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MICHAEL POST, CPA, CIA
HARRIS COUNTY AUDITOR

October 27, 2023

Dear Ms. Sindhu Menon, Executive Director, Harris County Universal Services:

The Harris County Auditor's Office Audit Division has completed a Closeout Audit of Harris County Universal Services for the 6-month period ended, May 16, 2023. The results of our audit are included in the attached report.

We appreciate the time and attention provided by your team. They will receive 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
Diana Ramirez



INTERNAL AUDIT REPORT
HARRIS COUNTY UNIVERSAL SERVICES CLOSEOUT
OCTOBER 27, 2023

Executive Summary

OVERALL CONCLUSION

Based on the procedures performed, the Harris County (County) Universal Services (US) previous leadership generally had established controls in place for the objectives under review. Internal Audit performed onsite testing of 50 (0.8%) of 6,349 capital assets, consisting of fleet, radios, generators, computers, and servers, and found that controls surrounding the tracking and safeguarding of capital assets need improvement. The issue was discussed with US Management and a management action plan has been developed, which will address the issue identified by April 30, 2024.

SCOPE AND OBJECTIVE

The audit covered processes and documentation for the 6-month period ended, May 16, 2023. 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;
- Certain procurement and travel card expenditure complied with County policy;
- Physical and system(s) access were appropriately disabled for the former executive leader and assigned assets were properly returned.

US does not have cash account funds in place so this area was excluded from the audit's scope.

SUMMARY OF AUDIT ISSUE

- Insufficient safeguarding of capital assets.

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: Insufficient Safeguarding of Capital Assets [MODERATE]

What is the Issue: Two of 50 capital assets selected for testing could not be located. Details of the missing capital assets are provided below.

Description	Serial ID	Purchase Year	Purchase Price
Server Genwatch3 ATIA Base	4L69JQ1	3/23/2012	\$300,968
Computer Desktop - Dell T5610	1TP2K02	6/6/2014	\$5,518
Total			\$306,486

Additionally, the department took extensive time to locate other capital assets that were selected for testing and to determine that the two assets noted above were no longer in the department's possession. Management is currently working with the Purchasing Department to remove the missing capital assets from the US capital asset listing.

Why it Happened: Management does not have sufficient controls in place to safeguard capital assets and to ensure capital assets are properly validated during the annual inventory performed by the department.

Why it Matters: Not properly tracking and safeguarding capital assets could result in misappropriation of assets and financial loss to the County. In addition, it could lead to a misstatement of capital assets in the County's financial records.

What is Expected: County Auditor's Accounting Procedure A.1-1, *Property Handling Guidelines*, requires departments to track and safeguard their capital assets and to perform an annual inventory verification of all assets recorded on the County's Inventory Listing.

What Action(s) are Suggested: Management should improve controls surrounding the tracking and safeguarding of capital assets. Management should also ensure that the physical locations of capital assets are confirmed before submitting the annual inventory verification to the Purchasing Department. In addition, Management should request indemnification for the missing capital assets from Commissioners Court to remove the capital assets from the County's financial records.

MANAGEMENT'S ACTION PLAN

Responsible Party: Karen Vasquez, Director of Business Operations

US Management is currently working with the Purchasing Department to have the missing capital assets removed from the capital asset listing. We will request indemnification for the capital assets from Commissioners Court. In addition, we will ensure that the physical locations of the department's capital assets are confirmed during the annual inventory verification.

Due Date: April 30, 2024



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 supervisor. It is within the discretion of the Auditor as to the scope of the detail and documentation necessary in each case.”

Universal Services Departmental Metrics

Adjusted Budget (as of 9/12/23)	Fiscal Year 2023 (Departments 292, 293 and 298)			
		\$368,100,279		
Staffing (as of 8/18/23)	Total Positions	Positions Not Filled	Grant Funded Positions	
	591	83	6	
Procurement Card	Card Limit	Quantity	Expenses in Audit Period	
	\$15,000	2	\$12,189	
Travel Card	\$30,000	3	\$6,059	
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	0	N/A	
Open Purchase Orders (as of 9/14/23)	Source	Quantity	Remaining Balance	
	PeopleSoft/STARS	810	\$68,839,440	
Paid Invoices (as of 9/14/23)	Source	Quantity	Total	
	PeopleSoft/STARS	31,486	\$147,519,479	
Open Invoices (as of 9/14/23)	Source	Aging of Open Invoices		
		AIR / OpenText	<30 Days	179
		31-90 Days	7	
		>90 Days	13	
Capital Assets	Number of Assets	Total Costs		
	6,349	\$314,265,997		



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.

