

AUDITOR'S REPORT

JUVENILE PROBATION DEPARTMENT TOM BROOKS CLOSEOUT PROCEDURES AS OF AUGUST 31, 2018



February 15, 2019

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HARRIS COUNTY AUDITOR

February 15, 2019

Henry Gonzales, Executive Director
Harris County Juvenile Probation Department
1200 Congress Street, Suite 800
Houston, Texas 77002

RE: Harris County Juvenile Probation Department Tom Brooks Closeout Procedures as of August 31, 2018

With the change in officials within the Harris County Juvenile Probation Department (Office), the Auditor's Office - Audit Services Department (Audit Services) performed closeout procedures in accordance with the Harris County Road Law. Although you were not the office holder during the period subject to our procedures, we are addressing this Auditor's Report to you as the current office holder.

We selectively tested to determine whether:

1. Petty cash in the Office reconciled to the imprest balance authorized by the Harris County Commissioners Court (Commissioners Court), and the balance was accurately recorded in the Harris County's (County) Financial Records (IFAS).
2. Collections on hand reconciled to County receipts, financial reports generated by the Office, and validated bank deposit slips or County Treasurer's receipts.
3. Capital assets exist.
4. Procurement and travel cards assigned to the Office were in the Office's possession and were used to make appropriate County purchases in accordance with County policy.

The engagement process included providing you with a combined engagement and scope letter and conducting an entrance conference with your personnel. The purpose of the letter and conference were to explain the process, identify areas of concern, describe the procedures to be performed, discuss issues identified during the engagement, and solicit suggestions for resolving the issues. A draft report was provided to you and your personnel for review.

The work performed required our staff to exercise professional judgment in completing the scope procedures. As the procedures were not a detailed examination of all transactions or property, 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 property and for ensuring sufficient controls are in place to detect and prevent fraud, errors, or omissions.

Henry Gonzales, Executive Director
Harris County Juvenile Probation Department

The enclosed Auditor's Report presents the significant issues identified during our procedures, recommendations developed in conjunction with your staff, and any actions you have taken to implement the recommendations.

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
Kim Ogg
Vince Ryan
William J. Jackson

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OVERVIEW

The objective of this engagement was to perform procedures in accordance with the Harris County Road Law (Section 10, Chapter 17, Special Laws, Acts of the 33rd Legislature, Regular Session, 1913, as amended by Chapter 422, Acts of the 66th Legislature, 1979).

As excerpted below:

“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 ...”

RESULTS

Based on the procedures performed, in accordance with the Harris County Road Law, the Office materially complied with the County’s policies and procedures related to collections, change funds, and purchasing/travel cards. However, our procedures identified opportunities for improvement as follows:

1. Two of the Office’s locations did not submit County Auditor Form 1235A, *Imprest Account - Change of Custodian Form*, to Accounts Payable, authorizing the new custodian pursuant to the County’s Accounting Procedure D.3, *Traditional General Fund Petty Cash Accounts*. Employee’s assigned petty cash custodial responsibilities transfers should be appropriately authorized as required by County policies and procedures.
2. One of 37 (3%) Office capital assets was not located. Physical controls over capital assets should be strengthened.
3. One of 37 (3%) Office capital assets tested could not be reconciled to the IFAS Fixed Asset module due to insufficient documentation (serial number). Documentation of capital assets in IFAS should be complete and accurate pursuant to County Accounting Procedure A.2-2, *Accounting for Capital Assets Excluding Real Property*.

These matters are discussed in more detail in the following Issues and Recommendations section of this report.

ISSUES AND RECOMMENDATIONS

Petty Cash

Background

Pursuant to the County's Accounting Procedure D.3, *Traditional General Fund Petty Cash Accounts*, a County Department assigns the Petty Cash Custodian's duty to one full-time staff member.

Furthermore, a County Department performs the following duties when assigning a new petty cash custodian:

1. "Counts the petty cash funds, and reconciles the petty cash fund imprest balance (Reconciliation portion of a County Auditor's Form 1267, *Department Imprest Account – Funding/Reimbursement Request & Reconciliation*, may be utilized) in the presence of the authorized County Department employee that will be assigned as the new custodian.
2. Completes a County Auditor's Form 1235A, *Imprest Account - Change of Custodian Form*.
3. Obtains the approval signature of the Official or the Official's designee (other than the custodian) on Form 1235A.

Note: When the County Department's Official/Department Head changes, an updated Form 1235A that contains the new Official/ Department Head's approval signature has to be sent to Accounts Payable.

4. Makes a copy of the completed Form 1235A.
5. Sends the original Form 1235A to Accounts Payable.
6. Files and retains all documentation in accordance with the Harris County Records Control Schedule."

Issue

Two of the Office's locations did not submit Form 1235A, *Imprest Account - Change of Custodian Form*, to Accounts Payable, authorizing the new custodian of their petty cash funds as required by the County's Accounting Procedure D.3, *Traditional General Fund Petty Cash Accounts*.

Not submitting Form 1235A, *Imprest Account - Change of Custodian Form*, to Accounts Payable has resulted in noncompliance with the County's Accounting Procedure D.3, *Traditional General Fund Petty Cash Accounts*, and could result in misappropriation of assets and/or financial loss to the County.

ISSUES AND RECOMMENDATIONS

Petty Cash (Continued)

Recommendation

Office Management should submit the completed required Form 1235A, *Imprest Account – Change of Custodian Form*, to Accounts Payable to authorize the current custodian of the petty cash funds.

Management Response

Office management has now submitted the completed required Form 1235A, *Imprest Account – Change of Custodian Form*, to Accounts Payable, for all department facilities, to authorize the current custodian of the petty cash funds. One location, the Leadership Academy, was in the interim process of assigning a new custodian, as the previous one had left the position, and did not have the required Form 1235A. All facilities have been reminded to submit such form to office management anytime a custodian changes.

ISSUES AND RECOMMENDATIONS

Assets

Background

Pursuant to County Accounting Procedure A.1-1, *Property Handling Guidelines*:

1. Capital County Assets – Category I are defined as “County personal property including all weapons/firearms with a unit value of \$5,000 or more. These items are recorded as a fixed asset on the General Ledger, depreciated over the useful life of the asset, and must be recorded on the County Inventory Listing (i.e., in the IFAS FA Module). These items must be tagged by Purchasing.” The Procedure further requires that the department “Ensures for all items inventoried that inventory records reflect sufficient identifying information including each item’s received date and unique identifying number, if any, such as a serial number applied by the manufacturer.”
2. “Inventoried property records should be kept current with new items added and deleted items removed timely (e.g., due to transfer, loss, theft, destruction) or otherwise indicated in accordance with department internal policy.”

Pursuant to County Accounting Procedure A.2-2, *Accounting for Capital Assets Excluding Real Property*, County departments are responsible for accessing the IFAS Fixed Asset Module for Capital County Assets - Category I and updating the serial number, make, model, type, class and location of the asset as applicable in the IFAS Fixed Asset Module.

Issues

1. One of 37 (3%) Office capital assets selected for testing (washer/extractor) could not be located. The purchase price for this capital asset was \$7,312.00.
2. One of 37 (3%) Office capital assets selected for testing (convection oven) lacked sufficient identifying information (serial number) on the asset presented to us and within IFAS to reconcile to the IFAS Fixed Asset Module. The purchase price for this capital asset was \$11,089.12.

Not recording sufficient identifying information on the asset and within the IFAS Fixed Asset module impairs the Office’s ability to properly track and monitor capital assets and could result in the inability to reconcile assets to the IFAS Fixed Asset Module, misappropriation of assets, misplaced or lost assets, misstatement of the financial statements, and/or financial loss to the County.

Recommendations

1. Office Management should attempt to locate the missing asset (washer/extractor), and steps should be taken to identify and address the root cause of the missing asset. If they are unable to do so, the Office should determine whether County Auditor’s Form 3351, *County Property Deletion/Indemnification Request Form*, should be submitted to the County’s

ISSUES AND RECOMMENDATIONS

Assets (Continued)

Purchasing Services Department to obtain Commissioners Court approval to remove this capital asset from the County's Fixed Asset Module and the general ledger.

2. The Office should perform research on the capital asset (convection oven) that could not be reconciled to the IFAS Fixed Asset module during our procedures and record sufficient identifying information on the asset and within the IFAS Fixed Asset Module so this asset can be appropriately tracked and identified going forward. This should include ensuring all capital assets get tagged by the Purchasing Department and updating the following records within the IFAS Fixed Asset Module:
 - a. Equipment Number
 - b. Serial Number
 - c. Received Date
 - d. Address
 - e. Model Number
 - f. TagID

Management Response

1. The missing asset (washer/extractor) has not been located. It is our belief that the department requested that the County's Purchasing Services Department remove the asset from the inventory list and remove it from the premises when the new washer was purchased. It seems, however, that this procedure was not completed. County Auditor's Form 3351, County Property Deletion/Indemnification Request Form, will be submitted to the County's Purchasing Services Department to obtain Commissioners Court approval to remove this capital asset from the County's Fixed Asset general ledger.
2. The capital asset (convection oven) was tagged with an asset ID number by the County's Purchasing Services Department at time of purchase. The serial number, however, was not properly recorded in the IFAS Fixed Asset Module, in order that the serial number match the asset ID number. The correct serial number was located and matched by juvenile probation purchase orders. The IFAS Fixed Asset Module has since been updated with the serial number. Going forward, the juvenile probation department will ensure that all serial numbers and identifying information are appropriately recorded within the IFAS Fixed Asset Module so this asset and all others can be appropriately tracked and identified.