

# **AUDITOR'S REPORT**

## **HARRIS COUNTY PUBLIC HEALTH SERVICES PETTY CASH AND CHANGE FUND PROCEDURES AS OF JULY 19, 2019**



**January 3, 2020**

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

January 3, 2020

Umair A. Shah, MD, MPH  
Executive Director - Harris County Public Health Services  
2223 W. Loop South  
Houston, Texas 77027

RE: Harris County Public Health Services Petty Cash and Change Fund 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 and change funds for the Public Health Services Department (the Office). The purpose of this engagement was to perform a surprise audit over the Office's petty cash and change fund accounts.

While performing test procedures, it was determined that Form 1235, *Request to Open/Increase an Imprest Account*, could not be obtained for the majority of the Office's petty cash and change funds. As such, we were not able to determine whether petty cash and change funds at the office reconciled to the imprest balance authorized by Commissioners Court, or whether the balances were accurately recorded in the County's Financial System (IFAS). We will work with the Auditor's Office to determine whether the remaining Form 1235s are in archives.

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.

Umair A. Shah, MD, MPH  
Executive Director - Harris County Public Health Services

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

Sincerely,



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 mission of the Office is to “Promote a Healthy and Safe Community, Prevent Illness and Injury, and Protect You”. To fulfill this mission, the Office embraces a foundation of progressive work that is anchored by the department’s three cornerstone values, “Innovation, Engagement, and Equity.” The Office employs approximately 700 public health professionals, and provides comprehensive health services and programs to approximately 4.7 million residents and 30 municipalities within Harris County.

The Office provides services through the following divisions: 1) Disease Control and Clinical Prevention, 2) Environmental Public Health, 3) Mosquito and Vector Control, 4) Nutrition and Chronic Disease Prevention, 5) Office of Communications, Education, and Engagement, 6) Office of Policy and Planning, 7) Office of Public Health Preparedness and Response, 8) Veterinary Public Health, and 9) Office of Science, Surveillance, and Technology. The Office divisions provide approximately 35 Services & Programs, such as: Wellness Clinics, Health Fairs and Service Information, Food and Pool Permits, Mosquito Control, etc.

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. Harris County (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.

Some of the health care programs and services for which the Office receives payment require the operation and use of change funds. Local Government Code § 130.902(a), *Change Fund in Counties*, states that the Commissioners Court may set aside from the general fund of the county an amount approved by the county auditor for use as a change fund by any county or district official who collects public funds. The fund may be used only to make change in connection with collections that are due and payable to the county, the state, or another political subdivision of the state that are often made by the official. County Accounting Procedure A.1-2, *Change Funds*, provides guidance on the administration of a petty cash fund and provides examples of appropriate and inappropriate uses of change funds.

## SUMMARY OF RESULTS

Based on the procedures performed, in accordance with Local Government Code §115.001, *Examination of Records*, the following opportunity for improvements was noted:

### Environmental Division Location:

One petty cash account was comingled with two change funds. As a result:

1. Outstanding receipts for petty cash expenditures exceeded the total petty cash fund assigned amount by \$111.06.
2. The total cash on hand plus outstanding petty cash receipts exceeded the assigned fund amount by \$41.55.

### Office of Policy and Planning Location:

1. The petty cash fund had a shortage of \$47.99.

These audit results are discussed in more detail with the attached Issue and Recommendations Section.

## ISSUE AND RECOMMENDATIONS

### Failure to Segregate Funds and a Petty Cash Shortage

#### Background

Pursuant to County Accounting Procedure D.3, *Traditional General Fund Petty Cash Accounts* (Accounting Procedure D.3):

- County Departments that maintain a petty cash fund are required to segregate the petty cash fund from all other office miscellaneous funds.
- The total amount of cash on hand plus substantiating vouchers should always reconcile to the authorized balance approved by Commissioners Court.
- The County Department must replenish losses or shortages resulting from the operation of the petty cash fund, or request indemnification in accordance with Accounting Procedure C.3, *Indemnification of Public Officials - Lost or Stolen Cash*. The County Official/Department Head is liable for any shortage.

Pursuant to County Accounting Procedure A.1-2, *Change Funds* (Accounting Procedure A.1-2), County Departments that maintain a petty cash fund are required to segregate the change fund from all other office miscellaneous funds.

The Office maintains the following 5 petty cash funds: 1) HCPHES VET (\$200.00), 2) Administrative Services (\$500.00), 3) Environmental Division (\$100.00), 4) Donation Fund Animal Control (\$100.00), and 5) Ryan White Administrative Services (\$850.00).

The Office maintains the following 10 change funds: 1) HCPHES Vet Public Health (\$200.00), 2) Dental (\$200.00), 3) Southeast Service Center (\$100.00), 4) Baytown Service Center (\$100.00), 5) Humble Service Center (\$100.00), 6) Tuberculosis (\$100.00), 7) Veterinary Public Health (\$200.00), 8) Medicaid Administration (\$100.00), 9) Food Permit Fees (\$200.00), and 10) Pool Permit Fees (\$200.00).

#### Issue

Controls surrounding petty cash and change funds need improvement.

#### Environmental Division Location:

One petty cash account was comingled with two change funds. As a result:

1. Outstanding receipts for petty cash expenditures exceeded the total petty cash fund assigned amount by \$111.06.
2. The total cash on hand plus outstanding petty cash receipts exceeded the assigned fund amount by \$41.55.

## ISSUE AND RECOMMENDATIONS

### **Failure to Segregate Funds and a Petty Cash Shortage (Continued)**

#### Office of Policy and Planning Location:

1. The petty cash fund had a shortage of \$47.99.

Insufficient controls surrounding the petty cash and change funds results in noncompliance with Accounting Procedures D.3 and A.1-2. In addition, control weaknesses could lead to the misappropriation of funds and financial loss to the County.

#### **Recommendations**

Office Management should improve the controls surrounding petty cash and change funds by taking the following actions:

#### Environmental Division:

1. Office Management should segregate the petty cash and change funds as required by Accounting Procedures D.3 and A.1-2. This should ensure that petty cash expenditures do not exceed the petty cash authorized amount.
2. All outstanding receipts should be submitted for reimbursement and all three funds should be reconciled to their authorized amounts. Any overage(s) should be deposited into the County depository as required by Accounting Procedures.
3. Office Management should implement monitoring controls by periodically performing reviews to ensure that petty cash and change funds are not comingled and that they reconcile to their authorized fund amounts.

#### Office of Policy and Planning:

1. Office Management should perform research to determine if supporting documentation can be found to support the petty cash fund shortage. If the supporting documentation cannot be provided, the County Department must replenish losses or shortages resulting from the operation of the petty cash fund, or request indemnification in accordance with Accounting Procedure C.3, *Indemnification of Public Officials - Lost or Stolen Cash*.

#### **Management Action Plan**

Harris County Public Health will take the following steps within the time specified below to correct issues discovered.

Environmental Public Health Business Office will segregate the petty cash and change funds at as required by Accounting Procedures D.3 and A.1-2. (Completed)



## ISSUE AND RECOMMENDATIONS

### **Failure to Segregate Funds and a Petty Cash Shortage (Continued)**

All outstanding receipts will be submitted for reimbursement and all three funds will be reconciled to their authorized amounts. (Completed)

Financial Services will perform research to determine if supporting documentation can be found to support the petty cash fund shortage discovered within Human Resources. (By Feb 29, 2020)

Financial Services will help implement monitoring controls by periodically performing reviews to ensure that petty cash and change funds are not comingled and that they reconcile to their authorized fund amounts. (By May 1, 2020)

### **Responsible Party**

Harris County Public Health Financial Services Director

### **Agreed Upon Completion Date**

May 1, 2020