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

November 20, 2020

Peter Key, Interim Executive Director
Harris County Toll Road Authority
7701 Wilshire Place Drive
Houston, TX 77040

Dear Mr. Key:

With the retirement of Gary Trietsch, Executive Director of the Harris County Toll Road Authority (HCTRA), the Harris County (County) Auditor's Office - Audit Services Department has completed a Closeout Audit. Although you were not the office holder during the period subject to our procedures, we are addressing this Auditor's Report to you as the Interim Executive Director.

The Closeout Audit was performed in accordance with the Harris County Road Law, Section 10 which 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 ..." 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
Steve Radack

Vince Ryan

AUDIT REPORT
HARRIS COUNTY TOLL ROAD AUTHORITY
GARY TRIETSCH CLOSEOUT AUDIT

NOVEMBER 20, 2020

Executive Summary

OVERALL CONCLUSION

Based on the procedures performed in accordance with the Harris County Road Law, procurement card expenditures were in compliance with County policy, capital assets existed, and the petty cash and change fund reconciled to the imprest balance authorized by Commissioners Court. However, we did identify opportunities for improving controls with regards to bank reconciliations, system access rights, and signatory cards.

These issues were discussed with HCTRA Management, and management action plans has been developed that will address the issues identified by February 28, 2020.

SCOPE AND OBJECTIVES

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

1. Procurement card expenditures were in compliance with County policy.
2. Petty Cash in Bank and the Change Fund at HCTRA reconciled to the imprest balances authorized by Commissioners Court.
3. A sample of capital assets could be verified for existence.
4. Bank reconciliations were timely and accurately prepared, and reconciling items were timely resolved (on a sample basis).
5. System(s) access/user rights were removed for terminated employees.

SUMMARY OF AUDIT ISSUES

Testing identified controls over the following areas need improvement:

1. Bank reconciling items were not cleared timely.
2. Active Directory accounts were not disabled in a timely manner after the employee's date of separation.
3. A bank account signatory was not timely removed as an authorized signer from HCTRA's petty cash bank account.

The audit issues, management's action plans to address the issues, and background information regarding this audit are discussed in more detail on the following pages.

AUDIT ISSUES

ISSUE #1: Bank Reconciling Items not Cleared Timely

What is the Issue: The Toll Road Revenue Account has reconciling items that were not cleared timely. In addition, the County Auditor's Office – Revenue Accounting Department (Revenue Accounting) has not been remediating or escalating old reconciling items dating back to 2018. Specifically the following was noted during our procedures:

1. HCTRA's Revenue Bank Account

- a) The January 2020 Bank Reconciliation has unreconciled differences that cannot be identified dating back to February 2018 totaling \$179,206. However, as a result of our procedures, HCTRA management cleared the total unreconciled difference. In addition, the January 2020 Bank Reconciliation had reconciling items greater than 30 days old dating back to January of 2018 totaling \$224,736. However, \$76,897 of these reconciling items were cleared as of February 29, 2020, leaving \$147,839 outstanding.
- b) Although not in the scope of our engagement, management informed us that as of August 2020, reconciliations have not been performed for March through July of 2020 due to PeopleSoft reporting issues.

What is Expected: Pursuant to the County's Accounting Procedure C.7, *Treasurer Monitored Bank Accounts*:

1. "For reconciling items (excluding outstanding checks) associated with the accounts that are 30 days old from the reconciliation date, Revenue Accounting – Bank Reconciliation Section (Bank Reconciliation) will inquire via email and phone call to the to work/clear such items."
2. "Items (excluding outstanding checks) 60 days or older from the reconciliation respective department date will result in the Bank Reconciliation Supervisor preparing and sending an Outstanding Bank Reconciliation Items Letter to the respective department to request that the account be brought to a current position as soon as possible in order to ensure the accuracy of the County's financial accounting records. Each Outstanding Bank Reconciliation Items Letter is reviewed and approved by the Revenue Accounting Director, Chief Assistant County Auditor – Accounting Division, and County Auditor before being sent to the respective department.

Why it Matters: Not having proper controls over bank reconciliations impairs the County's ability to detect fraud and could lead to misappropriation of funds and/or financial loss to the County.

Why it Happened:

Reconciling items greater than 30 days old were not monitored to ensure they were timely resolved. Furthermore, the County Auditor's Office does not have an escalation plan for reconciling items that are unable to be cleared with the department.

What Action(s) are Suggested:

1. Currently the County's Accounting Procedure C.7, *Treasury Monitored Bank Accounts* places the responsibility for reconciling items on the County Treasurer's Office. However, we recommend the Auditor's Office revisit the policy for possible modification with regards to who is responsible for reconciling items. In addition, HCTRA should begin performing the bank reconciliations and the policy should be updated accordingly.
2. The Auditor's Office Revenue Accounting Bank Reconciliation group should assign responsibility for reviewing/monitoring HCTRA bank reconciliations to make sure reconciling items are cleared timely and/or appropriately escalated.

3. The County Auditor's Office should address current practices in communicating aged reconciling items and develop an escalation plan for reconciling items that provides for an appropriate paper trail.

MANAGEMENT'S ACTION PLAN

County Auditor's Office

Responsible Party: Leslie Wilks Garcia

Management agrees that unreconciled variances on the bank reconciliation should be identified and cleared in a timely manner and that the County's procedures addressing this process should be updated and revised to include best practices. The current Accounting Procedure C.7, *Treasurer Monitored Bank Accounts*, includes sending a formal letter to communicate reconciling items (excluding outstanding checks) 60 days or older. In practice, the reconciling items were informally communicated via phone calls and emails. During the time period covered by this audit, the HCTRA Revenue Bank Account reconciliation was performed by the Revenue Accounting department. This responsibility was subsequently transferred to HCTRA personnel to perform the reconciliation process, with Revenue Accounting being responsible for reviewing the reconciliations.

With the transition to PeopleSoft, obtaining information necessary for the completion of bank reconciliations was a challenge. As bank reconciliation personnel (both Revenue Accounting and HCTRA) continue to become more familiar with the system, the reconciliation process is being performed in a timelier manner.

As of the date of this report, bank reconciliations have been fully completed for March through June 2020 and are partially completed for July through October 2020. HCTRA Management estimates these reconciliations will be fully completed by December 15, 2020.

Due Date: February 28, 2020

AUDIT ISSUES

ISSUE #2: Not Disabling Active Directory Accounts in a Timely Manner

What is the Issue: HCTRA is not disabling Active Directory accounts within 24 hours after the employee's date of separation as required by County Policy. Two Active Directory accounts were disabled 13 days and 25 days after the date of separation respectively and 1 was still active at the time of testing with a pending disable ticket. Furthermore, two additional Active Directory accounts belonging to toll-booth collectors were accidentally re-activated when all the toll-plaza employees were reassigned to work from home due to the COVID 19 pandemic. However, based on our review, the accounts in exception were not accessed after the respective employee's date of separation and management has since disabled these accounts to prevent unauthorized access.

What is Expected: Pursuant to the County's Universal Services (US) Department's Security Access Control Policy Section C.1.9, *User Termination*, "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: Untimely disabling of Active Directory accounts for terminated/transferred employees may result in unauthorized access to confidential information and expose the County to data breaches, disruption of County services, and it also impairs the County's ability to prevent fraud.

Why it Happened: HCTRA's internal Human Resources Department (HR) was not aware that County Policy requires Active Directory accounts to be disabled for terminated employees within 24 hours. As such, they were not creating tickets in the Information Technology (IT) Department's help desk system to remove access in a timely manner.

What Action(s) are Suggested: HCTRA Management should consider developing or updating their termination checklist to include procedures for removing system access from all relevant applications for terminated and/or transferred employees. The checklist should require HR to immediately create a ticket in the help desk system so IT can disable access to Active Directory within 24 hours. Applicable personnel should be trained on the termination checklist.

MANAGEMENT'S ACTION PLAN

Responsible Party: HCTRA HR Division Management

Beginning August 2020 HCTRA HR began utilizing the County Auditor's (CA) Form 3412, *Employee Termination Summary*. In addition to using CA Form 3412, HCTRA HR will continue to use the HCTRA Help Desk system (Cherwell) to remove Active Directory accounts. Additionally, HCTRA HR will revise the Separation Policy and create a procedure that will detail steps for reporting separated personnel to HCTRA HR.

Due Date: December 31, 2020

AUDIT ISSUES

ISSUE #3: Bank Account Signatory not Timely Removed

What is the Issue: HCTRA's retired Executive Director was not removed as an authorized signatory from HCTRA's petty cash bank account until 68 days after his retirement.

What is Expected: Pursuant to the County's Accounting Procedure C.9, *Petty Cash Bank Accounts*, departments are responsible for ensuring signatories are removed as authorized signers on all accounts when they leave the County. In addition, the County's Budget Management Department – Financial Management Section (Financial Management) should be contacted, as necessary, to coordinate having authorized signatories updated. Departments are also responsible for following up with Financial Management to ensure the employee was removed as an authorized signatory.

Why it Matters: Not timely removing terminated employees as authorized signers for all bank accounts could result in unauthorized transactions, misappropriation of funds, and/or financial loss to the County.

Why it Happened: Neither HCTRA nor Financial Management have sufficient controls in place to ensure timely removal of bank account signatories. The former Executive Director retired on January 31, 2020, but HCTRA did not notify Financial Management until March 10, 2020, or 39 days later. In addition, Financial Management did not officially remove his signatory rights until April 8, 2020, or 29 days after being notified by HCTRA.

What Action(s) are Suggested:

1. HCTRA should improve controls to help ensure that Financial Management is immediately notified when an employee with signatory rights is terminated. HCTRA should also follow up with Financial Management to confirm signatories are removed as applicable.
2. Financial Management should improve controls to timely remove signatory rights once notified by departments.

MANAGEMENT'S ACTION PLAN

HCTRA

Responsible Party: HCTRA HR Division Management and HCTRA Finance Division Management

Beginning August 2020, HCTRA started utilizing the County Auditor's Form 3412, *Employee Termination Summary*, as a tool to ensure that the proper department is notified to terminate signatory rights if the terminated employee is an authorized designated signer on behalf of the department head as documented on County Auditor's Form 127, *Signature Authorization Form*. As needed, HCTRA Finance Division Management will follow up with the County's Financial Management office to ensure the change was made.

Due Date: Already implemented August 31, 2020

Budget Management Department

Responsible Party: David Berry, Executive Director/County Budget Officer

Budget Management has set an internal policy to notify the bank within 48 hours of receiving notification from the department of signature card changes. The bank will then, in turn, respond to us and the department notifying us that the change has been completed. We will engage the bank to review

signature card updates for all departments on a semi-annual basis to be reviewed/compared with Budget Management records.

Budget Management will clearly communicate in the annual review of signature cards with the departments, the importance of departments notifying Budget Management timely of employees who no longer need access or signature capabilities for the bank depository.

Due Date: December 31, 2020

BACKGROUND

Harris County Toll Road Authority

The Harris County Toll Road Authority was established on September 22, 1983 by the County's Commissioners Court pursuant to Chapter 284 of the Texas Transportation Code. Also in 1983, Harris County voters authorized issuance of up to \$900 million in bonds to construct, operate and maintain toll roads in Harris County. The toll road system consists of approximately 128 miles of roadway in the Houston/Harris County area. HCTRA accepts cash at the tollbooths, and also utilizes EZ Tags, which is an automated payment system.

Active Directory

Active Directory is a directory service developed by Microsoft for Windows domain networks. It authenticates and authorizes all users and computers in a Windows domain type network and assigns and enforces security policies for all computers.

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.