System then Office Management should implement a compensating review process to monitor changes to the Vendor Master File.

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

**Responsible Party:** Robert Brannon

Management will designate one employee who is not a part of the AP function to act as the owner of the vendor master file. Management will work with US on removing duplicate vendors as well as improving the overall system functioning such as tracking changes to the vendor file. Management will ensure debit card purchases are associated with a vendor rather than an employee.

**Due Date:** September 1, 2021



**ISSUE #4: Controls over the Purchasing and Receiving of Gift Cards Need Improvement**

**What is the Issue:** Controls to help ensure gift cards are properly purchased and received need improvement. Specifically, the following was noted during testing:

1. The custodian at the central location is not performing a four-way match between the approved Commissioner's Court letter, approved Request for Payment (RFP), vendor invoice, and gift cards received.
2. The custodian at the central location is not consistently provided a copy of the outstanding RFP's. Thus she would not be aware if gift cards were purchased and never received.
3. Two out of the 16 (12.5%) programs did not obtain Commissioner's Court approval for gift cards purchased with grant funds totaling \$4,400.
4. The Kinship program, a program under the Texas Department of Family and Protective Services that the Office operates, issued checks payable to cash or employees to purchase program gift cards instead of the vendor.

**What is Expected:**

1. It is best practice for the central location custodian to perform a four-way match to help ensure all purchased gift cards are properly purchased, received and recorded under the correct program.
2. A copy of all outstanding RFP's should be provided to the central location custodian so the custodian is aware of all gift cards purchased and can track their receipt on the master gift card log accordingly.
3. Pursuant to the County's Accounting Procedure P.3, *Program Gift Cards*, program managers are required to submit a request to Commissioner's Court to purchase gift cards for their program. The request must state the purpose of the gift cards, the amount of funds they are requesting, and which fund(s) the cards will be purchased from.
4. It is best practice to prohibit checks made payable to cash or employees for purchases.

**Why it Matters:** Not having sufficient controls in place to help ensure gift cards are properly purchased and received could lead to unauthorized gift card purchases, misappropriation of assets, and/or financial loss to the County. In addition, checks written to cash and employees presents the opportunity for misappropriation of funds.

**Why it Happened:**

1. The Office was not aware that it is best practice to perform a four-way match.
2. The Office's internal gift card policy does not require program managers to submit RFP's to the central location custodian and the central custodian is not following up with program managers when the custodian receives gift cards without the associated RFP.
3. The Office was not aware that gift card purchases from grant funds require the same Commissioners Court approval as gift cards purchased with County funds.
4. Office Management has not developed and implemented a procedure that requires checks to be issued to vendors for Kinship program purchases.
5. The Office staff was not consistently trained on the existing gift card guidelines.

**What Action(s) are Suggested:** The Office should improve controls to help ensure gift cards are properly purchased and received. Specifically:

1. The custodian at the central location should perform a four-way match between the approved Commissioner's Court letter, approved RFP, vendor invoice, and gift cards received to help ensure proper authorization and the completeness of gift cards received. This control should be included in their updated gift card policy.
2. Office Management should require program managers to submit RFP's to the central location custodian and include this in their updated gift card policy.
3. Office Management should require program managers to submit a request to Commissioner's Court to purchase gift cards for their program, even when grant funds are being utilized. Staff should be appropriately trained and the Office's formal gift card policy should require this approval when being updated.
4. Office Management should discontinue issuing checks payable to cash and employees and implement controls to help ensure all checks written for the purchase of gift cards are only payable to the vendor the cards are being purchased from.

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

**Responsible Party:** Robert Brannon

The custodian will perform a 4-way match and keep copies of all supporting documentation. Program managers are now required to submit RFPs to the custodian. Program managers will be required to obtain court letters for all gift card purchases. Checks for gift cards will only be made payable to vendors rather than to cash.

**Due Date:** September 1, 2021

## AUDIT ISSUES

### **ISSUE #5: Controls over the Bank Reconciliation Process Need Improvement (REPEAT ISSUE)**

**What is the Issue:** The Office's controls over bank reconciliations need improvement. Specifically, the Office is not resolving reconciling items or outstanding checks in a timely manner. In addition, the County Auditor's Office – Revenue Accounting Department (Revenue Accounting) has not been remediating or escalating old reconciling items dating back to 2017 that could not be cleared with the Office. The following was noted during our procedures:

**1. Representative Payee Bank Account (Fiduciary)**

The December 31, 2019 Bank Reconciliation had reconciling items greater than 30 days old dating back to July of 2017 totaling \$56,493. As a result of our testing, the reconciling items were cleared.

**2. Guardianship Bank Account (Fiduciary)**

The December 31, 2019 Bank Reconciliation had reconciling items greater than 30 days old dating back to May of 2014 totaling \$20,041. However, \$6,140 of these reconciling items were cleared as of May 31, 2020 leaving \$13,901 outstanding.

**3. Emergency Imprest Bank Account (General Fund)**

The December 31, 2019 Bank Reconciliation had reconciling items greater than 30 days old dating back to November of 2009 totaling \$225. In addition, there were four checks totaling \$495.44 that were outstanding greater than 366 days that were not timely voided in accordance with County Policy. As a result of our testing, the checks were voided.

These issues are similar to issues noted in the 2016 Harris County Protective Services Bank and Imprest Account Audit Report.

**What is Expected:**

Pursuant to the County's Accounting Procedures C.8, *Custodial (Agency) Bank Accounts* and C.9, *Imprest Bank Accounts*:

1. "Departments are responsible for documenting, tracking, and clearing all reconciling items within 30 days following the original bank statement where the reconciling items first appeared." The Office is responsible for completing a monthly reconciliation of the bank account and then completing the required County Auditor Form, Form 324A for custodial accounts and Form 327A for imprest accounts, and delivering the form(s) to Revenue Accounting.
2. "For any reconciling item (excluding outstanding checks) that have not been cleared within 30 days from the Auditor's Office's reconciliation date (end of the month following a bank statement month), the County department will receive an email and a phone call from Revenue Accounting to work/clear such items. "
3. "For any reconciling item (excluding outstanding checks) that has not been cleared within 60 days from the Auditor's Office's reconciliation date, the County department will receive a County Auditor signed letter stating the procedure requirements."

Pursuant to the County's Accounting Procedure C6, *Undeliverable County Checks*, undeliverable checks that are outstanding 366 days or more may generally be voided and credited back to the County in accordance with Texas Local Government Code section 116.116(c), *Obligations Payable at County Depository*.

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

**Why it Happened:** The Office was not properly monitoring their reconciling items greater than 30 days old to ensure they were timely resolved as required by County policy. The Office was also not properly monitoring outstanding checks greater than 366 days to ensure they were timely voided as required by County Policy. Furthermore, the County Auditor's Office does not have an escalation plan for reconciling items that are unable to be cleared with the department. In addition, the current process does not have a paper trail for follow up of reconciling items that would support an escalation plan.

**What Action(s) are Suggested:**

1. Office Management should improve controls over their bank reconciliation process to help ensure reconciling items and outstanding checks are timely resolved in accordance with County Policy.
2. The County Auditor's Office should address current practices in communicating aged reconciling items and develop an escalation plan for these items.
3. Revenue accounting should comply with the County's Accounting Procedure C8, *Custodial (Agency) Bank Accounts*, with regards to communicating aged reconciling items to departments to create a paper trail to properly support an escalation plan.

## **MANAGEMENT'S ACTION PLAN**

### **Protective Services**

**Responsible Party:** Robert Brannon

Management will work to improve controls over the bank reconciliation process primarily by assigning an accountant that will focus on clearing reconciling items and voided checks timely.

**Due Date:** September 1, 2021

### **Auditor's Office**

**Responsible Party:** Leslie Wilks Garcia

Management agrees with the issue and is in the process of reviewing the County's Accounting Procedure C8, *Custodial (Agency) Bank Accounts*, and will work with the County Attorney's Office to determine the possibility of establishing a process by which long-standing items with no known origin can be resolved appropriately. The procedure will also be updated to include a more formal escalation plan for resolving outstanding reconciling items. Revenue Accounting will document their communications with departments in their attempts to resolve outstanding reconciling items, in accordance with applicable Auditor's Office procedures.

**Due Date:** February 28, 2021

**ISSUE #6: Controls over the Office's Emergency Imprest Account Need Improvement (REPEAT ISSUE)**

**What is the Issue:** The Office's controls over their \$50,000 Emergency Imprest Account need improvement. Specifically, the following was noted:

1. No formal policy exists to govern allowable/unallowable expenditures from the Emergency Imprest Account. This issue is similar to an issue noted in the 2016 Harris County Protective Services Bank and Imprest Account Audit Report.
2. The Office is not consistently utilizing the most current version of their internal Form 400, *Request for Funds* (Form 400), which requires approval for purchases made from the Emergency Imprest Account. This issue is similar to an issue noted in the 2016 Harris County Protective Services Bank and Imprest Account Audit Report.
3. The Office is currently utilizing non unique invoice numbers when processing invoices in the CPAS Financial System for the Emergency Imprest Account. As a result, when CPAS issues a duplicate invoice warning message, the Office overrides it.

**What is Expected:**

1. Pursuant to the *County's Internal Controls Manual*, departments should have well-written departmental policies and procedures that address their significant activities, and provide a basis for accountability including levels of authority, performance standards, and reporting relationships
2. When Form 400 was revised, on July 15, 2019, to provide clarity on the required levels of review and approval, applicable staff should have been educated on the use of the Form.
3. As a best practice, invoice numbers should be unique and be in sequential order for easy reference and to prevent duplicate payments for the same invoice.

**Why it Matters:** Invalid, unauthorized and/or duplicate expenditures could be disbursed from the Emergency Imprest Account.

**Why it Happened:**

1. Due to staff turnover and workload, the Office has been unable to implement this policy as planned.
2. Office Management did not properly communicate the new Form 400 to applicable personnel. In addition, the Office did not enforce the consistent use of Form 400.
3. The Office is currently utilizing Form 400 as the invoice when processing claims in the CPAS Financial System, however, the form does not have a unique identifying number that can be utilized as an invoice number.

**What Action(s) are Suggested:**

1. Office Management should implement procedures for the Emergency Imprest Account. At a minimum, the procedures should:
  - List specific types of purchases allowable (and unallowable) for each program within the department.
  - Require original receipts and other supporting documentation to be returned to the Custodian by the next business day as required by the County's Accounting Procedure C.9, *Imprest Bank Accounts*.
  - Document the responsibilities of each individual involved in the Emergency Imprest Account process.

- Require a periodic review of imprest account activity to determine whether the authorized amount by Commissioners Court needs to be adjusted based on current and future needs of the account. This should also apply to the Clothing Reimbursement Imprest Account.
- 2. Office Management should communicate the new Form 400 to all applicable personnel and provide training to supervisors/managers to ensure they understand and enforce the use of the new form.
- 3. Office Management should implement an invoice numbering system/methodology for processing requests for funds from the Emergency Imprest Account. In addition, the Office should perform research to determine whether the CPAS Financial System has a hard stop for duplicate invoice numbers rather than a warning message that is easily overridden.
- 4. The Office should consider completing County Auditor's Form 910A, *Bank Account Title Change Request*, for the Emergency Imprest Account if the account is going to be used for purchases other than emergencies.

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

**Responsible Party:** Robert Brannon

Management will create and implement an Emergency Imprest Account Procedure. Management will ensure that all programs will utilize the correct updated CW400 form. Management is working on finding a solution for creating invoice numbers within CPAS. In addition, Management will complete County Auditor Form 910A to change the name of the imprest account.

**Due Date:** September 1, 2021

## AUDIT ISSUES

### **ISSUE #7: Controls over System Access Need Improvement (REPEAT ISSUE)**

**What is the Issue:** A periodic review of system access rights to Active Directory accounts is not being performed. 11 Active Directory accounts out of 379 (2.9%) were not disabled timely after the employee's date of separation. In addition, 1 IFAS account out of 60 (1.7%) was not disabled timely after the employee's date of separation. However, none of these accounts were accessed subsequent to the employee's date of separation and Office Management has since disabled these accounts to prevent unauthorized access. This issue is similar to an issue noted in the 2016 Harris County Protective Services Bank and Imprest Account Audit Report.

**What is Expected:** Pursuant to the US Security Access Control Policy (County Security Access Policy) Section C.1.11, *Access Certification*, departments "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." In addition, the County's Security Access Policy Section C.1.9, *User Termination*, states, "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."

**Why it Matters:** Not performing a review of system access impairs the Office's ability to detect unauthorized access including active accounts for terminated employees not timely disabled. In addition, untimely disabling of Active Directory and IFAS accounts for terminated/transferred employees may result in unauthorized access to confidential information and expose the County to data breaches.

**Why it Happened:** US provided the Office's Information Technology group the ability to manage Active Directory access for the Office with regards to password management and disabling Active Directory accounts upon termination. However, they did not provide a copy of the County's Security Access Policy to the Office. As such, the Information Technology group was not aware of the annual access certification requirement and the requirement to terminate access to Active Directory and/or IFAS within 24 hours of an employee's termination.

**What Action(s) are Suggested:**

1. Office Management should perform a periodic review of system access rights for Active Directory accounts (at least annually) to help ensure that only authorized personnel maintain access to and permissions for the system.
2. Office Management should consider developing a termination checklist to include procedures for removing system access from all relevant applications for terminated or transferred employees. Applicable personnel should be trained on the termination checklist.

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

**Responsible Party:** Universal Services

Pursuant to an MOU signed by Commissioners Court on August 11, 2020 and in effect as of August 29, 2020, the HCPS IT program has been transferred to Universal Service's. The responsibility of adding and removing system access now belongs to US. However, we will add an item to our termination procedures to contact US when an employee is terminated or transferred so US can remove any applicable access. We will also follow up with US to ensure the access was removed.

**Due Date:** September 1, 2021

## AUDIT ISSUES

### **ISSUE #8: Improper Safeguarding of Debit Cards**

**What is the Issue:** The Office is not properly safeguarding their unloaded debit card inventory. The Accounting Supervisor keeps the Office's unloaded debit card inventory for the Emergency Imprest Bank Account in an unlocked desk drawer within her office that is accessible by other personnel.

**What is Expected:** Pursuant to the County's Accounting Procedure C.9, *Imprest Bank Accounts*, the County Department should keep the blank check stock in a locked place with restricted access (designated safe, preferably dual control access) that is under the control of the custodian. Debit cards, like checks, are a type of financial instrument and should be safeguarded in the same manner.

**Why it Matters:** Not having proper controls in place to properly safeguard debit cards could lead to lost or misappropriated assets and/or financial loss to the County.

**Why it Happened:** Office Management did not properly communicate safeguarding controls to staff responsible for securing debit cards.

**What Action(s) are Suggested:** The Office should Implement controls to properly safeguard debit cards. This includes securing them in a safe or other locked storage place when not in use, as well as when left in the office overnight. Access to the safe combination and/or keys should be limited to the program custodian.

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

**Responsible Party:** Robert Brannon

All debit cards are now held in a locked safe with limited access.

**Due Date:** September 1, 2021



## AUDIT ISSUES

### **ISSUE #9: Untimely Completion of Debit Card Transactions (REPEAT ISSUE)**

**What is the Issue:** The Office is not completing imprest account debit card transactions in a timely manner. 24 of the 30 (80%) debit cards utilized during the audit period had unused funds remaining on the debit cards after the purchase was made totaling \$723 that were not timely reverted/unloaded back to the Prepaid Technologies Bank Account by the next business day as required by County Policy. This issue is similar in nature to an issue noted in the 2016 Harris County Protective Services Bank and Imprest Account Audit Report.

**What is Expected:** Pursuant to the County's Accounting Procedure C.9, *Imprest Bank Accounts*, the County Department should "ensure imprest bank account purchases are for County business and that each purchase is completed by the following business day after receiving the funds from the imprest bank account, which includes providing the supporting original receipt/documentation for the purchase back to the custodian."

**Why it Matters:** Untimely depositing of unused funds could result in unauthorized transactions and/or misappropriated funds.

**Why it Happened:** The Office does not have sufficient controls in place to help ensure original receipts and the reloadable/unloadable debit cards are returned back to the custodian timely which impairs the custodian's ability to timely revert unused debit card funds back to the bank account. In addition, the custodian is not consistently following up when receipts/cards are not returned timely.

**What Action(s) are Suggested:** The Office should implement procedures regarding the timeliness of the returning of reloadable/unloadable debit cards and receipts.

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

**Responsible Party:** Robert Brannon

Management has restructured functions and hired an additional accountant that will be able to follow up on receipts and reverting of unused funds.

**Due Date:** September 1, 2021

## AUDIT ISSUES

### **ISSUE #10: Inconsistent Implementation of Prior Audit Recommendations**

**What is the Issue:** Office Management is not consistently implementing prior audit recommendations. Specifically, the following was noted:

**Not implemented**

1. See Issues 2, 5, 6, and 7 for issues identified in prior reports that were not implemented.
2. The Office is still not enforcing the requirements of the Representative Payee Program's Allowance Agreement as reported in our 2016 HCPS Bank and Imprest Account Audit Report.

**Partially implemented**

1. See Issue 6 and 9 for previously identified issues that were only partially implemented.
2. The Office was unable to provide support for 2 of the 7 missing capital assets reported in our 2017 HCPS George Ford Closeout Audit.
3. An reconciling item of \$17,198.46 had been an outstanding since the Office took control of the Guardianship Program in March of 2003. The amount included funds which could not be allocated to a specific ward and, thus, they could not be returned or escheated. The former Senior Director of Financial & Business Services at the Office offset the \$17,198.46 against Ward's accounts that had negative balances and other reconciling items on the bank reconciliations.

**What is Expected:** It is best practice to implement prior audit recommendations or alternative procedures to mitigate all risks identified in prior Audits. In addition, the Office should consult with the County Attorney's Office for aged reconciling items that cannot be escheated or returned, prior to applying the overages at the Office will.

**Why it Matters:** Not implementing prior audit recommendations may impair the Office's ability to maintain a sound control environment which could expose the County to financial, operational, legal, regulatory, technology, governance, information or strategic risks that may impair the County's ability to properly serve its taxpayers.

**Why it Happened:** Staff turnover and workload has impaired the Office's ability to dedicate time to implementing past audit recommendations.

**What Action(s) are Suggested:** The Office should implement prior audit recommendations or alternative procedures to mitigate all risks identified in prior Audit Reports. Specifically for the \$17,198 adjustment, the Office should consult with the County Attorney's Office to ensure their resolution was appropriate. The opinion of the County attorney should be documented and provided to the auditor once received

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

**Responsible Party:** Robert Brannon

Management has described the action plan for 2, 5, 6, 7, and 9 under those items. Purchasing has informed us that 1 of the 2 remaining capital assets was sold at auction in 2017. Purchasing also informed us that the other missing asset is believed to have been included as part of the sale of a county property in 2006. Purchasing also stated that since these assets are not active they are unable to process a County Auditor Form 3351. Management is in the process of reaching out to the County Attorney's Office in order to gain written approval for the \$17,198 that was offset against negative balances.

**Due Date:** September 1, 2021

## BACKGROUND

The Office was founded in 1966 under the name Harris County Child Welfare in order to provide support services for the children taken under the wing of the Texas Department of Family and Protective Services. The Office still provides this support but is now an official Harris County department and has expanded services for early prevention, intervention and adult services. To manage operations of these services the Office uses the Children's Participatory Accounting System (CPAS). CPAS, includes a vendor master database that the Offices uses to manage foster parents, clothing vendors, institutions, as well other vendors. CPAS system access and transaction creation and editing is managed by the Office.

The Office currently provides the following services:

**1. Services for Abused and Neglected Children**

- Medical, Dental, and Behavioral Health
- Child and Parent Assessments
- Permanency Planning
- Basic Necessities
- Transitional Services for Current and Former Foster Youth

**2. Services for At-Risk Youth**

- Free School and Community Based Programs
- Crisis Intervention
- Diversion Programs
- Parent/Child Conflict Resolution
- Temporary Emergency Shelter
- Mental Health Services
- Truancy Prevention
- 24-Hour Crisis/Intake Hotline

**3. Services for Seniors and Disabled Adults**

- Financial Management
- Guardianship Services for Incapacitated Adults
- Multidisciplinary Services for Senior Victims of Crime

## 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.