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

October 29, 2021

Dear Ms. Barbie Robinson, Executive Director of Harris County Public Health Services:

The Harris County Auditor's Office Audit Division has completed a Closeout Audit of Public Health Services. Although you were not the official during the period subject to our procedures, we are addressing the Audit Report to you as the newly elected official. 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
David Berry

AUDIT REPORT
PUBLIC HEALTH SERVICES GWEN SIMS CLOSEOUT
OCTOBER 29, 2021

Executive Summary

OVERALL CONCLUSION

Public Health Services (PHS) is effectively managing their procurement and travel card expenditures, petty cash and change funds, and bank account signatory rights. However, we did identify opportunities to improve controls related to the safeguarding of capital assets. The issue below was discussed with William Hudson, Public Health Services Director of Operations and Finance, and a management action plan has been developed which will address the issue identified by December 31, 2021.

SCOPE AND OBJECTIVE

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 expenditures complied with County policy.
- Petty cash and change fund accounts reconciled to the imprest balances authorized by Commissioners Court.
- Bank account signatory rights of former County employees were appropriately removed.

The procedures performed covered the audit period of December 19, 2020, through May 23, 2021.

SUMMARY OF AUDIT ISSUE

- PHS does not have sufficient controls and procedures for tracking, monitoring, and safeguarding their 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 Harris County.

AUDIT ISSUE

ISSUE #1: Insufficient Safeguarding of Capital Assets [HIGH]

What is the Issue: Three of 50 (6%) capital assets selected for testing could not be located as follows:

| Count | Description | Year Purchased | Unit Price | Purchase Price |
|-------|-------------------------|----------------|--------------|------------------|
| 1 | Generator | 2007 | \$80,369 | \$80,369 |
| 2 | Video Conference System | 2008 | \$17,112 | \$34,224 |
| | | | Total | \$114,593 |

Why it Happened: PHS does not have sufficient controls and procedures for tracking, monitoring, and safeguarding their capital assets. In addition, the missing capital assets were not identified during the PHS's annual inventory count because they only count a sample of their total capital assets.

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

What is Expected: Pursuant to County Accounting Procedure A.1-1, *Property Handling Guidelines*, County departments should establish internal property access and use guidelines to ensure the safeguarding of property in the department's control. In addition, County departments are required to perform an annual inventory for all assets recorded on the County Inventory Listing, and submit County Auditor's Form 3368, *Inventory Completion Statement*, to the County Purchasing Agent documenting the completion and accuracy of the annual inventory.

Indemnification should be requested from Commissioners Court by any Officials with property (amount in excess of that covered by any insurance, if any) that has been stolen, lost, or otherwise damaged or destroyed outside the normal scope of County business, in accordance with Accounting Procedure C.3-1, *Indemnification of Public Official - Loss of Property*.

What Action(s) are Suggested: The missing assets should be documented on County Auditor's Form 3351, *County Property Deletion/Indemnification Request Form*, and Form 3351 should be submitted to the County's Purchasing Services Department to obtain Commissioners Court approval to remove the capital assets from the County's financial records.

Inventory procedures should be strengthened to include a complete count (100%) of all capital assets and a requirement that the annual inventory count be conducted by someone independent of the assets team. Documentation of the annual inventory should include signature evidence by the person performing the count and management personnel approving the count. Such documentation should be retained for review. In addition, Public Health Services should consider obtaining inventory management best practices training from Purchasing Services to further strengthen procedures for tracking, monitoring, and safeguarding their capital assets.

MANAGEMENT'S ACTION PLAN

Responsible Party: Harold Dutton, Finance Manager

Harris County Public Health agrees with the audit issue laid out in the document and will perform the following actions:

1. We will obtain indemnification for the capital assets by documenting them on Form 3351 and submitting this form to the Purchasing Services Department.
2. Personnel will be assigned to formally document written inventory procedures. These procedures will include the requirement that personnel independent of the asset team perform the count and document it on Form 3368 (Inventory Completion Statement) and management review the count. Signature evidence of the actual count and review will be provided both by personnel performing the count and management who reviewed the count. This documentation will be retained for future review.
3. Purchasing Services will be contacted regarding any available training related to inventory management best practices.

Due Date: December 31, 2021

BACKGROUND

Closeout audits are primarily performed to provide a newly elected or appointed official reasonable assurance that capital assets exist and cash is accounted for 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 supervision. It is within the discretion of the Auditor as to the scope of the detail and documentation necessary in each case.”

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 a code of ethics and obtain reasonable assurance that significant risks to the activity are minimized to an acceptable level.

The work performed required our staff to exercise professional judgment in completing the engagement’s scope. As the engagement’s scope did not include a detailed examination 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.