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

January 8, 2021

Dr. Adrienne Merced-Holloway, Executive Director  
Community Services Department  
13105 Northwest Freeway Suite 400  
Houston, Texas 77040

Dear Dr. Merced-Holloway,

The Harris County Auditor's Office Audit Division has completed an audit of the Community Services Department's imprest bank accounts. 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, 713-274-5673.

Sincerely,

A handwritten signature in blue ink that reads "Michael Post".

Michael Post  
County Auditor

Attachment

Report Copies:

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

# AUDIT REPORT

## COMMUNITY SERVICES DEPARTMENT'S IMPREST BANK ACCOUNTS REVIEW

January 8, 2021

### Executive Summary

#### OVERALL CONCLUSION

Based on the procedures performed for the Community Services Departments (CSD) Imprest Bank Accounts, disbursements were properly authorized, appropriately supported, and accurately recorded in PeopleSoft. Bank reconciliations are being performed accurately and timely and the blank check stock was properly safeguarded. In addition, adequate segregation of duties are in place over the payment disbursement process. However, controls related to changes in imprest balances and the case management system (CaseWorthy) access need improvement; see summary of issues below. The issues were discussed with CSD's Chief Financial Officer, and a plan of remediation has been developed that will address the issues identified by March 1, 2021.

#### SCOPE AND OBJECTIVE

The Audit Division conducted an audit of the imprest bank account procedures to test controls over the CSD's imprest bank accounts. The objective of this engagement was to:

- Determine whether imprest balances were properly authorized and accurately recorded in PeopleSoft.
- Selectively test to determine whether imprest bank reconciliations are performed accurately and timely.
- Selectively test to determine whether imprest bank account disbursements are properly authorized, appropriately supported, and accurately recorded in PeopleSoft.
- Evaluate controls for safeguarding check stock.
- Selectively test to ensure only active employees have user access rights and privileges in CaseWorthy.

The audit reviewed internal controls and data for the period of March 1, 2020, through July 31, 2020.

#### SUMMARY OF AUDIT ISSUES

- County Auditor's Form 1235, *Request to Open/Increase an Imprest Account* was not completed for five separate occasions in which increases in imprest balances occurred.
- A periodic review of access rights to CSD's CaseWorthy system accounts is not being performed.

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.

## AUDIT ISSUES

### **ISSUE #1: County Auditor's Form 1235, Request to Open/Increase an Imprest Account, was Not Completed Consistently**

**What is the Issue:** County Auditor's Form 1235, *Request to Open/Increase an Imprest Account* (Form 1235), was not completed and submitted for the County Auditor's approval on five separate dates in which increases in imprest balances occurred.

<b>Imprest Account Name</b>	<b>Previous Imprest Balance</b>	<b>Current Imprest Balance</b>	<b>Commissioners Court Approval Dates (Increase Amounts)</b>
Harris County General Assistance	\$115,000	\$615,000	4/28/2020
Harris County Shelter Plus Care	\$65,000	\$115,000	11/12/2019
Harris County Housing Program	\$50,000	\$1,600,000	9/24/2019 (\$100K) 11/12/2019 (\$700K) 1/7/2020 (\$750K)

Commissioners Court approved the imprest balance adjustments based on letters provided by CSD Management outlining the requested increases.

**What is Expected:** Pursuant to Sec. 130.909 of the Local Government Code – *Petty Cash Funds for Certain Officials*, “the commissioners court of a county may set aside from the general fund of the county, for the establishment of a petty cash fund for any county or district official or department head approved by the commissioners court, an amount approved by the county auditor, for a county with a population of 3.3 million or more.” Additionally, “on the recommendation of the county auditor, the commissioners court may increase or decrease the petty cash fund at any time.”

Additionally, in accordance with County Auditor's Accounting Procedure C.9 – *Imprest Bank Accounts* (County Policy), county departments must complete Form 1235 to open a new account or to increase the authorized balance of an existing account. Ultimately, the County Auditor or Designee must sign Form 1235, authorizing the new account or increase, prior to the County Judge signing and authorizing.

**Why it Matters:** CSD was not in compliance with the Local Government Code and County Policy.

**Why it Happened:** Form 1235 was not completed due to an oversight by CSD Management.

**What Action(s) are Suggested:** During our fieldwork, and subsequent to approval by Commissioners Court, management submitted Form 1235 for the County Auditor's information. The department should incorporate in their imprest account process a checklist to complete Form 1235.

### **MANAGEMENT'S ACTION PLAN**

**Responsible Party:** Craig Atkins, CSD Chief Financial Officer

CSD concurs with the audit findings and has already taken the corrective action to remind and retrain staff involved in the request to change or open Imprest Accounts and the use of Form 1235. Additionally, during the auditor's field work, CSD staff completed and provided the forms for the five (5) changes listed in the finding above.

**Due Date:** Completed

## AUDIT ISSUES (CONT.)

### **ISSUE #2: A Periodic Review of the CaseWorthy System Access is Not Being Performed**

**What is the Issue:** A periodic review of system access to CaseWorthy accounts is not being performed. As a result, 7 CaseWorthy accounts out of 160 (4.4%) were not timely disabled upon an employee or contractor's date of separation.

**What is Expected:** Pursuant to the US Security Access Control Policy (County Security Access Policy) Section C.1.11, *Access Certification*, departments "must verify the membership, access and contents of the systems, applications and/or resources for which they have primary responsibility on a regular basis (at least once per year), to ensure that only authorized members maintain access to and permissions for the systems, applications and/or resources involved."

In addition, the County's Security Access Policy Section C.1.9, *User Termination*, states, "all user access privileges to Harris County systems and applications must be disabled immediately or, in any event, no later than 24 hours after an employee or non-employee termination."

**Why it Matters:** Not performing a review of system access impairs CSD's ability to identify unauthorized access, which can lead to data breaches, and potential segregation of duties issues due to incorrect role assignments.

**Why it Happened:** Universal Services provided CSD's Information Technology group the ability to manage CaseWorthy access, with regards to access and password management. However, per discussion with the previous CSD Information Technology Leader, they were not aware and not provided information regarding the annual access certification requirement and the requirement to terminate access to all systems within 24 hours of an employee or contractor's termination.

#### **What Action(s) are Suggested:**

- 1) CSD should perform a periodic review of system access assignments for CaseWorthy accounts (at least annually) to help ensure that only authorized personnel have access and permissions for the system.
- 2) CSD should utilize County Auditor's Form 3412, *Employee Termination Summary*, when an employee and/or contractor leaves the department. Applicable personnel should be trained on completing Form 3412.

### **MANAGEMENT'S ACTION PLAN**

**Responsible Party:** Michele Shaw, Human Resources (HR) and Hector Guzman, General Services

CSD concurs with the County Auditor's finding and understands the risks associated with user security access to its information technology (IT) systems. As a result of the information provided to CSD during the audit and from the finding in this report the following corrective action plans will be deployed:

**ISSUE #2: A Periodic Review of the CaseWorthy System Access is Not Being Performed (Cont.)**

1. The HR and General Services sections will review existing procedures and update and/or write internal procedures associated with an employee's hire, assignment changes and employment terminations in order to ensure the timely granting and termination of security access to all systems, including CaseWorthy. Current procedures already include the use of County Auditor form 3412; however new or revised procedure documents shall include a reference and the instructions on the use of this form.
2. General Services will also develop a separate policy and procedures that will ensure the creation and maintenance of an "inventory" or database that lists all IT systems and the related security access granted to each employee. The procedures will describe which positions or units will participate in the review and how the review is to be conducted in order to ensure that all users granted access to IT systems are correct. This procedure should provide additional internal controls sufficient to ensure termination of granted access in the event of a failure in the procedural improvements described in corrective action item #1 above.

**Due Date:** Corrective Action # 1 - January 15, 2021  
Corrective Action # 2 - March 1, 2021

## BACKGROUND

CSD's mission is to address the housing, infrastructure, and public service needs of Harris County's low to moderate income communities. In order to effectively meet this mission, Harris County Commissioners Court has authorized CSD to operate imprest bank accounts to accelerate the disbursement of funds for:

1. General Assistance Program – Social Services program that provides assistance to people who are facing utility disconnections or other housing related challenges.
2. Emergency Shelter Program\* – Federal program that provides emergency assistance to people who are homeless or at risk of homelessness and helps them to quickly regain stability in permanent housing.
3. Harris County Shelter Plus Care Program\* – Federal program that assists homeless individuals with disabilities with locating permanent shelter.
4. Neighborhood Stabilization Program\* – Federal program that provides emergency assistance to stabilize communities with high rates of abandoned and foreclosed homes.
5. Community Development Block Grant/Disaster Recovery Program\* – Federal program to rebuild the affected areas and provide crucial seed money to start the recovery process due to Hurricane Harvey.
6. Homeless Prevention and Rapid Rehousing Program\* – Federal program that provides financial assistance and services to prevent individuals and families from becoming homeless.

*\* U.S. Department of Housing and Urban Development provides the funding for these programs.*

## 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.