

AUDITOR'S REPORT

PURCHASING AGENT KELLY JOHNSON CLOSEOUT PROCEDURES



March 7, 2014

**Barbara J. Schott, C.P.A.
Harris County Auditor**

Mike Post, C.P.A.
Chief Assistant County Auditor
Accounting Division

Mark Ledman, CISA, MPA
Chief Assistant County Auditor
Audit Division



1001 Preston, Suite 800
Houston, Texas 77002-1817
(713) 755-6505

FAX (713) 755-8932
Help Line (713) 755-HELP

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

March 7, 2014

DeWight Dopslauf, C.P.M., CPPO
Harris County Purchasing Agent
1001 Preston, Suite 670
Houston, Texas 77002

RE: Purchasing Agent Kelly Johnson Closeout Procedures

With the change in officials of the Harris County Purchasing Agents Office (the Office), the Audit Services Department 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:

- Determined whether the cash in the Office reconciled to the imprest balance, and the balance was accurately recorded in the County's financial records.
- Determined whether the collections on hand reconciled to County receipts, financial reports generated by the Office, and a validated bank deposit slip or Treasurer's Receipt.
- On a test basis, determined whether controlled and capital assets existed and were accurately recorded in the County's property and equipment inventory records.

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

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.

DeWight Dopslauf, C.P.M., CPPO
Harris County Purchasing Agent

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

Sincerely,

A handwritten signature in blue ink that reads "Barbara J. Schott". The signature is fluid and cursive, with a long horizontal line 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
Devon Anderson
Vince Ryan
William J. Jackson

TABLE OF CONTENTS

ISSUES AND RECOMMENDATIONS	5
Serial Numbers	5
Multiple Quantities	5
Customer Loyalty Program.....	6
APPENDIX - Inventory Records Exceptions	8

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
Serial Numbers	According to the Harris County Accounting Procedure A.1-1, "Property Handling Guidelines," for County controlled assets, the County department must ensure the inventory records reflect sufficient identifying information that includes unique identifying serial numbers.	<p>Of the 229 assets selected for testing, seven assets (3%) contained no unique identifying serial number in the County's property and equipment records.</p> <p>As a result, items cannot be completely reconciled with the County's property and equipment records, which results in non-compliance with the Accounting Procedure.</p> <p>See note "a" on the attached Appendix.</p>	<p>The Office should ensure the County's property and equipment records contain accurate information, including unique identifying numbers.</p> <p>To improve internal controls, the Office should consider generating a quarterly asset report and review the data entry fields to monitor quality of information and errors, such as recording serial numbers, and perform periodic property inventory audits.</p>	Issue corrected. Will ensure that an employee will be assigned to enter serial numbers upon receipt of goods.
Multiple Quantities	Pursuant to Harris County Accounting Procedure A.1-1, "Property Handling Guidelines," assets recorded in the County's property and equipment records should contain accurate information, such as unit values and serial numbers.	Frequently, one purchase order was used to acquire multiple quantities of a particular piece of equipment. For these items, the Office did not separate the individual assets purchased in the County's property and equipment records.	The Office should follow Harris County Accounting Procedure A.1-1, "Property Handling Guidelines," and ensure the property and equipment records contain accurate information, including unit values and serial numbers.	Quantities have been split. Will ensure this will be done upon receipt of goods.

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Multiple Quantities		<p>Correct unit values and serial numbers were not recorded. As a result, the ability to detect missing assets in a timely manner is reduced.</p> <p>See note "b" on the attached Appendix.</p>	<p>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 errors, such as recording multiple quantities, and perform periodic property inventory audits.</p>	
Customer Loyalty Program	<p>Harris County participates in the Hewlett-Packard Company Purchase Edge customer loyalty program. The Purchase Edge program awards the county points for each dollar spent with the Hewlett-Packard Company. Those points can then be used to receive free office equipment.</p> <p>In accordance with Harris County Accounting Procedure A.1-1, "Property Handling Guidelines," inventoried property records should be kept</p>	<p>Free office equipment that has been received through the customer loyalty program offered by the Hewlett-Packard Company (Purchase Edge) has not been listed on the County Inventory Listing (i.e., in the IFAS FA module).</p> <p>As a result, the County's property and equipment records may be understated.</p> <p>Subsequent to our procedures, the Purchasing Department has designated a buyer to manage the</p>	<p>The Office should follow Harris County Accounting Procedure A.1-1, "Property Handling Guidelines," and ensure the property and equipment records contain accurate information.</p> <p>The department should develop internal procedures to ensure that all computer equipment received through customer loyalty programs is properly recorded in the County Inventory Listing (i.e., in the IFAS FA module).</p>	<p>Issue Corrected. Purchasing will ensure that these items be correctly added upon receipt.</p>

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Customer Loyalty Program	current with new items added and deleted items removed timely.	process going forward and has worked with Hewlett Packard to restrict the points program to the designated buyer.		