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MICHAEL POST, C.P.A., M.B.A.
HARRIS COUNTY AUDITOR

November 30, 2021

Dear Dr. Adrienne Holloway:

The Harris County Auditor's Office Audit Division has completed an audit of the Harris County Community Services Department (CSD) Emergency Solutions Grant (ESG) program. The results of our audit are included in the attached report.

We appreciate the time and attention provided by you and your staff during this engagement. Please anticipate an email request to complete the Audit Division's Post Engagement Survey. We look forward to your feedback. If you have any questions, please contact me or Errika Perkins, Chief Assistant County Auditor, 713-274-5673.

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:
R. Jack Cagle
Rodney Ellis
Adrian Garcia
Tom Ramsey
Christian Menefee
David Berry

AUDIT REPORT
EMERGENCY SOLUTIONS GRANT AUDIT
NOVEMBER 30, 2021

Executive Summary

OVERALL CONCLUSION

The overall controls related to the ESG program were found to be effective. However, opportunities for improvement were identified regarding allowable activities. The issue below was discussed with CSD Management to develop an action plan, which was implemented on 11/10/2021.

SCOPE AND OBJECTIVE

The scope of the audit was for the 12 months ending February 28, 2021. The objective was to evaluate the grants compliance of the following areas for the ESG program:

- Activities allowed and allowable costs
- Eligibility
- Reporting
- Internal program monitoring
- Subrecipient monitoring

SUMMARY OF AUDIT ISSUE

- Improper segregation of duties for the rent reasonableness process

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 the grant program.

AUDIT ISSUE

ISSUE #1: Improper Segregation of Duties for Rent Reasonableness Process **[HIGH]**

What is the Issue: In 8 out of 8 instances (100%), the same individual signed as the preparer and reviewer on the Rent Reasonableness Determination form.

Why it Happened: There was a lack of management oversight in the rent reasonableness determination process.

Why it Matters: Lack of review surrounding the Rent Reasonableness Determination form could result in ineligible individuals being assisted. Inappropriate assistance can be deemed as an unallowable cost under the grant terms and become a financial liability to the Harris County.

What is Expected: Pursuant to the County's Internal Controls Manual, County departments should organize their departments in a manner that promotes segregation of duties. Segregation of Duties is a preventive control that includes separating the responsibilities for custody, authorization, and recording a transaction.

What Action(s) are Suggested: The department should implement controls that would provide proper segregation of duties for the rent reasonableness processes. If it is determined that proper segregation of duties cannot be achieved with the current staffing levels, then CSD Management should implement compensating controls that help mitigate this risk going forward. This may include, but not be limited to, adding additional levels of review/approvals by independent management or other personnel with no responsibilities within the applicable process being reviewed.

MANAGEMENT'S ACTION PLAN

Responsible Party: Linda Hudson, Deputy Assistant Director, CSD

The determination of Rent Reasonableness will be segregated as follows:

1. A CSD staff member begins the process of rent reasonableness by completing the requisite rent reasonableness form and submit the document to the department's identified Rent Reasonableness reviewer (typically a license Real Estate agent).
2. The Rent Reasonableness Reviewer will reference the data contained in the submitted form to determine the reasonableness of the given rent. Upon determination, the Reviewer will complete the appropriate section of the Rent Reasonableness form and submit it to the appropriate CSD manager who serves as the Rent Reasonableness Approver.
3. The CSD manager serving as the Rent Reasonableness Approver will review the data provided by the Rent Reasonableness Reviewer and either approve or reject the assessment. The Rent Reasonableness Approver submits the determination from the process via the completed form, to the appropriate CSD unit.

Status: Completed

BACKGROUND

The ESG program is a federal grant that award funds to cities and counties to provide the services necessary to help persons that are at-risk of homelessness or homeless quickly regain stability in permanent housing. The ESG program is funded by HUD. CSD signed the contract with HUD and the Child Care Council of Greater Houston to provide the services for the ESG program.

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.

The work performed required our staff to exercise professional judgment in completing the engagement's scope. 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.