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MICHAEL POST, CPA, CIA
HARRIS COUNTY AUDITOR

July 28, 2023

Dear Judge Bob Wolfe, Justice of the Peace, Precinct 5, Place 2:

The Harris County Auditor's Office Audit Division has completed a Closeout Audit of the Justice of the Peace, Precinct 5, Place 2 for the 6-month period ended, December 31, 2022. The results of our audit are included in the attached report.

We appreciate the time and attention provided by your team. Please expect an email request to complete our 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:

Lesley Briones
Rodney Ellis
Adrian Garcia
Tom Ramsey
Christian Menefee



INTERNAL AUDIT REPORT
JUSTICE OF THE PEACE, PRECINCT 5, PLACE 2
JULY 28, 2023

Executive Summary

OVERALL CONCLUSION

Based on the procedures performed, the Harris County (County) Justice of the Peace, Precinct 5, Place 2 (Court) generally complied with County procedures for the areas under review. However, controls surrounding the recording of capital assets need improvement. The issue was discussed with management, and an action plan has been developed, which will address the issue identified by September 30, 2023.

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;
- Physical and systems access for the former executive leader were appropriately disabled; and
- Change funds reconciled to the imprest balances authorized by Commissioners Court.

SUMMARY OF AUDIT ISSUE

- A capital asset was not properly recorded in the County's financial system.

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.

AUDIT ISSUE

ISSUE #1: A Capital Asset was Not Properly Recorded [MODERATE]

What is the Issue: A capital asset purchased for \$54,401 in 2018 did not have an asset tag and was not listed in the County's financial system. Subsequent to this audit, the capital asset was tagged by the Purchasing Department and recorded as a capital asset in the County's financial system.

Why it Happened: At the time of purchase, the asset was incorrectly classified as a service expense instead of a capital asset; therefore, the asset was not tagged. In addition, the Court's previous administration did not ensure that all capital assets were properly recorded during the annual inventory verification.

Why it Matters: Failure to record capital assets could result in misappropriation of assets and lead to financial loss to the County.

What is Expected: County Accounting Procedure A.1-1, *Property Handling Guidelines*, requires that capital assets with a unit value of \$5,000 or more be recorded on the financial records and the County's Inventory Listing. Capital assets must also be tagged by the Purchasing Office. In addition, the department should perform an annual inventory verification to ensure that the County's Inventory Listing is complete and accurate in accordance with the Purchasing Manual. Discrepancies should be documented, investigated, and reconciled.

What Action(s) are Suggested: Going forward, the Court should perform the annual inventory verification to ensure all capital assets in the Court's possession are properly recorded on the County's Inventory Listing. Any discrepancies should be investigated and resolved.

MANAGEMENT'S ACTION PLAN

Responsible Party: Paul Coselli

The current management team, which took over administration of Justice of the Peace, Precinct 5, Place 2 on January 1, 2023, was made aware of the problem left by the previous leadership team. It was remedied quickly by the Purchasing Department. The current management team will work more closely with the Purchasing Department to make sure all inventory is tagged and tracked properly. This situation was remedied quickly and efficiently, which was appreciated by the Judge and his staff.

Due Date: September 30, 2023



BACKGROUND

The objective of closeout audits is to provide the newly elected or appointed official reasonable assurance that assets are accounted for as part of the transition, 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.”

Justice of the Peace, Precinct 5, Place 2 Departmental Metrics

Adjusted Budget (as of 6/26/23)	Fiscal Year 2023 (Department 352)		
	\$3,420,303		
Staffing (as of 6/28/23)	Total Positions	Positions Not Filled	Grant Funded Positions
	30	12	0
Procurement Card	Card Limit	Quantity	Expenses in Audit Period
	0	0	N/A
Travel Card	0	0	N/A
Retail Credit Accounts	Description	Quantity	Expenses in Audit Period
	N/A	0	N/A
Cash Accounts	Description	Quantity	Limit
	Bank Accounts	0	N/A
	Petty Cash	0	N/A
	Change Fund	1	\$800
Open Purchase Orders (as of 6/16/23)	Source	Quantity	Total
	PeopleSoft	16	\$43,069
Paid Invoices (7/1/22 - 6/16/23)	Source	Quantity	Total
	PeopleSoft	1,103	\$1,318,851
Open Invoices (as of 6/30/23)	Source	Aging of Open Invoices	
	AIR / OpenText	<30 Days	20
		31-90 Days	15
		>90 Days	3
Capital Assets	Number of Assets	Total Costs	
	3	\$127,494.34	



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.

