

Leslie Wilks Garcia, C.P.A., M.Jur.
First Assistant County Auditor

Errika Perkins, C.P.A., C.I.A.
Chief Assistant County Auditor
Audit Division



1001 Preston, Suite 800
Houston, Texas 77002-1817
(832) 927-4600

Fax (713) 755-8932
Help Line (832) 927-4558

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

October 22, 2021

Dear Dylan Osborne, Harris County Treasurer:

The Harris County Auditor's Office Audit Division has completed an audit of the Harris County Treasurer's Office Cash Controls. 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 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:
R. Jack Cagle
Rodney Ellis
Adrian Garcia
Tom Ramsey
Christian Menefee

AUDIT REPORT
HARRIS COUNTY TREASURER'S OFFICE CASH CONTROLS
OCTOBER 22, 2021

Executive Summary

OVERALL CONCLUSION

The overall cash controls related to the Harris County Treasurer's Office need improvement. Specifically, opportunities for improvement exist with regards to performing a daily collection reconciliation, timely posting and depositing of collections, and performing an annual review of system user access rights. Management has already implemented action plans to address the issues identified.

SCOPE AND OBJECTIVE

The Audit Services Department conducted an audit of the Treasurer's Office to test controls over the cash collections process. The objectives of this engagement were to determine the following:

- Cash collections complied with the County's Accounting Procedure A.1, *Cash Handling Guidelines*.
- User access controls over cash collections in PeopleSoft are adequate.

The audit reviewed internal controls and data for the 6-month period ended April 30, 2021. Additionally, system user access rights were tested as of June 10, 2021, and badge access was tested as of July 7, 2021.

SUMMARY OF AUDIT ISSUES

- Not performing a daily collection reconciliation.
- Not consistently depositing collections or resolving PeopleSoft posting errors in a timely manner.
- Not performing an annual review of users in PeopleSoft to determine if their access is appropriate and/or authorized.

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

AUDIT ISSUES

ISSUE #1: Not Performing a Daily Collection Reconciliation [HIGH]

What is the Issue: At the time of fieldwork, the Treasurer's Office could not produce evidence a daily reconciliation was being performed between collections posted to PeopleSoft and the amounts deposited at the bank.

Why it Happened: Management was relying on the monthly bank reconciliations performed by the County Auditor's Office's Revenue Accounting Department and the month end close process performed by the County Auditor's Office Accounts Receivable Department.

Why it Matters: Not performing a daily reconciliation between collections posted to PeopleSoft and the amounts deposited at the bank reduces Management's ability to prevent and detect fraud and could result in errors, misappropriation of assets, and/or financial loss to the County.

What is Expected: It is best practice to perform a daily reconciliation between collections posted to PeopleSoft and the amounts deposited at the bank to ensure all collections posted were deposited.

What Action(s) are Suggested: Management should perform a daily reconciliation between collections posted to PeopleSoft and the amounts deposited at the bank.

MANAGEMENT'S ACTION PLAN

Responsible Party: Deposit Section in conjunction with senior managers within the Treasurer's Office

Management Action Plan: With the implementation of PeopleSoft and the limited availability of reports, we were not aware of the PeopleSoft ("PSFT") Report ID AR2002 – PSFT Receivables Payment Detail. Presently, Sonya Anderson, Director of Treasury Operations, is matching the deposits from this report to the actual bank statement at Cadence Bank on a daily basis.

Due Date: Implemented

ISSUE #2: Untimely Posting and Depositing Collections [MODERATE]

What is the Issue: The Treasurer's Office is not consistently depositing collections or resolving PeopleSoft posting errors in a timely manner. Specifically, the following was noted during testing:

1. Four out of 60 (7%) mailed in collections totaling \$28,865 were not deposited timely. The number of days deposited late ranged between 14 to 28 days.
2. Two collections totaling \$18,832 listed on the PeopleSoft posting error report were not timely resolved. The collections were initially recorded in PeopleSoft on 1/26/21 and 3/25/21 but had not been posted to the correct account as of 5/18/21.

Why it Happened: When the invoice is not available for proper coding, the Treasurer's Office is holding collections in their safe instead of depositing the collections and posting the transaction to a PeopleSoft suspense account until final resolution.

The Treasurer's Office does not have sufficient monitoring controls to ensure PeopleSoft posting errors are resolved in a timely manner.

Why it Matters: Not depositing or resolving PeopleSoft posting errors in a timely manner has resulted in non-compliance with County policy, which could also result in lost or misappropriated collections and financial loss to the County.

What is Expected: Pursuant to the County's Accounting Procedure A.1, *Cash Handling Guidelines*, "deposits must be made on or before the next regular business day after the date on which the money is received. If this deadline cannot be met, the officer or person must deposit the money, without exception, on or before the fifth business day after the day on which the money is received."

What Action(s) are Suggested: When the invoice is not available for proper coding, the Treasurer's Office should deposit the collections and post the transaction to a PeopleSoft suspense account until final resolution.

Additionally, the Treasurer's Office should improve monitoring controls to ensure PeopleSoft posting errors are resolved in a timely manner. This could include implementing an internal deadline and status update for resolving PeopleSoft posting errors with Management oversight.

MANAGEMENT'S ACTION PLAN

Responsible Party: Deposit Section in conjunction with senior managers within the Treasurer's Office

Management Action Plan: For circumstances where an invoice is not available for proper coding, we have implemented a process to deposit the collections and post the transactions to a PSFT suspense account until final resolution. We will continue to monitor the different reports and to coordinate with the Auditor's Office on posting errors

Due Date: Implemented

ISSUE #3: Annual Review of User Access Rights in PeopleSoft Not Performed

[MODERATE]

What is the Issue: The Treasurer's Office is not performing an annual review of system user access rights in PeopleSoft. No unauthorized system access was identified.

Why it Happened: The Treasurer's Office does not have formal monitoring procedures over PeopleSoft system access user rights. Additionally, they did not complete the annual confirmation of PeopleSoft system user access rights requested by the County's Universal Services Department.

Why it Matters: Not performing an annual review of system user access rights could result in unauthorized access, misappropriated assets, and financial loss to the County.

What is Expected: Pursuant to the County's Access Control Policy section C.1.11, *Access Certification*, departments should review system user access rights at least once per year to ensure that only authorized members maintain access to and permissions for the systems, applications, and/or resources involved.

What Action(s) are Suggested: Management should perform an annual review of their users in PeopleSoft to ensure their access is appropriate and authorized.

MANAGEMENT'S ACTION PLAN

Responsible Party: Senior managers of the Treasurer's Office

Management Action Plan: We will respond to the yearly report by Universal Services in a timely manner.

Due Date: Implemented

BACKGROUND

The Harris County Treasurer (County Treasurer) is an elected official with a four-year term of office and serves as the chief custodian of all County funds. Pursuant to Texas Local Government Code §113, the County Treasurer is responsible for the receiving, depositing, and expenditure of County funds. The County funds are maintained in designated depositories and, pursuant to State statutes, the Treasurer disburses the funds once the claims are audited by the County Auditor and approved by Commissioners Court. In accordance with Texas Local Government Code §114.026, the Treasurer is required to prepare and submit a detailed report presenting the “money received and disbursed, debts due to and owed by the county, and all other proceedings in the Treasurer’s Office” to Commissioners Court.

The Treasurer’s Office receives funds from various County departments as well as the public. These funds can be collections received by County departments, payments owed to the County, the deposit of confiscated or abandoned funds, retiree health insurance payments, and various other funds. Funds are received by the Treasurer’s Office via cash, check, or an electronic funds transfer.

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.