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

November 8, 2024

Dear Roberto Trevino, Executive Director:

The Harris County Auditor's Office Audit Division has completed an audit of the Harris County Toll Road Authority's processes related to construction contract change orders, contract changes, contingency funds, and payment processes. 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

Diana Ramirez

Jason McLemore

Leilany Thielen

Anil Mirmira

Nicole Stutz



INTERNAL AUDIT REPORT

HCTRA CONSTRUCTION: CHANGE ORDERS, CONTRACT CHANGES, CONTINGENCY FUNDS, AND PAY APPROVALS

NOVEMBER 8, 2024

Executive Summary

OVERALL CONCLUSION

Overall, internal controls related to construction contract change orders, contract changes, contract contingency funds and payment approvals were effective. However, controls can be improved over user access rights and privileges within a module of the project management system. This issue was discussed with the Deputy Director, Administration, and a management action plan has been developed that will address the issues identified by December 1, 2024.

SCOPE AND OBJECTIVE

The scope of this audit covered change orders, contract changes, contingency funds, and payment approvals related to HCTRA construction projects for the period from January 1, 2022, to December 31, 2023. The purpose of this engagement was to evaluate the design and operating effectiveness of internal controls supporting these processes.

The objective of this engagement was to examine whether:

- Change orders, contract changes, and contingency funds are reviewed and approved by appropriate stakeholders for contractual and regulatory compliance and for sufficient supporting documentation.
- Pay estimates are monitored by HCTRA management and substantiated with approvals.
- Controls over selected user privileges of information systems used in the change order process are adequate.

SUMMARY OF AUDIT ISSUES

The following issues were identified during the review of user access within the Construct-IT module of the Manage-IT project management system:

- System access rights for one terminated employee were not removed in a timely manner.
- One employee had access to both editing and approval of change orders, which is not required to perform the respective job functions.

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

AUDIT ISSUE

ISSUE: Inappropriate System Access [MODERATE]

What is the Issue: Inappropriate system access exists within the Construct-IT module of the Manage-IT project management system (Manage-IT) for the change order process. Specifically, the following were identified during our testing:

- One employee who had administrative access rights has not worked at HCTRA since September 2023.
- One employee had access to both editing and approval of change orders, which is not required to perform the respective job functions.

Why it Happened: The department's Client Administrator makes necessary changes to Manage-IT user access on an as-needed basis. However, the access of the terminated employee was not disabled and the excessive privileges for the other employee were not identified and adjusted.

Why it Matters: Improper system access controls could result in unauthorized transactions, misappropriation of assets, or financial loss to the County.

What is Expected: Adherence to the following standards of the Harris County Information Technology Access Control Policy:

- 8.1.1 *Authorized User Access Rights* states: "Following the Principle of Least Privilege, individuals must only be granted access to the systems, applications and data required to perform their respective job functions."
- 8.8.1 *User Termination* states: "All user access privileges to Harris County information technology resources must be disabled immediately or no later than 24 hours after a user's termination."
- 8.11.1 *Inactive Accounts* states: "System Administrators must disable inactive user accounts at least every 90 days."

What Action(s) are Suggested: Remove access for the inactive employee and adjust the active employee's access by removing either editing or approval rights. Develop formal plans or procedures, including monitoring controls to ensure adherence to Policy regarding disabling accounts of terminated users and disabling inactive user accounts at least every 90 days. Employees responsible for the review and monitoring functions should be trained on how to identify improper system access and conflicting user roles.

MANAGEMENT'S ACTION PLAN

Responsible Party: Jason McLemore, Deputy Director, Administration

After thorough review on the issues found, we have developed the following plan to remediate and improve the overall system access control of Manage-IT. This includes ensuring appropriate user access rights, deactivating accounts of inactive users, and removing accounts of employees who are no longer with HCTRA. The assigned Project Construction Coordinator will be the Client Admin responsible in maintaining all user access and accounts for Manage-IT modules by implementing the procedure below:

- Check and adjust all active users in Manage-IT project management system with their respective roles and access rights.



- a. Coordinate with each Project Manager regarding the active user list for each project and validate the roles and access rights for each user.
- Develop a plan to monitor and maintain all active user accounts, new user accounts, read/edit rights, and user access right/roles to ensure proper system access on a routine basis.
- Deactivate accounts for users in Manage-IT if it is no longer required.
 - a. Deputy Director or Project Manager will escalate request to deactivate the user's account on project close-out or if the user is no longer on the project.
 - b. Terminated employees will follow standard procedures for all HCTRA account removal from Human Resources (HR). HR to notify Client Admin to deactivate the terminated employee user's account.
 - c. All user access privileges must be disabled within 24 hours after a user's termination or if the user is no longer on the project.
- Revise a list of all active users and disable accounts that have been inactive for the past 90 days.
 - a. Conduct a 90-day check on the list of active users and disable all inactive user accounts in the system.
- The assigned Client Admin will be trained on all modules of Manage-IT and be able to identify improper system access and conflicting user roles.
- Ensure that all user access and roles adhere to Harris County Information Technology Access Control Policy.

Targeted Completion Date: December 1, 2024.



BACKGROUND

The mission of Harris County Toll Road Authority (HCTRA) is to responsibly operate and maintain a safe, reliable, sustainable, and evolving mobility system that meets the diverse connectivity needs of all Harris County residents. HCTRA is a Harris County enterprise fund supporting toll road operations and maintenance. HCTRA operates and manages Harris County's 128-mile, user-funded tolled highway system. It provides account management support and customer service to over 2.3 million customer accounts with over 5.4 million active EZ Tags. HCTRA also provides critical support to drivers through its Incident Management division, which provides law enforcement and roadside assistance services, among other services.

HCTRA charges user fees to drivers to pay for the use of roadway facilities and to fund its operations, debt service, and future projects. Total operating revenues for fiscal year 2023 were \$896,351,094.

For its construction projects, change orders to amend the contract are sometimes required to meet the dynamic and complex nature of construction projects. A change order occurs when modifications are needed to an existing agreement between HCTRA and a contractor. According to HCTRA Capital Project and Infrastructure Deputy Director, for the period January 1, 2022, to December 31, 2023, HCTRA had 65 construction change orders valued at \$35,184,159.

A change in contract is necessary when a change in scope occurs requiring Commissioners Court approval.

A contingency is an estimated reserve amount added to the contract, usually 10% of the awarded amount to allow for unforeseen items, conditions, or events that will likely result in additional costs to the project.

Construction costs are settled with periodic pay estimates. Pay estimates are monthly payment requests to HCTRA prepared by the Capital Projects and Infrastructure team for work done by the Contractor. The estimates are based on actual quantities of work performed at unit prices specified in the Contractor's bid.

HCTRA utilizes Manage-IT as their construction project management system for recording, calculating, and reporting construction project information. The system is also used to generate and track change orders by contract and to support pay estimates. Manage-IT is used in conjunction with PeopleSoft for project initiation, requisitions, and corresponding purchase orders.

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.

