

AUDITOR'S REPORT

AUDITOR'S OFFICE VENDOR VERIFICATION **3RD AND 4TH QUARTERS FISCAL YEAR 2019**



September 27, 2019

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HARRIS COUNTY AUDITOR

September 27, 2019

Ms. Leslie Wilks Garcia
First Assistant County Auditor
1001 Preston, Suite 800
Houston, Texas 77002

RE: Auditor's Office Vendor Verification – 3rd and 4th Quarter combined Fiscal Year 2019 Engagement (September 1, 2018 through February 28, 2019).

The Audit Services Department performed procedures relative to the Harris County (County) Auditor's Office Revenue Accounting and Financial Controls - Vendor Verification Section's (Office) for the 3rd and 4th Quarter FY 2019. The objective of the engagement was to test key controls for the vendor verification process. Our procedures included the following:

- Determined whether vendor verification procedures for “High Risk” and “Low Risk with Limited Procedures” vendor change classifications were adequate and sufficient supporting documentation was properly retained.
- Determined whether vendor changes made in the County's Financial System's (IFAS) Person/Entity ID (PEID)/Vendor Master Database accurately reflected the information obtained from the verification procedures performed.

The work performed required our staff to exercise professional judgment in completing the scope procedures. As the procedures were not a detailed inspection 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.

Ms. Leslie Wilks Garcia
First Assistant County Auditor

The enclosed Auditor's Report does not include any issues or recommendations as no reportable issues were identified during our procedures. We appreciate the time and attention provided by you and your staff during this engagement.

Sincerely,



Errika Perkins
Chief Assistant County Auditor

cc: District Judges
County Judge Lina Hidalgo
Commissioners:
 R. Jack Cagle
 Rodney Ellis
 Adrian Garcia
 Steve Radack
Kim Ogg
Vince Ryan
William J. Jackson

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OVERVIEW

The Office's primary responsibility is to authenticate changes to the vendor master file, including changes in bank routing and settlement instructions for vendor payments. The Office utilizes a combination of verbal confirmations and research to validate changes to a vendor's bank routing and settlement instructions and/or address information. For authentication purposes, the team utilizes verification tools such as Bloomberg, the Texas Secretary of State, WhitePages Pro, the Texas State Bar, Google, existing IFAS information, County property records, and various governmental licensing agencies. The Office also calls each vendor to verbally confirm their bank routing information and settlement instructions including addresses. In addition, vendors who conduct business with the County must provide a valid Internal Revenue Service (IRS) Form W-9, *Request for Taxpayer Identification Number and Certification Form*, which is validated via the *IRS Tax Identification Numbers Database*.

SUMMARY OF AUDIT RESULTS

Based on the procedures performed, the vendor verification procedures for "High Risk" and "Low Risk with Limited Procedures" vendor change classifications were accurately performed and the Office maintained the supporting documentation for the change classifications. In addition, Vendor PEID Vendor Master Database changes in IFAS were accurately reflected. No new issues were identified.

Follow-up procedures for issues identified in the 2nd quarter audit report were not performed because the Office has not had sufficient time to implement their Management Action Plans at the time of this audit. Follow-up procedures will be performed for the issues identified in the 2nd quarter report in the next quarterly audit. The subjects of these issues are as follows:

1. Segregation of Duties – Ability to perform vendor verification procedures and update the Vendor Master Database.
2. Lack of Monitoring Over Vendor Master File Changes
3. Lack of Formal Documentation For Determination of Vendor Risk Classifications