
Harris County Auditor's Office



MEMORANDUM

To: Lina Hidalgo, County Judge
Rodney Ellis, Commissioner Precinct 1
Adrian Garcia, Commissioner Precinct 2
Tom Ramsey, Commissioner Precinct 3
Lesley Briones, Commissioner Precinct 4

Christian Menefee, County Attorney
Diana Ramirez, County Administrator
Marilyn Burgess, District Clerk
Daniel Ramos, Executive Director, OMB
DeWight Dopslauf, Purchasing Agent
Carla Wyatt, County Treasurer

From: Mike Post, Harris County Auditor
Errika Perkins, Chief Assistant County Auditor-Audit Division

CC: Samantha Kealoha, County Judge's Office
George Greanias, Precinct 1
Mike Lykes, Precinct 2
Lynn Blue, Precinct 3
Alice Lee, Precinct 4

RE: Review of the processes related to the execution of a contract for juror pay cards

Date: April 29, 2024

EXECUTIVE SUMMARY

On December 19, 2023, Commissioners Court requested that the Internal Audit Division review the processes related to the execution of a contract for juror pay cards.

The engagement's scope was to evaluate the following:

1. Determine the governing process that changed juror pay from checks to pay cards.
2. Review the Request for Court Action (RCA) process to determine if controls are in place to validate department funding sources for contract agreements prior to Commissioners Court approval.
3. Validate that Harris County has a process in place to comply with Texas Local Government Code (LGC) 130.908, which states the Commissioners Court must approve any expenditure by the incumbent county or precinct officer who was not renominated or reelected that is over an amount set by the Commissioners Court.

RECOMMENDATIONS

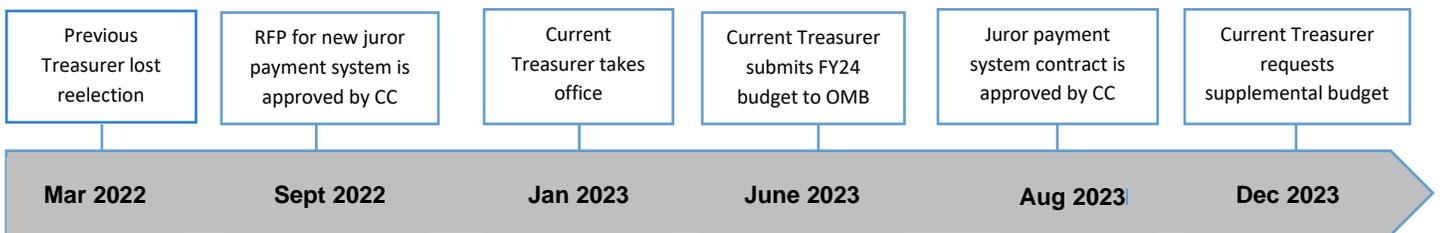
The Internal Audit Division recommends the following actions to be considered by relevant Harris County departments:

- Develop, implement, and communicate a standardized procedure that defines the RCA requirements, escalation for noncompliance, and key stakeholders for coordination and validation.
- Implement and communicate the policy that requires approval from the Commissioners Court of expenses by outgoing County officials as required by LGC § 130.908.

BACKGROUND

At the December 19, 2023, Commissioners Court, the County Treasurer requested a supplemental budget appropriation of \$290,000 (Agenda item #231) for pre-paid cards (pay cards) to pay jurors for their service. During that discussion, Commissioners Court requested that the Internal Audit Division conduct a review to determine if the County has internal controls to prevent Commissioners Court from approving contracts that do not have a designated funding source or budget.

The Internal Audit Division interviewed personnel from various County departments involved in the process. The timeline of the events that led to Agenda item #231 is as follows:



The County Treasurer's Office purchases pay cards based on juror data received from the District Clerk's Office under the new process that began on August 30, 2023. On the day of jury service, the District Clerk's Office physically distributes pay cards to jurors; if a juror chooses to receive a check instead of a pay card, the check is mailed by the County Treasurer's Office. Each pay card has a load fee of \$1.75 payable to the vendor, Rapid Financial Solution (RFS), providing the service. In accordance with Texas Government Code (TGC) § 61.001 (f), unclaimed checks or amounts remaining on the pay cards are returned to the County after 90 days of the pay date. The RFS contract includes a process to comply with TGC § 61.001. The tables on the next page depict the usage of checks and pay cards by jurors:

Juror Check Information

Type of Data	Mar 2023	Apr 2023	May 2023	June 2023	July 2023	Aug 2023	TOTAL
Number of checks issued to jurors	11,805	9,629	9,715	9,477	8,180	10,464	59,270
Total amount paid to jurors by check ¹	\$217,724	\$204,972	\$212,184	\$175,640	\$176,158	\$217,124	\$1,203,802
Stale dated checks amount ²	\$25,898	\$23,138	\$24,448	\$21,104	\$18,754	\$25,830	\$139,172
Stale dated checks quantity	3,406	2,764	2,639	2,748	2,304	2,997	16,858

Juror Pay Card Information

Type of Data	Aug – Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024	TOTAL
Number of pay cards issued to jurors	11,403	9,925	8,436	5,067	9,917	12,179	56,927
Invoices from RFS for load fees	\$19,955	\$17,369	\$14,763	\$8,867	\$17,355	\$21,313	\$99,622
Total amount paid to jurors on pay cards ¹	\$320,815	\$494,582	\$442,306	\$307,562	\$403,736	\$533,466	\$2,502,467
Unclaimed pay card amount	\$81,063	\$87,372	\$76,300	N/A ³	N/A ³	N/A ³	\$244,735
Unclaimed pay card quantity	4,423	2,434	2,088	N/A ³	N/A ³	N/A ³	8,945

LEGAL REFERENCES

There are several statutes and regulations that govern the juror payment process. An overview of these legal references is presented in **Appendix D** for informational purposes.

¹ Effective 9/1/23 amounts paid to jurors increased from \$6 to \$20 on day 1 of service, then to \$30 on 10/1/23. Effective 10/1/23 amounts paid to jurors on subsequent days increased from \$40 to \$58.

² Stale dated are checks that remain outstanding (uncashed) 90 days past the date of issuance.

³ The unclaimed money is not yet due to the County per TGC § 61.001.

RESULTS

OBJECTIVE 1: Determine the governing process that changed juror pay from checks to pay cards.

OBSERVATION 1: In accordance with LGC § 113.048, DISBURSEMENT OF MONEY FOR JURY SERVICE (b): “A system or method of payment adopted by a county treasurer under Subsection (a) may be implemented only if it is approved by the commissioners court...”

The August 8, 2023, Request for Court Action (RCA) stated “the objective is to launch a juror payment system to provide an electronic payment medium for those Harris County juror whom wish to use this type of service...” The RCA was approved by Commissioners Court; therefore, fulfilling the requirement of LGC § 113.048. Please see **Appendix A** – August 8, 2023, RCA.

RECOMMENDATION 1: No action required.

OBJECTIVE 2: Review the RCA process to determine if controls are in place to validate department funding sources for contract agreements prior to Commissioners Court approval.

OBSERVATION 2: The Office of County Administration’s Agenda Office (OCA) does not have a written policy, which would ensure consistent completion of submitted RCAs against predetermined requirement fields. See **Appendix C** for a flow diagram depicting the current RCA procurement process. During the procurement Request for Proposal process, County departments are required to specify the funding source in the Bonfire system. However, RCAs containing contract awards will have blank department funding sources due to the confidentiality of the contract award amount, as required by LGC § 252.049 CONFIDENTIALITY OF INFORMATION IN BIDS OR PROPOSALS: “...All proposals are open for public inspection after the contract is awarded...” Since RCAs are made public on the Commissioners Court Agenda website prior to the Commissioners Court’s approval of the contract, the RCA contract award amount must remain blank for compliance.

The Rapid Financial Solution contract was a unique situation where the Request for Proposal was initiated under the previous County Treasurer and the contract was executed under the current County Treasurer. The funding source was not specified in the respective RCA, see **Appendix A** – August 8, 2023, RCA.

RECOMMENDATION 2: The Office of County Administration’s Agenda Office should work with the Office of Management and Budget (OMB) and Purchasing to develop, implement, and communicate a written policy or procedure. The procedure should define the RCA submission requirements, escalation for noncompliance, and identify key stakeholders for coordination and budget validation.

Additionally, Management agreed to improve the RCA process by clearly distinguishing when fields can remain blank as opposed to when they must be completed.

OBJECTIVE 3: Validate that Harris County has a process in place to comply with Local Government Code 130.908.

OBSERVATION 3: In accordance with LGC § 130.908, APPROVAL OF SPENDING BY CERTAIN COUNTY AND PRECINCT OFFICERS: *“If an incumbent county or precinct officer is not renominated or is not reelected to the county or precinct office of a county, during the time following the date the results of the official canvass of the primary or election returns are announced, the commissioners court must approve any expenditure by the incumbent county or precinct officer who was not renominated or reelected that is over an amount set by the commissioners court.”*

On November 15, 2022, Commissioners Court approved an RCA directing OMB to implement procedures for compliance with LGC § 130.908. On March 26, 2024, Commissioners Court passed the **Policy For Officials Not Re-Nominated For Office**, which requires Commissioner Court approval of non-labor expenditures in excess of a \$100,000 for incumbent elected county officers who were not re-nominated or re-elected to office. Please see **Appendix B** – Policy For Officials Not Re-Nominated For Office.

RECOMMENDATION 3: The County Attorney’s Office should inform elected County officials and department heads of the new policy.

OMB should provide comprehensive training on the policy and establish a mechanism to identify outgoing elected County officials’ non-labor expenses more than \$100,000 and labor expenses that require approval by Commissioners Court. Then communicate to all parties involved in the Commissioners Court Agenda process and the Harris County Auditor’s Office Accounts Payable Department.

Internal Audit Standards

We conducted our engagement 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.

Appendix A

Request for Court Action to approve changing a system of payment from checks to pay cards.



Harris County, Texas

1001 Preston St., Suite 934
Houston, Texas 77002

Commissioners Court

Request for Court Action

File #: 23-4552

Agenda Date: 8/8/2023

Agenda #: 276.

Department: Purchasing

Department Head/Elected Official: DeWight Dopslauf

Regular or Supplemental RCA: Regular RCA

Type of Request: Contract - Award

Project ID (if applicable): 220285

Vendor/Entity Legal Name (if applicable): Rapid Financial Solutions, LLC

MWDBE Contracted Goal (if applicable): N/A

MWDBE Current Participation (if applicable): N/A

Justification for 0% MWDBE Participation Goal: 0% - Non-Divisible

Request Summary (Agenda Caption):

Request for approval of an award on the basis of best proposal meeting requirements and that the County Judge execute an agreement with Rapid Financial Solutions, LLC for juror payment system for Harris County for the period of August 8, 2023 - August 7, 2024, with four (4) one-year renewal options (220285), Justification for 0% MWDBE Participation Goal: 0% - Non-Divisible.

Background and Discussion: The objective is to launch a juror payment system to provide an electronic payment medium for those Harris County jurors whom wish to use this type of service thereby addressing the following business requirements:

- To provide a faster payment mechanism for Harris County jurors.
- To reduce the cost of paying jurors.
- To allow jurors to be paid over more than one payment platform.
- To capture a plurality of jurors.
- To track on how many juror paid and to be paid
- To streamline electronic process
- Elimination reduction of paper and postage cost

Expected Impact: Not having jurors wait as long for payment will have a positive impact on the Community.

Alternative Options: N/A

Presented to Commissioners Court

Alignment with Goal(s):

August 8, 2023

- _ Justice and Safety
- _ Economic Opportunity
- _ Housing

Approve: G/R

- Public Health
- Transportation
- Flooding
- Environment
- Governance and Customer Service

Prior Court Action (if any): N/A

Date	Agenda Item #	Action Taken

Location: N/A

Address (if applicable): N/A

Precinct(s): Choose an item.

Fiscal and Personnel Summary			
Service Name			
	FY 23	FY 24	Next 3 FYs
Incremental Expenditures (do NOT write values in thousands or millions)			
Labor Expenditures	\$	\$	\$
Non-Labor Expenditures	\$	\$	\$
Total Incremental Expenditures	\$	\$	\$
Funding Sources (do NOT write values in thousands or millions)			
Existing Budget			
1000 - General Fund	\$	\$	\$
Choose an item.	\$	\$	\$
Choose an item.	\$	\$	\$
Total Current Budget	\$	\$	\$
Additional Budget Requested			
Choose an item.	\$	\$	\$
Choose an item.	\$	\$	\$
Choose an item.	\$	\$	\$
Total Additional Budget Requested	\$	\$	\$
Total Funding Sources	\$	\$	\$
Personnel (Fill out section only if requesting new PCNs)			
Current Position Count for Service	-	-	-
Additional Positions Requested	-	-	-
Total Personnel	-	-	-

Anticipated Court Date: August 8, 2023

Anticipated Implementation Date (if different from Court date): August 8, 2023

Emergency/Disaster Recovery Note: Not an emergency, disaster, or COVID-19 related item

Contact(s) name, title, department: Dr. Carla Wyatt, Treasurer Harris County; Marilyn Burgess, District Clerk, Harris County; Martha Sloan, Contracts Administrator, Harris County Purchasing

Attachments (if applicable): Letter, Agreement

Appendix B

Policy For Officials Not Re-Nominated For Office



HARRIS COUNTY

OFFICE OF MANAGEMENT AND BUDGET

(713) 274-1100

1001 Preston St. #500 Houston TX 77002

<https://budget.harriscountytexas.gov/>

Policy for Officials not Re-Nominated for Office

Purpose: This policy sets a spending threshold for every incumbent elected county officer who was not re-nominated or re-elected to office and requires additional approval of any expenditure proposed by the officer in excess of the spending threshold. The policy is being promulgated pursuant to Commissioners Court's authority to set such limits contained in Local Government Code Section 130.908 and Code of Criminal Procedure Article 59.06.

Scope: This policy applies to incumbent officials not re-nominated to a county elected office for the period from the 2024 general primary election canvass to the date the incumbent is replaced either by election or appointment. This policy only applies to general funds and all special funds under Commissioners Court's authority, including but not limited to, asset forfeiture funds governed by Code of Criminal Procedure Article 59.06 (d-1) (6) and (7), and pretrial intervention funds governed by Code of Criminal Procedure Article 102.0121.

Labor Expenses:

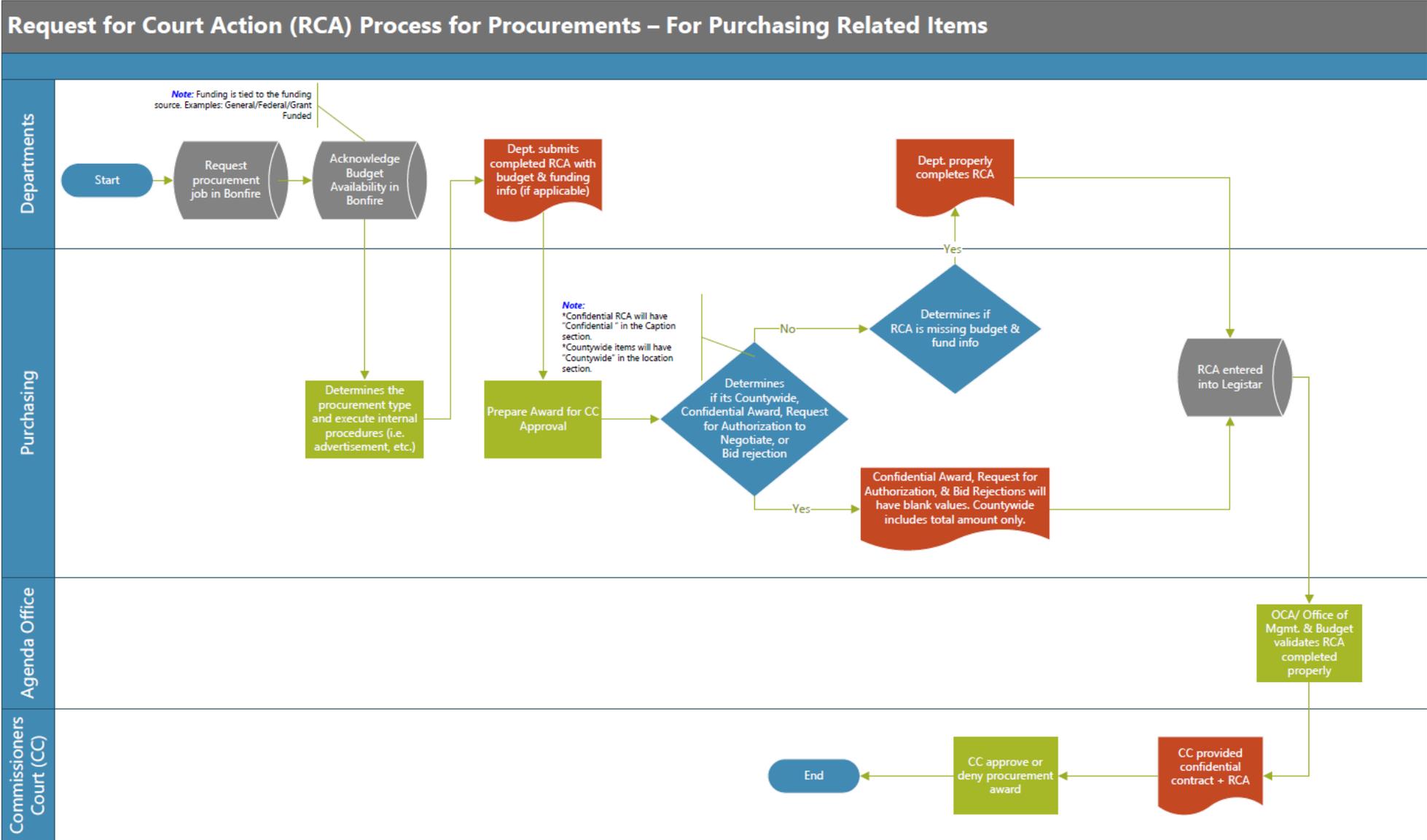
- The Position Management Policy, effective 12/9/23, requires all position reclassifications, with the exception of level changes, to be approved by Commissioners Court.
- The above policy also requires position budget forms (form 3442) to be balanced in order to process position pay rate changes with exceptions to this policy reviewed by the Executive Director of OMB and the County Administrator. This will act as a control to prevent labor expenses to exceed the budgeted amount.
- Pay rate changes within a classification that exceed 5% must be approved by Commissioners Court.

Non-Labor Expenses:

- Non-labor expenditures in excess of \$100,000 must be approved by Commissioners Court prior to encumbrance of the funds.
- All non-labor expenditures must comply with existing procurement policy and applicable threshold limitations.

Appendix C

Flowchart illustrating the Request for Court Action process for procurements



Appendix D

Overview of Legal References

Legal Reference	Relevant Sections Only	Summary
Texas Government Code § 61.001	<p>(f) A reimbursement for expenses under this section is not a property right of a person who reports for jury service for purposes of Chapters 72 and 74, Property Code. If a check, instrument, or other method of payment authorized under Section 113.048, Local Government Code, representing a reimbursement under this section is not presented for payment or redeemed before the 90th day after it is issued:</p> <p>(1) the instrument or other method of payment is considered forfeited and is void; and</p> <p>(2) the money represented by the instrument or other method of payment may be placed or retained in the county's jury fund, the county's general fund, or any other fund in which county funds can be legally placed, at the discretion of the commissioners court.</p>	<p>Juror payments are forfeited after 90 days after issuance.</p> <p>The funds are placed in the general fund and CC has discretion over where the funds are moved to.</p>
Texas Local Government Code § 113.048	<p>DISBURSEMENT OF MONEY FOR JURY SERVICE. (a) Notwithstanding any other provision of this subchapter or other law to the contrary, a county treasurer may disburse to a person who reports for jury service and discharges the person's duty the daily amount of reimbursement for jury service expenses set by the commissioners court under Section 61.001, Government Code, by:</p> <p>(1) using an electronic funds transfer system in accordance with Chapter 156;</p> <p>(2) using a cash dispensing machine;</p> <p>(3) issuing a debit card or a stored value card; or</p> <p>(4) using any other method that the county treasurer and the commissioners court determine is secure, accurate, and cost-effective and that is convenient for persons who report for jury service.</p> <p>(b) A system or method of payment adopted by a county treasurer under Subsection (a) may be implemented only if it is approved by the commissioners court and administered in accordance with the procedures established by the county auditor or by the chief financial officer of a county that does not have a county auditor.</p> <p>(c) A system or method of payment authorized by this section may be used in lieu of or in addition to the issuance of checks or orders for payment authorized under this subchapter.</p>	<p>Juror payment method provided by the County Treasurer must be approved by Commissioners Court.</p>
AG Opinion JC0176	<p>The duty to deliver juror-reimbursement checks is a core function of the county treasurer and must be performed by the treasurer. A county commissioners court may not reassign the duty to a district clerk.</p>	<p>The responsibility for juror payment resides with the County Treasurer.</p>

Legal Reference	Relevant Sections Only	Summary
Texas Local Government Code § 130.908	APPROVAL OF SPENDING BY CERTAIN COUNTY AND PRECINCT OFFICERS. If an incumbent county or precinct officer is not renominated or is not reelected to the county or precinct office of a county, during the time following the date the results of the official canvass of the primary or election returns are announced, the commissioners court must approve any expenditure by the incumbent county or precinct officer who was not renominated or reelected that is over an amount set by the commissioners court.	If an official is not returning to their position, expenditures exceeding certain thresholds must be approved by the CC.
Texas Local Government Code § 252.049	CONFIDENTIALITY OF INFORMATION IN BIDS OR PROPOSALS. (a) Trade secrets and confidential information in competitive sealed bids are not open for public inspection. (b) If provided in a request for proposals, proposals shall be opened in a manner that avoids disclosure of the contents to competing offerors and keeps the proposals secret during negotiations. All proposals are open for public inspection after the contract is awarded, but trade secrets and confidential information in the proposals are not open for public inspection.	Competitive bids or proposals are confidential and not available for public view until after the contract is awarded.