

AUDITOR'S REPORT

POLLUTION CONTROL SERVICES DEPARTMENT BOB ALLEN CLOSEOUT PROCEDURES AS OF APRIL 30, 2019



September 13, 2019

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HARRIS COUNTY AUDITOR

September 13, 2019

Latrice Babin, Ph.D.
Interim Director of Pollution Control Services
101 South Richey, Suite H
Pasadena, Texas 77506

RE: Pollution Control Services Department Bob Allen Closeout Procedures as of April 30, 2019

With the change in officials within the Pollution Control Services Department (the Office), the Auditor's Office - Audit Services Department 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 performed procedures to determine whether:

1. Petty Cash at the Office reconciled to the imprest balance authorized by Commissioners Court, and the balance was accurately recorded in the County's Financial System (IFAS).
2. Capital assets existed (on a sample basis).
3. 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 work performed required our staff to exercise professional judgment in completing the scope procedures. As the procedures were not a detailed inspection of all transactions or assets, 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 assets, and for ensuring sufficient controls are in place to detect and prevent fraud, errors, or omissions.

The enclosed Auditor's Report presents the issue identified during our procedures, our recommendations, and any actions you will take to address the issue.

Latrice Babin, Ph.D.
Interim Director of Pollution Control Services

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 ...”

SUMMARY OF RESULTS

Based on the procedures performed in accordance with the Harris County Road Law, petty cash at the Office reconciled to the imprest balance authorized by Commissioners Court, and the balance was accurately recorded in IFAS. In addition, the 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. However, the following opportunity for improvement was noted:

Controls for Accuracy and Completeness of Recording Assets Need Improvement

The Office does not have sufficient controls in place to ensure the accuracy and completeness of their assets in the IFAS Fixed Asset Module. Specifically, it was noted that two expired operating leases for air monitoring stations totaling \$350,646 were still listed in the IFAS Fixed Asset Module even though they were expired and the associated assets were removed by the vendor. In addition, during a physical review of Office assets, it was determined that 13 qualifying Category II assets (ozone monitors) totaling \$61,490 were not recorded in the IFAS Fixed Asset Module. Office Management should remove the two operating leases and add the 13 ozone monitors to the IFAS Fixed Asset Module. In addition, to improve internal controls over the accuracy and completeness of Office assets listed in the IFAS Fixed Asset Module, Management should perform a periodic review of Office assets to ensure asset records are accurate, complete, and comply with County policies.

These audit results are discussed in more detail within the attached Issues and Recommendations Section.

ISSUES AND RECOMMENDATIONS

Controls for Accuracy and Completeness of Recording Assets Need Improvement

Background

Pursuant to the County's Accounting Procedures Manual A.1-1, *Property Handling Guidelines*, Controlled County Assets – Category I (defined as County personal property with a unit value of \$5,000 or more) are required to be capitalized on the County's General Ledger, recorded in the IFAS Fixed Asset Module, and tagged by purchasing.

Pursuant to the County's Accounting Procedures Manual A.1-1, *Property Handling Guidelines*, Controlled County Assets – Category II (defined as County personal property with a unit value of \$500 through \$4,999.99 that have a unique identifying number applied by the manufacturer) are required to be recorded in the IFAS Fixed Asset Module. Additionally, the County department must ensure the inventory records reflect sufficient identifying information that includes unique identifying serial numbers.

Issue

The Office does not have sufficient controls in place to ensure the accuracy and completeness of their assets in the IFAS Fixed Asset Module. Specifically, it was noted that two expired operating leases for air monitoring stations totaling \$350,646 were still listed in the IFAS Fixed Asset Module even though they were expired and the associated assets were removed by the vendor.

In addition, during a physical review of Office assets, it was determined that 13 qualifying Category II assets (ozone monitors) totaling \$61,490 were not recorded in the IFAS Fixed Asset Module.

A failure to maintain appropriate controls to ensure the accuracy and completeness of Office assets in the IFAS Fixed Asset Module could result in the overstatement/understatement of assets, misappropriation of assets, and financial loss to the County.

Recommendation

Office Management should remove the two operating leases and add the 13 ozone monitors to the IFAS Fixed Asset Module. In addition, to improve internal controls over the accuracy and completeness of Office assets listed in the IFAS Fixed Asset Module, Management should perform a periodic review of Office assets to ensure asset records are accurate, complete, and comply with County policies.

ISSUES AND RECOMMENDATIONS

Controls for Accuracy and Completeness of Recording Assets Need Improvement (Continued)

Management Action Plan

The items noted in the Auditor's Report, regarding the two service contracts totaling \$350,646 in the Fixed Asset Module and Category II Assets (ozone monitors) not being listed in the IFAS Fixed Asset Module have been addressed.

Office Management agrees with both items noted in the Auditor's Report. Upon receiving the Auditor's findings, Pollution Control Services (PCS) removed the service contract line items and added the ozone monitors to the Fixed Asset Module.

As of August 8, 2018, all findings have been addressed.

PCS has been performing periodic inventory reviews and will continue to perform periodic inventory reviews to ensure asset records are accurate, complete and comply with County policies. Should similar issues occur in the future, PCS will consult with the Auditor's office to ensure information is correctly noted in the IFAS Fixed Asset Module.

Responsible Party

Pollution Control Services

Agreed Upon Completion Date

August 8, 2019