

# **AUDITOR'S REPORT**

## **DISTRICT ATTORNEY PATRICIA LYKOS CLOSEOUT PROCEDURES**



**October 25, 2013**

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**BARBARA J. SCHOTT, C.P.A.**  
**HARRIS COUNTY AUDITOR**

October 25, 2013

The Honorable Devon Anderson  
Harris County District Attorney  
1201 Franklin, 6<sup>th</sup> Floor  
Houston, Texas 77002

RE: District Attorney Patricia Lykos Closeout Procedures

With the change in officials of the Harris County District Attorney's Office (the Office), the Audit Services and Compliance Audit Departments performed closeout procedures. Although you were not the office holder during the period of our procedures, we are addressing the Auditor's Report to you as the current office holder. Our procedures included the following:

- Verified that the custodial bank accounts, seized asset accounts, and claimant restitution account balances were accurately stated and properly collateralized, account activity was accurately recorded in the County's financial records, bank reconciliations were timely and accurately prepared, and reconciling items were timely resolved.
- Determined whether disbursements from the five custodial bank accounts, forfeited assets account, claimant restitution, and hot check account were properly approved, recorded, and appropriately expended.
- Verified that the cash in the Office reconciled to the imprest balance and the balance was accurately recorded in the County's financial records.
- Verified that asset seizures and forfeitures were accurately recorded in the District Attorney's database.
- On a test basis, determined whether the fixed asset inventory recorded in the County's financial records was accurately stated.
- On a test basis, verified that the time sheets were accurately prepared and properly approved, and time was entered accurately in the County's payroll system and the County's financial records.
- On a test basis, verified that fuel card personal identification numbers (PINs) were issued timely and properly secured and maintained.
- Determined that previously reported recommendations were implemented.

The engagement process included providing you with a combined engagement/scope letter and conducting an exit conference with your personnel. The purpose of the letter and conference was

The Honorable Devon Anderson  
Harris County District Attorney

to explain the process, discuss issues identified during the engagement, and solicit suggestions for resolving the issues. A draft report was provided to you and your personnel for review.

The enclosed Auditor's Report presents the significant issues identified during our procedures, recommendations developed in conjunction with your staff, and any actions you have taken to implement the recommendations. Less significant issues and recommendations have been verbally communicated to your staff.

We appreciate the time and attention provided by you and your staff during this engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Barbara J. Schott", with a long horizontal flourish extending to the right.

Barbara J. Schott  
County Auditor

cc: District Judges  
County Judge Ed Emmett  
Commissioners:  
R. Jack Cagle  
El Franco Lee  
Jack Morman  
Steve Radack  
Vince Ryan  
William J. Jackson

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## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
Unclaimed Property	<p>Pursuant to Auditor's Procedure's Manual D.14, <i>Unclaimed Property</i>, "Revenue Accounting is responsible for mailing notices related to only Fee Officer Checks. The mailing of the remaining notices to meet this requirement is the responsibility of the respective departments that file the unclaimed property reports for their presumed abandoned property." Also, "Chapter 76 of the Texas Property Code (TPC) provides for property valued at \$100 or less meeting the same conditions as outlined in Chapters 72 and 75 be delivered to the County Treasurer and held in an unclaimed money fund. However, property valued greater than \$100 must be sent to the State of Texas after three years."</p>	<p>We noted the following regarding two Forfeited Restitution bank accounts: Of the 29 outstanding checks selected for testing, ten checks (approximately 34%) remain outstanding for more than four years; totaling \$5,955.20). Additionally, we were unable to determine if 248 additional outstanding checks (totaling \$25,802.98) are older than three years. Checks older than three years need to be escheated to the state and cleared from the bank reconciliations. As a result, the District Attorney's Office is not in compliance with County Policies and Procedures.</p>	<p>The District Attorney's Office should work together with Revenue Accounting in transferring the appropriate funds to the proper authorities (State of Texas or the County Treasurer) for any remaining outstanding checks greater than 3 years. In addition, on a going-forward basis, the Office should include a procedure in their bank reconciliation process to assist them in quickly identifying abandoned checks and ensure all personnel involved adhere to the County's Accounting Procedure D.14, <i>Unclaimed Property</i>.</p>	<p>During the Lykos administration, our office contacted the Harris County Auditor's Office concerning the dormant funds in the two forfeited restitution accounts seeking advice on how to handle the process of escheating the funds to the State. Despite our requests, we received no guidance on the proper process until this closeout audit. We have now completed the necessary paperwork to transfer the funds to the State of Texas or the county treasurer as appropriate. The restitution accounts were established to distribute restitution in two particular cases which involved large numbers of victims. Once the process of escheatment is complete there will be no funds in the forfeited restitution bank accounts that will require reconciliation.</p>

## ISSUES AND RECOMMENDATIONS

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Fuel PIN - Former Employee	To provide accountability for fuel purchases, Harris County Accounting Procedure I.9, <i>County Fuel Usage</i> , requires a fuel card to be assigned to each vehicle to identify what vehicle the fuel is being purchased for, and a Personal Identification Number (PIN) to be assigned to each employee to identify who purchased the fuel. County departments are required to notify the Purchasing Agent's Office - Fleet Services Section - when employees are no longer employed so their PIN can be canceled.	The County fuel PIN assigned to a former employee had not been canceled, which could result in unauthorized fuel purchases. However, the PIN had not been used to purchase fuel after the termination date.	The Office should immediately cancel the fuel PIN assigned to the former employee. Also, the Office should periodically review and promptly cancel fuel PINs when an employee terminates employment and add an item to their internal employment termination checklist procedures for cancellation of fuel PINs.  Subsequent to our procedures, on June 13, 2013, the Office requested that the fuel PIN be canceled.	The HCDAO already has a procedure in place to cancel fuel PINS and the office does conduct periodic reviews of existing fuel PINS.  There was only one fuel PIN that was not immediately canceled in violation of our office procedures. As soon as the Operations department learned of the failure, the fuel PIN was canceled.  In the future, the HCDAO operations and the investigative bureaus will exchange monthly lists of existing fuel PINS and the names of the employees authorized to possess the PINS.
Items Not Located	Assets that are no longer in the Office's control and considered missing should be removed from the County's property and equipment records by requesting Commissioners	Of the 104 assets selected for testing, 14 assets (13%) could not be located. These assets total \$27,650 and are considered County controlled assets with a unit value of at least \$500 but	The Office should attempt to locate these assets, and steps should be taken to identify and address the cause of the missing assets. If they are unable to do so, they should determine	Five (5) of the 14 items listed on the audit report appendix as "not located" have in fact been found in the office. Four (4) of the 14 items listed are laptop computers which are in the

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
<p>(Continued) Items Not Located</p>	<p>Court approval to remove the assets.</p>	<p>less than the \$5,000 capitalization threshold. As a result, the County's property and equipment records may be overstated.</p> <p>See note "a" on the attached Appendix.</p>	<p>whether County Auditor's Form 3351, <i>County Property Deletion/Indemnification Request Form</i>, should be submitted to Purchasing to obtain Commissioners Court approval to remove these assets from the County's property and equipment records. To improve internal controls, the Office should consider generating a quarterly asset report and review the data entry fields to monitor the quality of information and perform periodic property inventory audits.</p>	<p>process of being traded in for new laptops. The old laptop computers have not yet been returned for trade in but the exchange process is still ongoing. The remaining five (5) assets have a stated value of \$8500. On September 3, 2013 Purchasing Services verified receipt of our paperwork to correct some of our inventory records. We will continue the process to update those records to maintain an accurate inventory. As suggested by the auditor, the HCDAO will work to develop a quarterly asset report and procedure for periodic property inventory audits.</p>
<p>Serial Numbers</p>	<p>In accordance with Harris County Accounting Procedure A.1-1, <i>Property Handling Guidelines</i>, for County controlled assets, the County department must ensure the inventory records reflect sufficient</p>	<p>Of the 104 assets selected for testing, two assets (2%) contained no unique identifying serial number in the County's property and equipment records. As a result, items cannot be completely reconciled with</p>	<p>The Office should ensure the County's property and equipment records contain accurate information, including unique identifying numbers.</p> <p>The Office should consider</p>	<p>The office will continue to ensure that the county's property and equipment records contain accurate information. As noted above, the HCDAO will work to develop a quarterly asset report and procedure</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Serial Numbers	identifying information that includes unique identifying serial numbers.	the County's property and equipment records, which results in non-compliance with the Procedure.  See note "b" on the attached Appendix.	generating a quarterly asset report and review the data entry fields to monitor the quality of information, such as recording serial numbers.	for periodic property inventory audits.

**DISTRICT ATTORNEY  
APPENDIX  
INVENTORY RECORDS EXCEPTIONS**

OrgKey	Asset ID	Notes	Description	Serial Number	Status	Cost	Quantity
60354501	P009133-002-001	a	COMPUTER TOWER DELL PRECISION 410	7ZUSY	TG	\$3,713.12	1
100545ZZ	A072745-A01	a	RADIO-2-WAY MOTOROLA #T73XTAA	776HPQ1021	TG	\$3,201.00	1
26354501	P114715-001-002	a	LAPTOP, DELL PRECISION M65, INTEL CORE2	72DK2C1	RC	\$2,889.38	1
23254501	P177013-001-001	a	DELL LAPTOP LATITUDE Z-NEW ITEM #84-W177	JG7H4M1	RC	\$2,638.00	1
26354501	P031891-001-074	a	COMPUTER LAPTOP DELL LATITUDE C800	23K1P01	TG	\$2,243.00	1
26354501	P102610-001-006	a	LAPTOP - LATITUDE D810, PENTIUM M 750 1.	8T1HK91	TU	\$1,926.87	1
26354501	P116205-001-032	a	OPTIPLEX 745 MINITOWER, CORE 2 DUO E6700	D900FC1	TU	\$1,890.59	1
100545ZZ	A057210-A01	a	HAND RADIO MOTOROLA MX350 H43SSU3140	520AKC0283	TG	\$1,763.00	1
AUG54530	P111602-002-001	a	LAPTOP, DELL INSPIRION XPS M1210, INTEL	9XWLQB1	TU	\$1,747.36	1
26354501	P144023-001-007	a	OPTIPLEX 755 MINITOWER - CONFIGURED TO	5KF4GH1	RC	\$1,443.79	1
100545ZZ	A072744-A01	a	RADIO-2-WAY MOTOROLA #DA3KXA-3	624HP00414	TG	\$1,416.00	1
100545ZZ	A067756-A01	a	VIDEO CAMERA-RECORDER QUASAR VM21 W/	WK70610325	TG	\$1,299.00	1
26354501	P153399-002-005	a	PN: 900025 - SMS + DONGLE		RC	\$822.00	1
FCB54530	P035387-001-003	a	COMPUTER LAPTO DELL LATITUDE C810	4CSNW01	TG	\$657.25	1
ZAJ54501	P191653-001-001	b	TD1 FORENSIC SATA/IDE DUPLICATOR KIT,		UA	\$1,249.00	1
26354501	P166955-014-003	b	MEDIA PROJECTOR, DOCUMENT STATION AVER M		RC	\$1,919.94	1

**Notes**

- a Not Located
- b No Serial Numbers

**Status Codes**

- TG Tagged by Purchasing
- RC Received by Department
- TU Tagged by Department "User"
- UA Department "User" Accepted