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

April 16, 2021

Constable Jerry Garcia
Harris County Constable Precinct 2
101 S. Richey, Suite C
Pasadena, Texas 77506

Dear Constable Garcia:

The Internal Audit Division has completed a Closeout Audit of the Harris County Constable Precinct 2 (Precinct 2). Although you were not the official during the period subject to our procedures, we are addressing this Auditor's Report to you as the newly elected official. 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".

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

AUDIT REPORT
CONSTABLE PRECINCT 2 CHRISTOPHER DIAZ CLOSEOUT
APRIL 16, 2021

Executive Summary

OVERALL CONCLUSION

In compliance with Harris County Road Law, our testing identified that the petty cash and investigative cash accounts were closed prior to new leadership taking office. In addition, physical and system(s) access/user rights were removed for the previous executive leader and bank reconciliations materially complied with County Policy. Furthermore, the previous executive leader was not the signor on any of the bank accounts. However, we did identify opportunities for improving controls with regards to the recording of capital assets, assigned assets, and procurement and travel card expenditures.

SCOPE AND OBJECTIVE

Pursuant to the Harris County Road Law, Section 10, we performed testing to determine the status of the following objectives:

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

The audit period for the procedures performed was for the six months ended December 31, 2020.

SUMMARY OF AUDIT ISSUES

- Capital assets are not properly recorded.
- Procurement and Travel Card Expenditures are not in full compliance with County policies.

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: Capital assets were not properly recorded

What is the Issue: Capital Assets are not properly being recorded in the County's financial system, PeopleSoft. Specifically, the Capital Asset Listing Report (Asset Report) needs to be adjusted for the following items:

- Two capital assets with a total cost of \$17,400 were replaced in October 2020 and have not been removed from the Asset Report. The two capital assets were replaced with one asset that was included on the Asset Report.
- One capital asset with a cost of \$8,954 did not contain an asset tag and therefore not included on the Asset Report.

In addition, a listing of assets assigned to the previous executive leader could not be provided. As such, we could not verify that any assets that might have been assigned to the previous executive leader remained on-site.

Why it Happened: Purchasing was not properly notified by Precinct 2 that these assets were removed and/or added to adjust the PeopleSoft Capital Asset Listing accordingly. In addition, a listing of assets that were assigned to the previous executive leader was not provided to the new administration.

Why it Matters: Not properly recording capital assets could result in misappropriation of assets and financial loss to the County.

What is Expected: Pursuant to the County's Accounting Procedure I.5, Furniture and Equipment Accounting For Deleted Property, "If a Harris County Inventoried Item is to be deleted, and it was not damaged (i.e., item is lost, stolen, waste, traded in, etc.) or it was damaged and had an initial purchase price of less than \$25,000, a Risk Management release is not required and the completed County Auditor's Form 3351, *County Property Deletion/Indemnification Request Form*, should be forwarded directly to Purchasing."

Pursuant to the County's Accounting Procedure A.1-1, Property Handling Guidelines, Controlled County Assets - Category I, defined as County personal property 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 (Purchasing).

What Action(s) are Suggested: Precinct 2 should complete and submit County Auditor's Form 3351, *County Property Deletion/Indemnification Request* to Purchasing for the two assets that were replaced and no longer in service. In addition, Precinct 2 should request to have the untagged capital asset properly tagged by Purchasing and included on the Capital Asset Listing.

Going forward, Precinct 2 should maintain a listing of assets assigned to the current executive leader.

AUDIT ISSUES

ISSUE #1: Capital assets were not properly recorded (continued)

MANAGEMENT'S ACTION PLAN

Responsible Party: Assistant Chief Manuel Quintanilla

We agree with the issue and we will submit the County Auditor's Form 3351, County Property Deletion/Indemnification Request to Purchasing requesting to remove the two assets that were replaced and no longer in service. In addition, we will request Purchasing to place an asset tag on the capital asset identified and request it be added to the Capital Asset Listing. Furthermore, going forward any assets assigned to executive leadership will be logged for tracking purposes.

Due Date: April 30, 2021

AUDIT ISSUES

ISSUE #2: Procurement and Travel Card Transactions did not comply with County policies.

What is the Issue: The Procurement (P-Card) and Travel card transactions tested revealed the following departures from County Accounting Procedure P.7, *Procurement Card Program* and T.1, *Travel, Training and Business Meetings* policies and procedures:

P-Card

- 1 of 6 transactions contained Sales Tax charges (Harris County Sales Tax exemption was not applied).
- 1 of 6 transactions contained no itemized receipts to support the nature and amounts of the expenses charged to the P-card.
- 1 of 6 transactions was a duplicate payment. We verified that the vendor applied a credit for the duplicate payment against a subsequent purchase.

Travel Card

- 1 of 6 transactions contained no itemized receipts to support the nature and amounts of the expenses charged to the travel card.
- 1 of 6 transactions contained meal charges when Per Diem was granted for traveling expenses.

In addition, P-Card & Travel Card Custodians/Administrators are not clearing transactions timely by submitting receipts to County Auditor's Accounts Payable Department (AP) for payment processing. As such, P-Card and Travel Card Statements contained past due balances in excess of 30 days.

Why it Happened: The prior administration did not follow procedures for procurement and travel card transactions.

Why it Matters: The prior administration did not comply with P.7, *Procurement Card Program* and T.1, *Travel, Training and Business Meetings*.

What is Expected: Pursuant to the P.7 – *Procurement Card Program*, “When making a purchase using the P-card, cardholders are responsible for obtaining a receipt that clearly identifies the supplier, goods or services purchased, amount of sale, and sales tax (if applicable). The cardholder must retain the receipt and remit it to the department P-card coordinator during the monthly payment approval process. If a receipt is unavailable, contact AP. The Purchasing Agent retains the right, at his/her discretion or upon request of the County Auditor, to revoke the P-card should a second “lost receipt” occur for any P-card account.”

Note: The County is exempt from payment of any State of Texas sales tax, so the cardholder should make this clear to the vendor at the time of purchase. If the vendor charges sales tax, it is the cardholder's responsibility to contact the vendor and obtain a credit equal to the amount of the sales tax.

Per T.1, *Travel, Training, and Business Meetings*, A per diem rate of \$55 per day is established for meals and incidentals (tips/gratuity), which applies to both In-Texas and Out-of-Texas travel with overnight lodging. The per diem replaces actual meal costs; receipts are not required.

AUDIT ISSUES

ISSUE #2: Procurement And Travel Card Transactions did not comply with County policies (continued)

What Action(s) are Suggested: Precinct 2 Management should:

- Perform training of the P-Card and Travel policies and procedures for all department users.
- Perform monthly reconciliations of disbursement and payments for each P-card/Travel Card account.

MANAGEMENT'S ACTION PLAN

Responsible Party: Jehieli Garcia, Constable Precinct 2 Chief Clerk

We agree with the issue. We will review and perform training on the P-Card and Travel policies and procedures for all department users. In addition, we will perform monthly reconciliations of disbursements and payments for each P-Card and Travel Card Account.

Due Date: April 30, 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.