

# **AUDITOR'S REPORT**

## **HARRIS COUNTY PROTECTIVE SERVICES FOR CHILDREN AND ADULTS PETTY CASH PROCEDURES AS OF JULY 19, 2019**



**October 11, 2019**

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

October 11, 2019

Mr. Joel Levine, Executive Director  
Harris County Protective Services for Children and Adults  
2525 Murworth Drive  
Houston, Texas 77054

RE: Harris County Protective Services for Children and Adults Petty Cash Audit Engagement as of July 19, 2019

In accordance with Local Government Code §115.001, *Examination of Records*, the Audit Services Department performed procedures relative to petty cash for the Protective Services for Children and Adults Department (the Office). The purpose of this engagement was to perform a surprise audit over the Office's petty cash accounts. Specifically, we performed procedures to determine whether petty cash at the office reconciled to the imprest balance authorized by Commissioners Court, and to determine whether the balance was accurately recorded in the County's Financial System (IFAS).

The work performed required our staff to exercise professional judgment in completing the scope procedures. As the procedures were not a detailed inspection 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.

The enclosed Auditor's Report presents the issue identified during our procedures, our recommendations, and any actions you plan to take to address the issue.

We appreciate the time and attention provided by you and your staff during this engagement.

Sincerely,

A handwritten signature in blue ink that reads "Michael Post".

Michael Post  
County Auditor

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

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## OVERVIEW

The Office was originally founded in 1966 as “Harris County Child Welfare” in order to provide support services for the children taken under the wing of the Texas Department of Family and Protective Services. The Office currently still provides this support; however, the department has expanded services for early prevention, intervention and adult services. The vision statement of the Office is “to better the lives of children and adults in Harris County”. The mission statement of the Office is “to support, enhance and advocate for the safety and well-being of children and adults in Harris County”.

The Office provides services through the following three Divisions: Children’s Services, Youth Services, and Adult Services. The Children’s Services Division assesses the whole family when the state department investigates abuse and neglect allegations; provides medical, dental and mental health care while children are in the care of the state; provides basic needs for these children and programming for young adults who are aging out of the foster care system with an emphasis on education and employment. The Youth Services Division has free school and community based programs to ensure youth and their families dealing with difficult familial, mental health and life crises remain in their own homes and are successful in school, in the family and the community. The Adult Services Division provides services to adults living in Harris County who need assistance to manage their affairs. This determination is made either through the Harris County Probate Court System or through a voluntary program.

During the normal course of operations, the Office incurs certain expenditures, which require the use of petty cash. Local Government Code §130.909, *Petty Cash Funds for Certain Officials*, states that the Commissioners Court may set aside from the general fund of the county an amount approved by the county auditor for the establishment of a petty cash fund for any county or district official or department head approved by the Commissioners Court. County Accounting Procedure D.3, *Traditional General fund Petty Cash Accounts*, provides guidance on the administration of a petty cash fund and provides examples of appropriate and inappropriate expenditures which may be made through a petty cash fund.

## SUMMARY OF RESULTS

Based on the procedures performed, in accordance with Local Government Code §115.001, *Examination of Records*, the petty cash at the Office reconciled to the imprest balance authorized by Commissioners Court, and the balance was accurately recorded in IFAS. However, the following opportunities for improvement were noted:

### **Controls for Safeguarding Petty Cash Need Improvement**

The Office does not have sufficient controls in place to ensure the proper safeguarding of their petty cash. Specifically, it was noted that 2 of the 7 (29%) petty cash funds maintained by the Office are not physically secured.

- 1) One of the funds is kept in a locking cash box; however, the cash box is maintained in a safe which is left open during business and non-business hours. In addition, it was noted that the petty cash fund is stored with program gift cards.
- 2) A second petty cash fund is secured in a locking cash box in a safe; however the keys for the safe and the cash box are stored in an unlocked desk drawer located in a shared workspace.

Office Management should improve the controls surrounding petty cash funds by ensuring that funds are maintained in a locked safe, and not removed unless access to the funds is required. In addition, the keys to safes and locking cash boxes should be adequately secured and only authorized employees should have access to the keys. Furthermore, the Office should ensure that petty cash funds are segregated from all other miscellaneous funds as required by County Accounting Procedure D.3, *Traditional General Fund Petty Cash Accounts*.

These audit results are discussed in more detail within the attached Issue and Recommendation Section.

## ISSUE AND RECOMMENDATIONS

### Controls for Safeguarding Petty Cash Need Improvement

#### Background

Pursuant to County Accounting Procedure D.3, *Traditional General Fund Petty Cash Accounts*, County Departments that maintain a petty cash fund are required to:

- 1) Keep the petty cash in a locked place with restricted access that is under the control of the custodian.
- 2) Maintain control over any keys or combination lock to secure the environment.
- 3) Segregate the petty cash fund from all other office miscellaneous funds.

The Office maintains the following 7 petty cash funds: 1) Accounting Department, 2) Children's Crisis Care Center, 3) Guardianship Program, 4) Community Resources Center – Youth School Center, 5) Community Youth Services Administration, 6) Triad Prevention Program, 7) and Kashmere High School Wraparound Project. Each petty cash fund has a balance of \$500 for a total of \$3,500.

#### Issue

The Office does not have sufficient controls in place to ensure the proper safeguarding of their petty cash. Specifically, it was noted that 2 of the 7 (29%) petty cash funds maintained by the Office are not physically secured.

- 1) One of the funds is kept in a locking cash box; however, the cash box is maintained in a safe which is left open during business and non-business hours. In addition, it was noted that the petty cash fund is stored with program gift cards.
- 2) A second petty cash fund is secured in a locking cash box in a safe; however the keys for the safe and the cash box are stored in an unlocked desk drawer located in a shared workspace.

Failure to adequately secure petty cash funds can result in the misappropriation of funds and financial loss to the County. In addition, the storage of petty cash funds with other miscellaneous funds results in noncompliance with County Accounting Procedure D.3, *Traditional General Fund Petty Cash Accounts*.

#### Recommendations

The Office should improve the controls surrounding petty cash funds by ensuring:

- 1) Funds are maintained in a locked safe, and not removed unless access to the funds is required.

## **ISSUE AND RECOMMENDATIONS**

### **Controls for Safeguarding Petty Cash Need Improvement (Continued)**

- 2) Keys to safes and locking cash boxes are adequately secured and that only authorized employees have access to the keys.
- 3) Petty cash funds are segregated from all other miscellaneous funds as required by County Accounting Procedure D.3, *Traditional General Fund Petty Cash Accounts*.

### **Management Action Plan**

HCPS will improve controls surrounding petty cash funds by implementing the following action plans:

- 1) All petty cash funds will be maintained in a locked cash box. The cash box will be maintained in a safe at all times unless access is required. The safe shall be locked at all times unless access is required. HCPS Accounting will distribute information to each custodian related to these guidelines. Accounting will review this issue during our internal petty cash review process to ensure compliance.
- 2) HCPS has a key lock box for the safe and will ensure any key to the safe or to the cash lock box is secured and not placed in areas where there may be unauthorized access.
- 3) HCPS will ensure petty cash funds are not co-mingled with other funds or miscellaneous items. These guidelines will be distributed to each custodian with an acknowledgement that the individual custodian has received the policy and understands the requirements. HCPS Accounting will review this during our internal petty cash review process to ensure compliance.

### **Responsible Party**

HCPS Fiscal Services Accounting Division

### **Agreed Upon Completion Date**

October 15, 2019