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**MICHAEL POST, CPA, CIA**  
**HARRIS COUNTY AUDITOR**

July 11, 2025

Dear Constable James Phillips, Harris County Constable Precinct 7:

The Harris County Auditor's Office Audit Division has completed a Closeout Audit of Constable Precinct 7 for the six months ended, December 31, 2024. The results of our audit are included in the attached report.

We appreciate the time and attention provided by your team. Please expect an email request to complete our Post Engagement Survey. We look forward to your feedback. If you have any questions, please contact me or Glenn Holloway, Chief Assistant County Auditor, 713-274-5673.

Sincerely,

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

Michael Post  
County Auditor

Attachment

Report Copies:

District Judges

County Judge Lina Hidalgo

Commissioners:

Lesley Briones

Rodney Ellis

Adrian Garcia

Tom Ramsey

Christian Menefee



**INTERNAL AUDIT REPORT**  
**HARRIS COUNTY CONSTABLE PRECINCT 7**  
**MAY WALKER CLOSEOUT ENGAGEMENT**  
JULY 11, 2025

## Executive Summary

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### OVERALL CONCLUSION

Based on the procedures performed, Harris County (County) Constable Precinct 7 (Constable's Office) generally complied with County procedures for the areas under review. However, controls surrounding the recording of capital assets need improvement. This observation was discussed with management, and a management action plan has been developed that will address the observation identified by October 31, 2025.

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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 existed;
- A sample of the department's purchase card expenditures complied with County policy;
- A sample of the department's bank account reconciliations were completed timely and accurately;
- Bank account signatory rights for the former executive director were appropriately removed;
- Physical and systems access for the former executive director were appropriately disabled, and assigned non-capital assets were properly returned;
- Petty cash and change funds reconciled to the imprest balances authorized by Commissioners Court, and the balances were accurately recorded in the County's financial system (PeopleSoft/STARS).

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### SUMMARY OF AUDIT OBSERVATION

- Controls for the proper recording of capital assets need improvement.

The audit observation, management's action plan to address the observation, and background information regarding this audit are discussed in more detail on the following pages. The audit observation is ranked based on the likelihood and impact of risk to the County.

## AUDIT OBSERVATION

### **OBSERVATION: Controls for the Proper Recording of Capital Assets Need Improvement** [MODERATE]

**What is the Observation:** Some capital assets were not properly recorded in PeopleSoft/STARS. Specifically, the following items were noted:

- Two (6%) of the 34 assets reviewed during the onsite verification were no longer in the possession of the Constable's Office. As discussed with the Constable's Office, one asset purchased for \$5,000 was retired and returned to the vendor but not removed from the Capital Asset Listing in PeopleSoft/STARS. Another asset purchased for \$5,696 was exchanged with the Texas Department of Public Safety for an upgraded model. However, the exchange of assets was not documented in PeopleSoft/STARS.
- One additional asset purchased at \$16,553 was found to have been incorrectly classified as an expense instead of a capital asset. Following the audit, the asset was properly reclassified in PeopleSoft/STARS.

**Why it Happened:** Internal controls for recording and tracking capital assets need to be enhanced. In addition, all capital assets were not verified during the annual inventory process.

**Why it Matters:** Failure to properly record and track capital assets can result in misstatement of assets, and it may increase the risk of misappropriation and financial loss to the County.

**What is Expected:** County Auditor's Accounting Procedure A.1-1, *Property Handling Guidelines*, requires departments to track and safeguard their capital assets (with a unit value of \$5,000 or more) and to perform an annual inventory verification of all assets recorded on the Capital Asset Listing.

**What Actions are Suggested:** Develop a written internal procedure that clearly identifies the employees responsible for tracking and managing the Office's inventory. In addition, strengthen annual inventory procedures to include a complete verification (100%) of all capital assets.

Furthermore, the assets no longer in the Constable's Office possession should be documented on County Auditor's Form 3351, *County Property Deletion/Indemnification Request Form*, and submitted to the County's Purchasing Department to obtain Commissioners Court approval to remove the capital assets from PeopleSoft/STARS.

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

**Responsible Party:** Marcus Grant, Chief Deputy

The Management Action Plan for Harris County Constable Precinct 7 aims to establish a robust and systematic approach for the tracking and management of all capital assets within the precinct. The key components of this plan include the development and formalization of written internal procedures, the implementation of a comprehensive asset tracking system, and the assignment of clear responsibilities to ensure ongoing accountability and accuracy. Specific staff members within the department will be designated as asset custodians or managers. These individuals will be responsible for maintaining accurate records, conducting regular physical inventories, and reporting discrepancies or issues. A system of checks and balances will be established to ensure accountability, with periodic reviews by



management and internal audit functions. An internal policy will be created to standardize how capital assets are recorded, monitored, and managed. The precinct will develop an asset tracking system that is designed to maintain an up-to-date and detailed inventory of all capital assets, key information such as acquisition date, purchase cost and current physical location will be annotated, and all items will contain a Harris County asset tag. To ensure data integrity and asset accountability, an annual internal inventory audit will be conducted. This audit will require 100% physical verification of all capital assets listed in the tracking system. The verification process will be overseen by an internal manager who is independent of the asset custodians, thereby promoting transparency and accuracy in reporting.

Furthermore, the missing assets will be documented on County Auditor's Form 3351, *County Property Deletion/Indemnification Request Form*, and submitted to the County's Purchasing Department to obtain Commissioners Court approval to remove the capital assets from the PeopleSoft/STARS.

**Targeted Completion Date:** October 31, 2025

## BACKGROUND

The objective of closeout audits is to provide the newly elected or appointed official reasonable assurance that assets are accounted for as part of the transition, 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."

Constable Precinct 7 Department Metrics			
Adjusted Budget (as of 6/3/25)	Fiscal Year 2025 (Department 307)		
	General Fund	\$16,982,671	
	All Other Funds	\$187,275	
Staffing (as of 5/31/25)	Total Positions	Positions Not Filled	Grant Funded Positions
	122	5	0
Purchase Cards (07/01/24 - 12/31/24)	Quantity	Transactions	Expenses
	0	0	\$0
Cash Accounts	Description	Quantity	Limit
	Bank Accounts	1	N/A
	Petty Cash	0	\$0
	Change Fund	0	\$0



<b>Open Purchase Orders (as of 05/31/25)</b>	<b>Fund</b>	<b>Quantity</b>	<b>Remaining Balance</b>
	<b>General Fund</b>	<b>30</b>	<b>\$613,050</b>
	<b>All Other Funds</b>	<b>0</b>	<b>\$0</b>
<b>Paid Invoices (7/1/24 - 12/31/24)</b>	<b>Fund</b>	<b>Quantity</b>	<b>Total</b>
	<b>General Fund</b>	<b>176</b>	<b>\$445,629</b>
	<b>All Other Funds</b>	<b>243</b>	<b>\$999,059</b>
<b>Capital Assets</b>	<b>Number of Assets</b>	<b>Total Costs</b>	
	<b>34</b>	<b>\$358,540</b>	

## ACCOUNTABILITY

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards). The Standards require that we comply with the Code of Ethics and obtain reasonable assurance that significant risks to the activity are minimized to an acceptable level.

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.

