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

April 1, 2022

Dear Dr. Milton Rahman, County Engineer, Harris County Engineering Department:

The Harris County Auditor's Office Audit Division has completed a Closeout Audit of the Harris County Engineering Department. 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

Report Copies:

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



INTERNAL AUDIT REPORT
**HARRIS COUNTY ENGINEERING LOYD SMITH
 CLOSEOUT**

APRIL 1, 2022

Executive Summary

OVERALL CONCLUSION

Based on the procedures performed, the Harris County Engineering Department (County Engineer) generally complied with County procedures; however, we did identify an opportunity for improving controls to track and safeguard the department's assets that are in the custody of other departments. The issue was discussed with Dave Bechtol and a management action plan has been developed which will address the issue identified by May 31, 2022.

Departmental Metrics			
Budget	Adjusted (SFY22) (Divisions 035, 208, 297, 298)		
	\$465,000,733		
Staffing	Total Number of Positions	Positions Not Filled	Number of Grant Funded Positions
	807	106	0
Procurement Card Travel Card	Card Limit	Quantity	Total Expenses in Audit Period
	\$25,000	1	\$1,092
	\$10,000	1	\$1,700
Retail Credit Accounts	Description	Quantity	Expenses During Audit Period (unaudited)
	Amazon	1	\$1,545
	Home Depot (physical card)	1	\$3,207
	Lowes	1	\$720
Cash Accounts	Description	Quantity	Limit
	Department Bank Accounts (used to purchase Land and Buildings)	2	15M and 500K
	Petty Cash In-Bank Account	1	1K
	Change Fund Account	1	\$300
	Petty Cash Account	1	\$100
Capital Assets	Number of Assets	Total Asset Value	
	423	267.6 Million	

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 existed.
- Certain procurement and travel card expenditures complied with County procedure.
- Petty cash, change funds, and imprest bank accounts reconciled to the imprest balances authorized by Commissioners Court.
- Certain bank reconciliations were completed timely and accurately.
- Bank account signatory rights for the former executive leader were appropriately removed.

The procedures covered the 5-month period ended, February 14, 2022.

SUMMARY OF AUDIT ISSUE[S]

One capital asset totaling \$46,481 could not be located.

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 County Engineer's Office.



AUDIT ISSUE[S]

ISSUE #1: Insufficient Safeguarding of Capital Assets [LOW]

What is the Issue: One of 20 capital assets selected for testing could not be located as follows:

Count	Description	Serial Number	Year Purchased	Purchase Price
1	Server EqualLogic	2Z9G3H1	2009	\$46,481

Why it Happened: Management does not have controls in place to safeguard capital assets in the custody of other departments.

Why it Matters: Not properly tracking and safeguarding capital assets could result in 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: County Accounting Procedure A.1-1, requires departments to track and safeguard their capital assets and perform an annual inventory for all assets recorded on the County Inventory Listing.

What Action(s) are Suggested: Management should improve controls surrounding the tracking and safeguarding of capital assets in the custody of other departments. In addition, Management should request indemnification for the capital asset from Commissioners Court to remove the capital asset from PeopleSoft.

MANAGEMENT'S ACTION PLAN

Responsible Party: David E. Bechtol, CFO

We agree with the issue and have taken steps to request indemnification for the capital asset from Commissioners Court. In addition, we are evaluating all assets in the department that are in the possession of Universal Services in an effort to move those assets over to Universal Services asset listing.

Due Date: May 31, 2022



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

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 engagement’s scope did not include a detailed inspection of all transactions. There is a risk that fraud or errors were not detected during this engagement. Therefore, the official 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.

