AUDITOR'S REPORT

PRETRIAL SERVICES INTERIM DIRECTOR DENNIS POTTS CLOSEOUT PROCEDURES

AS OF FEBRUARY 23, 2015

April 1, 2016

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

April 1, 2016

Mr. Dennis Potts, Interim Director
Harris County Pretrial Services Department
1201 Franklin, 12th Floor
Houston, Texas 77002

Dear Mr. Potts:

RE: Pretrial Services Interim Director Dennis Potts Closeout Procedures

With the change in officials of the Harris County Pretrial Services Department (the Office), the Compliance Audit Department performed closeout procedures as of February 23, 2015. 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 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.

Mr. Dennis Potts, Interim Director
Harris County Pretrial Services Department

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

Sincerely,

Barbara J. Schott
County Auditor

cc: 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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ISSUES AND RECOMMENDATIONS				
Subject	**Background**	**Issue**	**Recommendation**	**Management Response**
Serial Numbers	Pursuant to Harris County Accounting Procedure A.1-1, *Property Handling Guidelines,* (Procedure A.1-1), the County department must ensure the inventory records reflect sufficient identifying information that includes unique identifying serial numbers.	There were two items totaling $3,255 recorded on the County's property and equipment records that did not contain a unique identifying serial number. As a result, items cannot be accurately reconciled with the County's property and equipment records, which results in noncompliance with Procedure A.1-1. See note "a" on the attached Appendix.	The Office should correct the property and equipment records by recording the serial numbers for each item and ensure the records contain accurate information. 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, and perform periodic property inventory audits.	The Office has corrected the affected records, consistent with this direction. The Office will consider generating a quarterly asset report, reviewing data entry for errors, and performing periodic inventory audits.
Petty Cash Expenditures	Pursuant to Harris County Accounting Procedure D.3, *Petty Cash Accounts,* (Procedure D.3), petty cash may be used for training, seminars, meeting costs, and meals/food if prior Commissioners Court approval is obtained.	Petty cash totaling $12.10 was used to purchase refreshments for a special training session. The Office informed us that no prior Commissioners Court approval was obtained for these purchases. However, the County Auditor's Office - Accounts Payable Department	The Office should follow Procedure D.3 and ensure all purchases are properly and timely approved. The Office should repay $12.10 to the County for expenses that were inappropriately purchased and reimbursed or request Commissioners Court approval after the fact.	<u>The Office:</u> The amount was repaid to petty cash from private funds soon after the problem was identified. As indicated in our response from June 2015, the person who reimbursed the receipt was not familiar with the Procedure. In the future, such receipts will not be reimbursed without prior

ISSUES AND RECOMMENDATIONS				
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(Continued) Petty Cash Expenditures		(Accounts Payable) reimbursed the Office for the expenses. As a result, petty cash was used inappropriately to purchase the refreshments.	In addition, Accounts Payable should reject petty cash requests for any petty cash expenditures that do not have but require Commissioners Court approval.	approval by Commissioners Court. <u>Accounts Payable:</u> Reimbursement requests for petty cash are now being reviewed by an AP supervisor (or above) prior to being processed for payment. Included in this review is confirmation that Commissioners Court approval has been obtained for all expenditures, if required. Expenditures for food will only be reimbursed when supported by either proof of Commissioners Court approval or a written statement from the department stating the food or beverage was not purchased for consumption by employees.

HARRIS COUNTY PRETRIAL SERVICES
APPENDIX
INVENTORY RECORDS EXCEPTIONS

OrgKey	Asset ID	Notes	Description	Received Date (If Applicable)	Serial Number	Status	Cost	Quantity
10060500	P240490-001-001	a,b	PROJECTOR-XJ-H2600 WXGA DLP PROJECTOR			UA	$1,894.82	1
10060500	P241210-001-008	a,b	COMPUTER-OPTIPLEX 9020 MINI TOWER; 16GB			UA	$1,360.25	1

Notes	
a	No Serial Number
b	No Received Date

Status Codes	
UA	User Asset, County Controlled