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

April 16, 2021

Gwen Sims, Interim-Executive Director
Harris County Public Health Services
2223 W. Loop South
Houston, Texas 77027

Dear Ms. Sims:

The Audit Division has completed a Closeout Audit of the Harris County Public Health Services Department. Although you were not the official during the period subject to our procedures, we are addressing this Audit Report to you as the Interim-Executive Director. 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

Report Copies:

District Judges
County Judge Lina Hidalgo
Commissioners:
 R. Jack Cagle
 Rodney Ellis
 Adrian Garcia
 Tom Ramsey
Christian D. Menefee

AUDIT REPORT
PUBLIC HEALTH SERVICES UMAIR SHAH CLOSEOUT
APRIL 16, 2021

Executive Summary

OVERALL CONCLUSION

Testing for compliance with Harris County Road Law identified that physical and system(s) access and user rights were appropriately removed for the previous executive leader. In addition, assets assigned to the former leader were verified for existence, and procurement card (P-card) and travel card expenditures complied with County policy. Furthermore, petty cash and change fund accounts reconciled to the imprest balances authorized by Commissioners Court, and bank account signatory rights for the former executive leader were appropriately removed. However, we did identify an opportunity to improve controls related to safeguarding and recording capital assets.

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 and the full population of assets assigned to the former executive leader could be verified for existence.
- P-card and travel card expenditures were in compliance with County policy.
- Physical and system(s) access/user rights for the previous executive leader were appropriately removed.
- Certain bank reconciliations were completed timely and accurately.
- Bank account signatory rights for the former executive leader were appropriately removed.
- Petty cash and change fund accounts reconciled to the imprest balances authorized by Commissioners Court.

The audit period for the procedures performed was for the six months ended December 18, 2020. The scope excluded testing of bank account reconciliations. A consulting firm (Protiviti) is working with Public Health Services and the Auditor's Office Revenue Accounting Department to implement new reconciliation procedures.

SUMMARY OF AUDIT ISSUES

- Insufficient Safeguarding and Recording of Capital Assets

The audit issues, management's action plans to address the issues, and background information are discussed in more detail on the following pages.

AUDIT ISSUE

ISSUE #1: Insufficient Safeguarding and Recording of Capital Assets

What is the Issue: Two of 50 capital assets selected for testing could not be located. One asset (Network Switch) was purchased in 2008 at a price of \$18,059, and the other asset (Network Switch) was purchased in 2012 at a price of \$7,475.

In addition, 1 capital asset (Microsoft Conference Room Display) purchased in 2017 at a price of \$21,962 was not properly removed from the County's financial records. Specifically, the capital asset was purchased and returned, however, it was not removed from the Public Health Services inventory listing. A credit was provided to Harris County for the returned item.

Furthermore, 2 capital assets (HP Plotters) did not have an asset tag and were not recorded in the County's financial records. The purchase dates and prices could not be determined for these two items.

Why it Happened: Public Health Services' annual inventory did not adequately identify missing capital assets or ensure capital assets were properly recorded.

Why it Matters: Not properly safeguarding or recording assets could result in the misappropriation of assets and/or financial loss to the County. In addition, it could lead to a misstatement of capital assets in PeopleSoft.

What is Expected: Pursuant to County Accounting Procedure A.1-1, *Property Handling Guidelines*, County departments should establish internal property access and use guidelines to ensure the safeguarding of property in the department's control. In addition, County departments are required to perform an annual inventory for all assets recorded on the County Inventory Listing, and submit County Auditor's Form 3368, *Inventory Completion Statement*, to the County Purchasing Agent documenting the completion and accuracy of the annual inventory.

Indemnification should be requested from Commissioners Court by any Officials with property (amount in excess of that covered by any insurance, if any) that has been stolen, lost, or otherwise damaged or destroyed outside the normal scope of County business, in accordance with Accounting Procedure C.3-1, *Indemnification of Public Official - Loss of Property*.

County assets with a unit value of \$5,000 or more are required to be capitalized on the County's General Ledger, recorded in the Capital Asset Module, and tagged by Purchasing Services.

What Action(s) are Suggested: The missing assets should be documented on County Auditor's Form 3351, *County Property Deletion/Indemnification Request Form*, and submitted to the County's Purchasing Services Department to obtain Commissioners Court approval to remove the capital assets from the County's financial records.

In addition, Public Health Services should request the Auditor's Office Financial Accounting Department remove the Microsoft Conference Room Display from the County's financial records as the capital asset has been returned to the vendor.

Furthermore, Public Health Services should request to have untagged and unrecorded capital assets properly tagged by Purchasing and included on the Capital Asset Listing.

AUDIT ISSUE

MANAGEMENT'S ACTION PLAN

Responsible Party: Public Health Services – William Hudson, HCPH Director, Office of Financial and Support Services

We agree with your findings regarding insufficient safeguarding and recording of capital assets.

We will document the two missing assets on County Auditor's (CA) Form 3351, *County Property Deletion/Indemnification Request Form*, and submit the Form to the County's Purchasing Services Department to obtain Commissioners Court approval to remove the capital assets from the County's financial records.

In January 2021, we completed the CA Form 3351, *County Deletion/Indemnification Request Form*, to remove the Microsoft Conference Room Display from the County's financial records as the capital asset has been returned to the vendor.

Additionally, we will request to have untagged and unrecorded capital assets properly tagged by Purchasing and included on the Capital Asset Listing.

Due Date: April 20, 2021

BACKGROUND

Closeout audits are primarily performed to provide a newly elected or appointed official reasonable assurance that capital assets exist and cash is accounted for 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.”

ACCOUNTABILITY

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.