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

September 24, 2021

Dear Mr. Alan Black, Interim Executive Director Harris County Flood Control District:

The Harris County Auditor's Office Audit Division has completed a Closeout Audit of the Harris County Flood Control District (Flood Control). 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

AUDIT REPORT  
**FLOOD CONTROL DISTRICT RUSS POPPE CLOSEOUT**  
SEPTEMBER 24, 2021

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## Executive Summary

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### OVERALL CONCLUSION

Flood Control is effectively managing their procurement and travel card expenditures, petty cash fund, and bank account signatory rights. However, we did identify opportunities to improve controls related to the safeguarding of capital assets. The issue below was discussed with Anthony Bacarisse, Flood Control Director of Financial and Technical Operations, and a management action plan has been developed, which will address the issue identified by July 1, 2022.

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### 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 any assets assigned to the former executive leader existed.
- Certain procurement and travel card expenditures complied with County policy.
- Physical and system(s) access for the former executive leader was appropriately disabled.
- Petty cash 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 was appropriately removed.

The procedures performed covered the 6-month period ended July 2, 2021.

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### SUMMARY OF AUDIT ISSUE

Two Flood Control capital assets 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.

## AUDIT ISSUE

### **ISSUE: Insufficient Safeguarding of Capital Assets [MODERATE]**

**What is the Issue:** Two of 50 (4%) capital assets selected for testing could not be located as follows:

| Count        | Description  | Year Purchased | Purchase Price  |
|--------------|--------------|----------------|-----------------|
| 1            | Intel Server | 2015           | \$19,899        |
| 1            | Boat Engine  | 2003           | \$15,475        |
| <b>Total</b> |              |                | <b>\$35,374</b> |

**Why it Happened:** Per discussion with Management, during FY18 and FY19, Flood Control transferred their IT operations (personnel, servers, etc.) to Universal Services. The Intel server noted above was lost in this transition process.

In addition, per Management, an airboat and trailer were transferred to Universal Services in November 2019. The airboat engine and hull were listed as separate capital assets in PeopleSoft, and the engine was never formally transferred to Universal Services in the system. Universal Services is unable to confirm whether the engine was received and does not know the location or disposition of the engine.

These missing capital assets were not identified during Flood Control's annual inventory count as 100% of the capital assets recorded in the department's inventory were not verified.

**Why it Matters:** Not properly tracking and safeguarding 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:** 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*.

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

In addition, annual inventory procedures should be strengthened to include a complete count (100%) of all capital assets. Documentation of the inventory should include signature evidence by the person performing the count and management personnel approving the count. Such documentation should be retained for review.

## **MANAGEMENT'S ACTION PLAN**

**Responsible Party:** Financial Services Manager

While the Flood Control District, as a special purpose district (a political subdivision of the State), is not a political subdivision of Harris County, it is prudent to extend the same audit consideration to the Flood Control District since it was under the control and supervision of the person to whom the law applies, and the Flood Control District also has Harris County Commissioners Court as its governing body.

The District agrees with this recommendation and we will take the necessary steps to strengthen our inventory procedures to include (100%) completed count with documentation that includes signature evidence by the person performing the count and their department manager approving the count. This documentation will be retained/filed for review.

The District has documented these missing assets via County Auditor's Form 3351, County Property Deletion/Indemnification Request Form, and submitted to the County's Purchasing Department that obtained Commissioners Court approval on 8/24/2021 to remove the capital assets from the County's financial records.

**Due Date:** July 1, 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 a code of ethics and obtain reasonable assurance that significant risks to the activity are minimized to an acceptable level.

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.