

AUDITOR'S REPORT

HARRIS HEALTH SYSTEM INFORMATION TECHNOLOGY EQUIPMENT CONTROLS FOLLOW-UP



April 28, 2016

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

April 28, 2016

Mr. George Masi
President and Chief Executive Officer
Harris Health System
2525 Holly Hall
Houston, Texas 77054

RE: Harris Health System Information Technology (IT) Equipment Controls Follow-up as of November 30, 2015

The Audit Services Department (Audit Services) performed procedures to evaluate the progress Harris Health System (Harris Health) has made in implementing material recommendations reported to you in the Auditor's Report for *Harris County Hospital District Information Technology Equipment Inventory Controls (IT Equipment Controls)*, dated July 26, 2012.

We performed procedures to confirm the status of implementation of material recommendations for:

- Preventing IT Asset Management Department (Asset Management) employees from performing incompatible duties.
- Recording and reconciling equipment received to Asset Management records.
- Reconciling replacement requests to equipment transfer records.
- Documenting and enforcing policies for securely storing IT equipment inventory.
- Monitoring employee access to the IT equipment warehouse.
- Updating Asset Management records and verifying accuracy.
- Reviewing activity reports for unusual activity or entries.
- Routing routine IT equipment shipments to the IT equipment warehouse.
- Monitoring repair logs for timeliness of repairs.
- Reconciling equipment tag numbers.
- Updating Asset Management policies and procedures.
- Improving the *Asset Transfer Worksheet* filing system.

The engagement process included providing you with a combined engagement and scope letter and conducting conferences with your personnel. The purpose of the letter and conferences were to explain the process, identify areas of concern, describe the procedures to be performed, 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.

Mr. George Masi
President and Chief Executive Officer

The work performed required our staff to exercise judgment in completing the scope objectives. As the procedures were not a detailed inspection of all transactions, there is a risk that error or fraud was not detected during this engagement. Management therefore, retains the responsibility for the accuracy and completeness of their financial records and ensuring sufficient controls are in place to detect and prevent fraud.

The enclosed Auditor's Report presents the status of Management's progress implementing material recommendations identified during the IT Equipment Controls engagement.

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: Harris Health System Board of Managers
District Judges
County Judge Ed Emmett
Commissioners:
 R. Jack Cagle
 Jack Morman
 Steve Radack
 Gene Locke
Devon Anderson
Vince Ryan
William J. Jackson

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OVERVIEW

Follow-up procedures were performed to evaluate IT Support Services' progress in implementing material recommendations included in the Auditor's Report for the IT Equipment Controls engagement. IT Support Services includes Asset Management, the IT Depot, and IT Field Services departments.

IT equipment is acquired in accordance with the guidelines included in the Harris Health Purchasing Manual and the policies and procedures followed by Harris County Purchasing. In addition, requests for IT equipment are reviewed and approved by employees in the IT Support Services area to ensure compatibility with Harris Health's computer network before purchase requisitions are sent to Harris County Purchasing.

Vendors supplying IT equipment are instructed to ship to the Harris Health IT equipment warehouse where it is received by Materials Management Department employees. The receipts are recorded in the materials management system and are also automatically recorded in the IT equipment monitoring and control system (the Asset Management System). The Asset Management System maintains detailed records of IT equipment owned and its location within Harris Health's facilities.

After being received by Materials Management Department employees, the IT equipment is transferred to Asset Management employees. Asset Management employees inspect the equipment and attach a tag containing a unique control number and barcode. Then they record the tag information into the Asset Management System.

Before being placed into service, the IT equipment is transferred from Asset Management to the IT Depot to be prepared for installation on Harris Health's computer network. After being prepared, the equipment is ready to be used by IT Field Services employees to perform repair and installation services for Harris Health departments. IT Field Services employees maintain a supply of IT equipment in secure locations near departments to facilitate a quick response to requests for IT equipment and repairs.

Departments request IT equipment or repairs by submitting electronic requests to the IT Help Desk. The requests are automatically routed to IT Field Services employees who obtain the necessary IT equipment, transport it to the departments, and perform the requested services. Routine standard equipment items (such as personal computers, printers, etc.) in need of repair are replaced in order to quickly restore departments to full operating status.

IT equipment that is removed from departments by IT Field Services employees is returned to the IT Depot and evaluated to determine if it is repairable or replaceable under a manufacturer's warranty, can be repaired for use by other departments, or should be retired. As IT equipment is transported to different locations within Harris Health, the location changes are recorded in the Asset Management System using bar code and optical scanning technology. To ensure the accuracy of the Asset Management System records, the Asset Management Manager performs routine tests counts in areas where IT equipment is held.

RESULTS

Based on the procedures performed, all material recommendations reported in the IT Equipment Controls engagement were implemented as of November 30, 2015. Recommendations evaluated and their implementation status is presented below.

IT Equipment Controls Recommendations	Implementation Status
Revise job responsibilities to ensure separation of incompatible duties and to prevent concealment of errors and/or irregularities.	Complete
Implement a reconciliation process to ensure all deliveries of IT equipment received are recorded in the Asset Management System.	Complete
Implement a process to ensure requests for replacement IT equipment are supported by disposition or transfer records for the equipment replaced.	Complete
Develop written policies and enforce procedures to ensure IT equipment held in the IT Field Services storage areas is secured.	Complete
Periodically review employees with badge access to the IT equipment warehouse to ensure access no longer required is terminated.	Complete
Include equipment held in all locations in the Asset Management System and utilize automated edits and periodic test counts to ensure records are accurate.	Complete
Develop IT equipment activity reports for routine review and approval by IT Support Services Management and implement automatic logging of employees recording transactions in the Asset Management System.	Complete
Implement procedures to reduce or eliminate instances where IT equipment is delivered directly to departments instead of to the IT equipment warehouse as required.	Complete
Add a data field to the spreadsheet used to record repairs (Mortality Spreadsheet) to monitor whether the repairs are made timely.	Complete
Account for all asset tag numbers to ensure Asset Management System records are complete.	Complete
Finalize pending policies and procedures. Develop a policy specifying what IT equipment is required to be tagged. Rescind any policies that are not necessary or enforced.	Complete
Improve processes for storing and retrieving documentation for IT equipment location changes recorded in the Asset Management System.	Complete