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MICHAEL POST, CPA, CIA
HARRIS COUNTY AUDITOR

August 1, 2024

Dear Dr. Carla Wyatt, County Treasurer:

The Harris County Auditor's Office Audit Division has completed an audit of the Harris County Treasurer's Office business continuity procedures. 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 Bruce Tran, Director of Data Analytics and Technology Audit, 713-274-5676.

Sincerely,

A handwritten signature in blue ink that reads "Michael Post". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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
TREASURER'S OFFICE BUSINESS CONTINUITY AUDIT
AUGUST 1, 2024

Executive Summary

OVERALL CONCLUSION

- The Harris County Treasurer's Office (Treasurer's Office) has a departmental Business Continuity Plan (BCP) demonstrating their understanding of the importance of having a strategy to ensure critical functions can be performed in the event of a disaster.
- Functionality of the phone wire process was successfully validated.
- Badge access to the Treasurer's Office is limited to appropriate personnel to prevent unauthorized access.
- Management's outline review and update of the BCP is needed to confirm alignment with operational processes and to optimize and refine continuity procedures.
- To enhance preparedness, periodic testing of phone wire transfers, along with other defined downtime processes, should be performed through scenario-based simulations.
- Defining procedures for securing key physical assets critical to business operations should be added within the BCP.

The issues were discussed with the Treasurer's Office. A management action plan has been developed that will address the issues identified by November 29, 2024.

SCOPE AND OBJECTIVE

The audit procedures tested controls over the business continuity preparedness. The scope period of our audit was January 2023 to October 2023.

The objective of this engagement was to determine whether:

- A BCP is in place for maintaining key functions during a disaster event and minimizing impact thereafter.
- Critical and confidential documentation are secured in the event of a disaster.

SUMMARY OF AUDIT ISSUE[S]

- The Treasurer's Office BCP is not reviewed routinely to assess relevancy.
- Testing of contingency plans are not periodically performed to confirm readiness.
- Procedures for protection of key physical assets in the event of a disaster are not defined.

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. Each audit issue is ranked based on the likelihood and impact of the risk to Harris County.

AUDIT ISSUE[S]

ISSUE #1: Business Continuity Plan Is Not Reviewed Periodically [HIGH]

What is the Issue: The Treasurer's Office has developed a BCP to ensure debt service payment processes can function in the event of a disaster or continuous downtime. However, these procedures have not undergone a review since 2018. As a result, the following issues were identified:

- Periodic communication and distribution of continuity plans to employees have not occurred.
- Key contact information has not been consistently verified for accuracy.
- The current Funds Transfer Request forms are not reflected in the BCP.

Why it Happened: The ongoing update and maintenance of the Treasurer's Office BCP has not been formally defined.

Why it Matters: The Treasurer's Office BCP increases effectiveness in addressing challenges during hazardous events and response and recovery efforts.

What is Expected: The Federal Emergency Management Agency's (FEMA) Comprehensive Template Guide for Developing and Maintaining Business Continuity Plans states that expectations for plan maintenance, review, and updates on a standard cycle are to be set.

What Action(s) are Suggested: A review schedule of the BCP should be established and should clearly state the responsible individual for conducting the review and their backup. The Harris County Office of Homeland Security & Emergency Management's (HCOHSEM) County Disaster Recovery Plan and the FEMA Comprehensive Template Guide for Developing and Maintaining Business Continuity Plans should be leveraged to assist in aligning with and/or improving the current BCP. Any updates made to the BCP should be reviewed and approved and then communicated out to all employees.

MANAGEMENT'S ACTION PLAN

Responsible Party: Dr. Carla Wyatt, County Treasurer

- Review and update the Treasurer's Office BCP with any revised downtime procedures, current contact information, and adding the latest STARS Funds Transfer Request form(s). Create an Administration approval sign-off sheet for approval of all updates to the BCP.
- Communicate with Office of Management and Budget (OMB) of receiving debt service payments and processing early in the event of a disaster.

Due Date: 11/29/2024



ISSUE #2: Exercise of Contingency Plans and Responsibilities Not Performed **[HIGH]**

What is the Issue: Departmental testing of the Treasurer's Office BCP to confirm operational readiness was last performed in 2021.

Why it Happened: Tabletop testing has not been prioritized as a critical aspect of enhancing continuity plans and preparedness.

Why it Matters: Conducting regular testing of response procedures minimizes the emergence of unknown issues during an actual disaster event and extended downtime while improving recovery processes.

What is Expected: The FEMA Continuity Plan Template and Instructions for Non-Federal Governments and Community-Based Organizations states that tests and exercises help assess, validate, or identify subsequent correction of the continuity plan. Periodic testing ensures that equipment and procedures are kept in a constant state of readiness.

What Action(s) are Suggested: Tabletop exercises should be developed and performed in line with the BCP review schedule to confirm the effectiveness of standard operating procedures and recovery processes. An after-action review/report should be developed to identify areas of improvement and tracked for completion or implementation within the BCP.

MANAGEMENT'S ACTION PLAN

Responsible Party: Dr. Carla Wyatt, County Treasurer

- Conduct quarterly testing of BCP and have each staff member give feedback on the process and results. When the County changes banks to J.P. Morgan Chase, they will provide the process of wiring funds in the event their system is down during an emergency.
- Create a sign-off sheet for new administration on satisfactory of each testing outcome. In addition, any updates or areas of improvement noted from the quarterly testing will be documented, tracked for implementation within the BCP.

Due Date: 11/29/2024



ISSUE #3: Protection of Key Physical Assets Not Defined [MODERATE]

What is the Issue: A site survey was performed of the Treasurer's Office procedures for protecting key physical assets in the event of a disaster. The following areas require enhancements to strengthen security measures:

- Protocols for securing check stock.
- Locking of the shred bin denying access to confidential documents.
- Tracking and securing keys to critical areas or secured storage units.
- Reviewing of badge logs after a disaster event.
- Securing of receipt booklet for deposits and verification of deposit bags.

Why it Happened: Procedures for safeguarding key physical assets have not been considered as part of business continuity processes.

Why it Matters: Securing key physical assets aids with recovering operations quickly and safeguarding documentation with confidential information.

What is Expected: The FEMA Continuity Plan Template and Instructions for Non-Federal Governments and Community-Based Organizations advocates the development of risk mitigation strategies to protect critical resources supporting essential functions.

What Action(s) are Suggested: The Treasurer's Office should develop security protocols for protecting key physical assets within the BCP. These measures should identify key physical assets and prioritize them based on importance needed for recovery of operations in the event of downtime. Secure areas to store these assets should be identified and limited to authorized personnel.

MANAGEMENT'S ACTION PLAN

Responsible Party: Dr. Carla Wyatt, County Treasurer

- Will lock receipt booklet in fireproof safe at end of each day. After a disaster event, processes will be added to the BCP to perform a reconciliation between the receipt booklet and deposit bags to confirm accuracy of recorded deposits for pick-up.
- Shred bin will be kept locked with the key and securely maintained. Any request to re-open the shred bin will require request and oversight of the documents retrieved.
- Check stock is currently locked in overhead bin and will maintain an inventory of stock.
- Create a key log of all keys kept by staff for tracking purposes.
- Keep a log of all staff badge numbers to check with Universal Services if anyone accessed the office during or after a disaster without administration permission.

Due Date: 11/29/2024



BACKGROUND

The HCOHSEM has developed an approach to emergency operations in the event of a disaster called the Harris County Basic Plan (HCBP). The HCBP's purpose is to provide a framework for the County response of emergency tasks and responsibilities. Harris County departments are to independently develop a BCP or equivalent, outlining steps taken to prepare, respond, and recover from a hazardous event. The departmental BCP differs from the HCBP because those responses are unique to the operational risks faced in the event of a disaster. HCOHSEM provides the HCBP annually to each department via interoffice mail on a thumb drive so the department has information (e.g., key identified hazard events, FEMA information) to help build and align their BCP with the County's strategy/response plans. The Treasurer's Office BCP was developed in 2018 to minimize disruptions and maintain operations in the event of a disaster.

Universal Services (US) plays a critical role in disaster recovery for the County departments by recovering critical application systems and communication. US performs annually a Rehearsal of Concept (ROH) to confirm their strategies across multiple areas within the County are effective in the event of a disaster. However, a sole reliance on US for recovery is not recommended because they may be overwhelmed or unforeseen issues may occur during the disaster causing longer delays in recovering system applications.

The Treasurer's Office stewards the County funds including maintaining records of all funds (e.g., cash deposits, check deposits, wires) being deposited and withdrawn from County accounts; in addition to the transferring of funds for payment.

Harris County officially transitioned from IFAS, the former enterprise resource planning (ERP) system, to PeopleSoft/STARS on 3/2/2020. The Treasurer's Office primarily utilizes PeopleSoft/STARS as their ERP system. Other applications utilized by the Treasurer's Office include Cadence Bank/Allegro for wire processing, Jury Imaging System (JIS)/the state's TextNet system for approval of juror wires, and Outlook for email. Shared electronic information is stored on network drives.

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.

