

AUDITOR'S REPORT

HARRIS COUNTY DISTRICT CLERK - CHRIS DANIEL CLOSEOUT PROCEDURES AS OF DECEMBER 31, 2018



March 22, 2019

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HARRIS COUNTY AUDITOR

March 22, 2019

Ms. Marilyn Burgess
Harris County District Clerk
201 Caroline, Suite 420
Houston, Texas 77002

RE: Harris County District Clerk's Office Closeout Procedures as of December 31, 2018

With the change in officials at the Harris County District Clerk's Office (Office) the Auditor's Office – Compliance Audit Department performed closeout procedures in accordance with the Harris County Road Law. Although you were not the office holder during the period of our procedures, we are addressing the Auditor's Report to you as the current office holder.

We performed procedures to determine whether:

- Petty Cash and Change Funds at the Office reconciled to the imprest balances authorized by Commissioners Court, and the balances are accurately recorded in the County's Financial System (IFAS).
- Capital assets exist (on a sample basis).
- Procurement and travel cards assigned to the Office are in the Office's possession.

The engagement process included providing you with a combined engagement and scope letter and conducting entrance and exit conferences with your personnel. The purpose of the letter and conferences were to explain the process, describe the procedures to be performed, discuss any issues identified during the engagement, and solicit suggestions for resolving any applicable issues.

The work performed required our staff to exercise professional judgment in completing the scope procedures. As these procedures were not a detailed examination of all transactions or property, 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 and property records, and for ensuring sufficient controls are in place to detect and prevent fraud, errors, or omissions.

The enclosed Auditor's Report presents the issues identified during our procedures and recommendations developed in conjunction with your staff.

We appreciate the time and attention provided by you and your staff during our procedures.

Sincerely,



Michael Post
County Auditor

cc: District Judges
County Judge Lina Hidalgo
Commissioners:
 R. Jack Cagel
 Rodney Ellis
 Adrian Garcia
 Steve Radack
Kim Ogg
Vince Ryan
William J. Jackson

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OVERVIEW

The objective of this engagement was to perform procedures in accordance with the Harris County Road Law (Section 10, Chapter 17, Special Laws, Acts of the 33rd Legislature, Regular Session, 1913, as amended by Chapter 422, Acts of the 66th Legislature, 1979).

As excerpted below:

“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.”

RESULTS

Based upon the procedures performed in accordance with Harris County Road Law, the Office complied with the County’s policies and procedures for the following items tested:

- Petty Cash and Change Funds at the Office reconciled to the imprest balances authorized by Commissioners Court, and the balances are accurately recorded in IFAS.

However, our procedures identified the following opportunities for improvement:

- Enhance internal controls to safeguard Capital Assets and to help ensure they are properly recorded in IFAS.
- Implement internal controls to help ensure individual procurement card transactions do not exceed \$500, as required by the provisions of Harris County Accounting Procedure P.7, *Procurement Card Program*.

These matters are discussed in more details within the Issues and Recommendations section of this report.

ISSUES AND RECOMMENDATIONS

Capital Assets

Background

Pursuant to Harris County Accounting Procedure A.1-1, *Property Handling Guidelines*; Capital Assets are defined as County personal property, including all weapons and firearms, with a unit value of \$5,000 or more. These items are recorded as fixed assets in IFAS, depreciated over the useful life of the asset, and included on the County's Inventory Listing. Capital Assets must also be tagged for identification by the County's Purchasing Services department.

Issue

The Office's internal controls regarding Capital Assets were not consistently applied. As a result, 18 of 124 (15%) Capital Assets selectively tested for existence could not be located. According to the Office's inventory records, 3 of the 18 Capital Assets were noted as being "traded in" during the procurement of new assets. The remaining 15 Capital Assets could not be located at any of the District Clerk locations.

Recommendation

Office Management should remove the 3 Capital Assets traded in during the procurement of new assets from their inventory records. In addition, the Office should submit County Auditor's Form 3351, *County Property Deletion/Indemnification Request Form*, to the County's Purchasing Services department to obtain Commissioners Court approval to remove the additional 15 Capital Assets that could not be located from the Office's inventory records.

Office Management should enhance their existing internal controls regarding Capital Assets to help ensure all inventoried assets can be accounted for. In addition, the Office should consider conducting a full inventory count of all Capital Assets and update their inventory records accordingly.

Management Response

The District Clerk's Office accepts the recommendation and our Office Management will ensure we are within the provided guidelines moving forward. We will take the necessary steps to complete the indicated County Auditor's Form 3351, *County Property Deletion/Indemnification Request Form*, and work with the County's Purchasing Service department as instructed. A full inventory count of all Capital Assets and update the inventory records will be performed accordingly.

ISSUES AND RECOMMENDATIONS

Procurement Card Transactions

Background

Pursuant to County Accounting Procedure P.7, *Procurement Card Program*, procurement cards are to be used for non-capital purchases, under \$500, including but not limited to office supplies, truck and shop costs, dues and subscriptions, uniforms, printing, and safety items.

Pursuant to County Accounting Procedure P.7, *Procurement Card Program – Attachment A – Acceptable/Unacceptable Purchases*, unacceptable procurement purchases are as follows: goods or services in excess of \$500, any inventoried item, any capital item, alcohol, travel, fuel, vehicle repairs, meals, and products/services currently available from a County contract.

Issue

Two selectively tested procurement card transactions exceeded \$500. Individual purchases greater than \$500 are not in compliance with the County's Accounting Procedure P.7, *Procurement Card Program*, and could lead to inappropriate purchases and/or financial loss to the County.

Recommendation

Office Management should strengthen internal controls to help ensure individual procurement card transactions do not exceed \$500. In addition, Office Management should reinforce the requirements set forth in the County's Accounting Procedure P.7, *Procurement Card Program*, with all procurement card users.

Management Response

The District Clerk's Office accepts the recommendation and will ensure that transactions stay within the limits of the P-card Program. The transactions, found out of compliance, were processed for the Passport Services our office offered at various County libraries outside of downtown. Those offsite services have been cancelled as of 01/01/2019, and will no longer be necessary to purchase any supplies/materials previously purchased with the P-card.