

AUDITOR'S REPORT

FACILITIES AND PROPERTY MANAGEMENT DIRECTOR JAMES LEMOND CLOSEOUT PROCEDURES AS OF FEBRUARY 28, 2014



October 24, 2014

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

October 24, 2014

Mr. Willie P. Loston, Director
Harris County Facilities and Property Management Department
1310 Prairie, Suite 1330
Houston, Texas 77002

RE: Facilities and Property Management Director James Lemond Closeout Procedures

With the change in officials of the Harris County Facilities and Property Management Department (the Office), the Compliance Audit Department performed closeout procedures as of February 28, 2014. 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 cash in the Office reconciled to the imprest balance and the balance was accurately recorded in the County's Integrated Financial and Administrative Solution (IFAS) system.
- 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 records.

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

Mr. Willie P. Loston, Director
Facilities and Property Management Department

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
Devon Anderson
Vince Ryan
William J. Jackson

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ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
<p>Items Not Located</p>	<p>Pursuant to Harris County Accounting Procedure A.1-1, <i>Property Handling Guidelines</i>, assets that are no longer in the Office's control and considered missing should be removed from the County's property and equipment records for the Office by requesting Commissioners Court approval.</p>	<p>Of the 70 assets selected for testing, seven assets (10%) could not be located. These items totaled \$43,187. Three items are considered Capital County Assets with a unit value of \$5,000 or greater, and the remaining four are considered Controlled County Assets with a unit value of at least \$500 but less than the \$5,000 capitalization threshold. As a result, the County's property and equipment records may be overstated.</p> <p>See note "b" on the attached Appendix.</p>	<p>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 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.</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 items not located, and perform periodic</p>	<p>FPM will attempt to locate the missing assets, and we will attempt to identify the cause of the missing assets. We will follow the established County Procedures to obtain Commissioners Court approval to remove any unfound assets from the County's property and equipment records. Finally, FPM will perform periodic property inventory audits, and we are considering the production of a quarterly asset report.</p>

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Items Not Located			property inventory audits.	
Multiple Quantities	Pursuant to Harris County Accounting Procedure A.1-1, <i>Property Handling Guidelines</i> , (Procedure A.1-1), assets recorded in the County's property and equipment records should contain accurate information, such as unit value and serial number.	Occasionally, 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. There were 97 assets related to 22 purchase orders totaling \$293,534 that were not separated; therefore, correct unit values and serial numbers were not recorded. As a result, the ability to detect missing assets in a timely manner is reduced. See note "a" on the attached Appendix.	The Office should follow Procedure A.1-1 and ensure the property and equipment records contain accurate information, including unit values and serial numbers. 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.	FPM will comply with the asset purchase guidelines in Procedure A.1-1. Additionally, FPM will perform periodic property inventory audits, and we are considering the production of a quarterly asset report.
Petty Cash Expenditures	At the time of our procedures, Harris County Accounting Procedure D.3,	One petty cash reimbursement request submitted in May 2014	The Office should submit reimbursement requests at least quarterly in	FPM will submit quarterly reimbursement requests in accordance with Harris

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Petty Cash Expenditures	<i>Petty Cash Accounts</i> , (Procedure D.3) required the Office to submit reimbursement requests on a regular basis. On May 23, 2014, subsequent to our procedures, the Systems and Procedures Department updated Procedure D.3 to specify a time frame for submitting reimbursement requests. The Office maintains a \$1,000 petty cash account.	totaling \$933.32 contained November 2013 expenditures. Failure to timely submit reimbursements causes the reimbursement to be recorded in the wrong financial period.	accordance with the recently revised Procedure D.3.	County Accounting Procedure D.3.
Petty Cash Purchases in Excess of \$100	Harris County Accounting Procedure D.3, <i>Petty Cash Accounts</i> , (Procedure D.3) states that petty cash may not be used for individual items costing more than \$100.	On March 25, 2014, two purchases for meals were made for \$60.00 and \$50.00 from the same merchant, for a total of \$110.00. On April 24, 2014, two purchases for meals were made for \$80.00 and \$70.00 from the same merchant, for a total of \$150.00. As a result, petty cash was improperly	The Office should ensure that their petty cash expenditures comply with the purchase limits specified in Procedure D.3. When discussed with Office Management, we informed them of the \$100 limit established in Procedure D.3. From this discussion, Office	FPM will ensure that all petty cash expenditures comply with the purchase limits specified in Procedure D.3.

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Petty Cash Purchases in Excess of \$100		used to purchase items exceeding the \$100 limit.	Management decided to reimburse the County for the meal purchases in question to comply with Procedure D.3.	
Manual Receipts	Pursuant to Harris County Accounting Procedure A.1, <i>Cash Handling Guidelines</i> , (Procedure A.1), funds received should be immediately receipted in the appropriate receipting system at the time of collection in order to provide timely accountability and proof of payment. The Office does not have an automated receipting system; therefore, manual receipts are used. The Office issues manual receipts for the payment of badges and keys. Occasionally, the Office receives two types of reimbursement payments. One type is for expenses associated with preparing foreclosed	Reimbursement payments received for maintenance of foreclosed properties and security fees shared with CSCD are not recorded on a manual receipt. As a result, the Office does not follow their normal standard receipting procedures; therefore, revenue could be understated. In addition, for the security fees billed by the Office, collections could be lost, misdirected, or understated.	The Office should ensure that all collections are processed in accordance with their internal control receipting policy as outlined in Procedure A.1. The Office informed us that the quarterly billing of fees will soon terminate due to security services being provided by a County law enforcement department. If it does not terminate in October, the Office should contact the Harris County Auditor's Office - Accounts Receivable Department to assist them in the billing and collecting process of the security fees owed.	FPM will ensure that all collections are processed in accordance with our internal control receipting policy as outlined in Harris County Accounting Procedure A. 1.

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Manual Receipts	property such as cutting the grass or other necessary maintenance needed to get the property ready for auction. The other type is for security fees shared with Community Supervision and Corrections Department (CSCD) at one of the County annex buildings. The Office bills CSCD quarterly for their portion of the security fees owed to the County.			

Harris County Facilities and Property Management

Appendix

Inventory Records Exceptions

OrgKey	Asset ID	Notes	Description	Serial Number	Status	Cost	Qty
39829970	P115443-001-001	a	CHILLER, MODEL: RTAA 125, AIR-COOLED HEL		UA	\$93,946.00	2
10029901	P197571-001-001	a	NETWORK HARDWARE FOR THE CENTRAL PLANT P		UA	\$5,980.00	2
10029907	P099335-001-001	a	RICOH IS330DC FLATBED SCANNER; PART #400		UA	\$4,018.00	2
10029974	P145001-001-001	a	FABRICATE COVERS FOR A/C UNITS		UA	\$3,546.00	2
10029932	P023440-001-001	a	HP SCANJET 6390C		UA	\$1,600.00	2
10029907	P088653-001-001	a	CPU PRECISION WORKSTATION 670 MIN		UA	\$10,136.76	3
10029906	P146361-001-001	a	HP ELITEBOOK 8730W MOBILESTATION		UA	\$8,625.00	3
10029906	P114062-001-001	a	LAPTOP, GATEWAY M285-E INTEL CORE 2 DUO		UA	\$8,097.00	3
10029901	P205940-001-001	a	HP VA768UT WORKSTATION,		UA	\$3,491.10	3
10029974	P082349-001-001	a	YORK 11.0 EER GAS PACK		TV	\$17,780.00	4
10029907	P082209-001-001	a	LAPTOP COMPUTER, HP NX9110,CASE,BATTERY		UA	\$8,608.00	4
10029906	P118181-001-001	a	HARD DRIVE, HP 300.0 - 10,000 RPM U320		UA	\$2,652.00	4
10029906	P117995-001-001	a	DISK, INTERNAL, HP 300.0 - GB 10,000 RPM		UA	\$2,652.00	4
10029901	P197485-004-001	a	OPTICAL ETHERNET TRANSCEIVER		UA	\$2,189.00	4
10029907	P099563-001-001	a	COMPUTER - DELL PRECISION 670 MINI-TOWER		UA	\$20,274.18	6
10029906	P144349-001-001	a	WIRE WORKS WORKSTATION FOR 1 OFFICE AND		UA	\$16,800.00	6
10029907	P200623-001-001	a	LEASE OF 6 CASH REGISTERS		UA	\$9,600.00	6
10029901	P193925-002-001	a	WASTE RECEPTICLE AMERICAN SERIES 36 GAL		UA	\$8,227.86	6
10029901	P197485-005-001	a	WIRELESS ACCESS POINT		UA	\$5,050.50	6
10029906	P150182-001-001	a	HTC TOUCH PRO (PPC6850SP)		PO	\$1,718.28	6
10029907	P090696-001-001	a	CPU DELL PRECISION WORKSTATION 670 INTEL		UA	\$26,600.40	8
10029971	P113238-001-001	a	WORKSTATIONS- 7 KI WIREWORKS -ALL PEICES		TV	\$31,941.65	11
10029907	P067732-001-001	b	SERVER, PROLIANT H.P. DL360	345101-001	UA	\$12,833.00	1
10029947	P007520-001-001	b	CLOSED CIRCUIT TELEVISION SECURITY SYSTE		TV	\$11,127.00	1
10029901	P098147-001-006	b	19 CARD CABINET W/ POWER SUPPLY"		UA	\$9,895.00	1
10029907	P099238-001-002	b	WORKSTATION, PREC WORKSTATION M70, INTEL	9GCTX81	TG	\$2,653.80	1
100299ZZ	A062231-A01	b	ENGRA VING MACH. HERMES #1R-V HEAVY D	278795	TG	\$3,693.00	1
100299ZZ	0382610-001-001	b	DEMOLITION HAMMER BOSCH 11304K	870037	TG	\$1,495.00	1
100299ZZ	A031811-A01	b	PARKING LOT STRIPING MACHINE	2-1637	TG	\$1,490.00	1

Harris County Facilities and Property Management

Appendix

Inventory Records Exceptions

Notes

- a Multiple Quantities
- b Not Located

Status Codes

- PO Purchase Order, Not Received
- UA User Asset, County Controlled
- TG Tagged by Purchasing
- TV Tagged by Purchasing, Approved for an Asset by Auditor's Office (Accounting)