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

December 9, 2022

Dear Leslie Wilks Garcia, First Assistant County Auditor and Milton Rahman, County Engineer:

The Harris County Auditor's Office Audit Division has completed an audit of the Harris County Mobility Fund. The results of our audit are included in the attached report.

We appreciate the time and attention provided by your team. Please expect an email request to complete our Post Engagement Survey. We look forward to your feedback. If you have any questions, please contact me at 713-274-5673.

Sincerely,

A handwritten signature in blue ink that reads "Errika Perkins".

Errika Perkins
Chief Assistant County Auditor

Report Copies:

District Judges
County Judge Lina Hidalgo
Commissioners:
R. Jack Cagle
Rodney Ellis
Adrian Garcia
Tom Ramsey
Christian Menefee
David Berry
Roberto Treviño
Michael Post
Daniel Ramos



INTERNAL AUDIT REPORT
HARRIS COUNTY MOBILITY FUND COMPLIANCE
DECEMBER 9, 2022

Executive Summary

OVERALL CONCLUSION

Expenditures paid from the Harris County (County) Mobility Fund generally complied with the Texas Transportation Code, Section 284.0031. However, the Harris County Engineering Department (Engineering Department) did not maintain detailed supporting documentation for payroll transactions paid from or out of the Mobility Fund. Additionally, the County Auditor' Accounting Division procedures do not clearly define the level of support required for related journal entries. These issues were discussed with County Engineering and County Auditor management, and action plans have been developed to address the issues by March 31, 2023.

SCOPE AND OBJECTIVE

Samples of Mobility Fund expenditures for the 11-month period ended January 31, 2022, were tested for compliance with Texas Transportation Code Section 284.0031. The samples were selected from each Commissioner's precinct and the Engineering Department.

SUMMARY OF AUDIT ISSUES

The audit identified the following issues:

- Engineering Department's Mobility Fund payroll expenses lacked adequate supporting documentation.
- Supporting documentation was not maintained for the Mobility Fund journal entries.

The audit issues, management's action plans to address the issues, and background information regarding this audit are discussed in more detail on the following pages. The audit issues are ranked based on the likelihood and impact of the risk to Mobility Fund.

AUDIT ISSUES

ISSUE #1: Inadequate Supporting Documentation [MODERATE]

What is the Issue: Testing identified that Engineering Department employees' payroll expenses charged to the Mobility Fund lacked detailed supporting documentation, such as coding to a mobility project in STARS.

Why it Happened: The Engineering Department has not established a process to provide supporting documentation for expenses charged to the Mobility Fund.

Why it Matters: Not maintaining detailed supporting documentation for expenditures paid from or out of the Mobility Fund can impair the County's ability to prove compliance with Texas Transportation Code Chapter 284. Unallowable costs from the Mobility Fund could result in repayments from the General Fund.

What is Expected: Texas Transportation Code §284.0031 restricts expenditures from the Mobility Fund to the study, design, construction, maintenance, repair, or operation of roads, streets, highways, or other related facilities. Expenditures should be supported with proper documentation to justify allowability.

What Actions are Suggested: The Engineering Department should consider utilizing projects within STARS for Engineering employees to code eligible time associated with the Mobility Fund.

MANAGEMENT'S ACTION PLAN

Responsible Party: David E. Bechtol, OCE Chief Financial Officer or John Dyess, Chief Administrative Officer

The Engineering Department will continue to identify all employees whose salary expense is eligible to be charged to mobility and set up an associated combination code directed to fund 1070. Additionally, we will work with the Auditors and US to develop reporting which will be used to monitor and allow for corrective measures to be made prior to the issuance of the payroll.

Due Date: December 31, 2022

ISSUE #2: Lack of Restricted Fund Journal Entry Support [MODERATE]

What is the Issue: An email request without written justification was used as supporting documentation for \$146,727 in payroll expenditure reclassifications from the County's General Fund to the Mobility Fund.

Why it Happened: These reclassifications were recorded by the County Auditor's Financial Accounting Department as "routine entries" which does not require justification to support the amounts. The County Auditor's Auditor-Only Operations Procedure 7-3 does not clearly define what a "routine journal entry entail."

Why it Matters: Not maintaining detailed support for expenditures paid from or out of the Mobility Fund can impair the County's ability to prove compliance with Texas Transportation Code Chapter 284. Unallowable costs from the Mobility Fund could result in repayments from the General fund.



What is Expected: Texas Transportation Code §284.0031 restricts expenditures from the Mobility Fund to the study, design, construction, maintenance, repair, or operation of roads, streets, highways, or other related facilities. Additionally, County Auditor Accounting Procedure A.39 requires Financial Accounting to monitor the actual expenditures posted to the Mobility Fund 1070 to assist the departments in ensuring all are allowable per Texas Transportation Code §284.0031. Expenditures should be supported with proper documentation to justify allowability.

It is expected that moving funds from an unrestricted fund to a restricted fund would require supporting documentation. Procedure 7-3 requires that each journal entry must be properly supported by adequate documentation and analysis, including authoritative support and/or other support for why the entry is necessary.

What Actions are Suggested: The County Auditor's Financial Accounting Department should work with Systems and Procedures Department to update the procedures to clearly define the required documentation for transferring expenditures from an unrestricted to a restricted fund.

MANAGEMENT'S ACTION PLAN

Responsible Party: Leslie Wilks Garcia, First Assistant County Auditor

The Financial Accounting Division will update the County Auditor's Procedure 7-3, *Journal Entries*, to more clearly define what documentation is needed to transfer expenses from an unrestricted fund to a restricted fund and will update County Auditor Accounting Procedure A.39.

Due Date: March 31, 2023



BACKGROUND

In accordance with Texas Transportation Code §284.0031 (Code), Commissioners Court is authorized to use surplus toll road revenue (called the *Mobility Fund*) to pay for the study, design, construction, maintenance, repair, or operation of roads, streets, highways, or other related facilities. Each Commissioner's precinct and the County Engineer's Office is responsible for monitoring their expenditures from the Mobility Fund for compliance with the Code.

The Mobility Fund allocation amounts for the 12 months ending February 28, 2022, was passed at the February 9, 2021, Commissioners Court. The table below captures Mobility Fund budgets and actual expenditures for the 12 months ending, February 28, 2022.

Mobility Fund Departments	Final Budget	Actual Expenditures	(Over) Under
Harris County Commissioner Pct. 1	\$144,047,301	\$39,341,578	\$104,705,723
Harris County Commissioner Pct. 2	\$97,310,414	\$41,157,984	\$56,152,430
Harris County Commissioner Pct. 3	\$94,887,198	\$44,757,390	\$50,129,808
Harris County Commissioner Pct. 4	\$97,438,302	\$28,550,836	\$68,887,466
General Administration	\$32,390,489	\$0	\$32,390,489
Engineering Department - Public Infrastructure Division Shared Operations	\$55,938,646	\$17,503,157	\$38,435,489
Engineering Department - Public Infrastructure - Architecture & Engineering	\$26,435,273	\$25,886,626	\$548,647
Universal Services	\$897,280	\$0	\$897,280
Universal Services - Repairs and Replacement	\$0	\$0	\$0
Total Mobility Fund	\$549,344,903	\$197,197,571	\$352,147,332

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.

