

AUDITOR'S REPORT

COUNTY ATTORNEY'S OFFICE TOLL ROAD DISCRETIONARY FUND



October 31, 2014

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

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

Mark Ledman, CISA, M.P.A.
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

October 31, 2014

Vince Ryan
Harris County Attorney
1019 Congress St., 15th Floor
Houston, Texas 77002-1799

RE: County Attorney's Office Toll Road Discretionary Fund for the 12 month period ended February 28, 2014

The Audit Services Department performed procedures relative to the County Attorney's Office Toll Road Discretionary Fund (Fund). The objective of the engagement was to evaluate whether the key internal controls relating to fees authorized under Texas Transportation Code §284.2032 were adequate and that the fees are properly collected, disbursed, safeguarded, recorded, and reported. Our procedures included the following:

- Identified and documented the key controls governing the Harris County Toll Road Authority collection and reporting processes in respect to the Fund.
- Identified and documented the key controls governing the County Attorney's Office collection and disbursement processes in respect to the Fund.
- Selectively tested Fund collections to determine whether they were properly received, receipted, deposited, recorded, and reported in the County's financial system.
- Selectively tested Fund disbursements to determine whether they were properly authorized, approved, recorded, and reported in the County's financial system.
- Selectively tested bank reconciliations to determine whether they are timely, complete, accurate, and approved, and that all bank-reconciling items are appropriately resolved.

The engagement process included providing you with engagement and scope letters and conducting an entrance and exit conference with your personnel. The purpose of the letters 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.

Vince Ryan
Harris County Attorney

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 from the end of the name.

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
William J. Jackson

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OVERVIEW

The Harris County Attorney's Office (Office) represents the County, its departments, elected and appointed officials, and employees in all civil matters that involve County business. The Office also represents the Harris Health System, the Harris County Flood Control District, the Harris County Appraisal Review Board, and the Greater 911 Emergency Network, which are separate legal entities. It provides a full spectrum of legal services such as state and federal civil litigation, drafting and negotiating contracts, conducting condemnation proceedings, issuing County Attorney Opinions, collecting monies owed to the County, and preparing documents for bond issuances. In addition, it represents the State of Texas in mental health commitments and children's protective services cases, assists the County in administration of the guardianship program, and provides other services as needed by the County. The Office is partially funded by a fee collected by the Harris County Toll Road Authority (HCTRA) on toll violations.

The HCTRA was established pursuant to §284 of the Texas Transportation Code and adopted by Commissioners Court in September 1983. It was created to acquire, construct, operate, and maintain the County's toll roads. HCTRA, a division of Harris County's Public Infrastructure Department, is an Enterprise Fund of the County and relies on charges from users of the toll road system to fund operations, debt service, and future projects.

The Fund was established in accordance with §284.2032 of the Texas Transportation Code, which allows a county with a population of 3.3 million or more to impose an administrative charge (Fees) in association with collecting a toll or charge for each event of nonpayment (Violation) of a required toll or charge imposed under §284.069 of the Texas Transportation Code. The Office's Fees, collected by the HCTRA along with the Violations, are to be administered by the Office. According to the statute, "Expenditures from the fund shall be at the sole discretion of the attorney and may be used only to defray the salaries and expenses of the attorney's office, but in no event may the county attorney supplement his or her own salary from the fund."

Violations occur when vehicles pass through a toll lane without paying the toll. If the vehicle's license plate number is not active on a HCTRA EZ TAG (electronic toll tag) account, or the account is no longer valid, the license plate number is stored for further processing, such as associating the license plate with the registered owner of the vehicle. When the additional processing is completed subsequent violations are tracked. When a violation has been fully processed, the vehicle's owner is sent a letter for payment of the unpaid tolls plus a \$1 Fee the Office receives for each Violation. If unpaid after 60 days, HCTRA refers violators to Linebarger Goggan Blair & Sampson, LLP for further collection efforts.

For the twelve months ended February 28, 2014, \$1,255,897 was collected by HCTRA as the Office's Fees and transferred to the Fund, and the Office dispersed \$1,121,075 from the Fund.

RESULTS

Based on the procedures performed, during Fiscal Year 2014, the Office complied with the following Texas Transportation Code §284.2032 statute requirements:

- Funds were used only to defray the salaries and expenses of the Office.
- Funds were not used to supplement the County Attorney's own salary.

However, opportunities for improvement were identified relating to the following:

- The review process by the Office and the County Auditor's Office – Accounts Payable Department (Accounts Payable) to verify the invoice totals needs improvement. An itemized bill from a consultant incorrectly doubled the amount of the hourly rate to calculate the total bill at \$6,000 instead of \$3,000. The error was not identified and the consultant was overpaid.
- The list of individuals who are provided paid parking by the Office is not monitored and updated timely.

The opportunities for improvement noted above are discussed in more detail in the attached "Issues and Recommendations" matrix.

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
<p>Payment to Consultant</p>	<p>The Office engaged an outside vendor (Consultant) to work on computer software issues with the Access database programs during the engagement period. The contractual agreement with the Consultant stipulated, among other things, the hourly rates and number of hours that would be used on this project. The Consultant would submit an itemized statement to the Office, setting forth in detail the services provided and compensation claimed. The payments were made out of the Fund.</p>	<p>During testing, it was noted in one instance that the itemized statement from the Consultant billed the Office for 20 hours at a rate of \$150/hour for services performed in January 2014 for an incorrect total of \$6,000. The bill should have been \$3,000 (20 X \$150/hr) in total. Additionally, it appears that the invoice amount was not verified by the Office and/or Accounts Payable. As a result, the Consultant was overpaid \$3,000. All other invoices for this vendor were also reviewed during testing and no other exceptions were noted.</p> <p>Not having official procedures in place that include guidelines on determining which invoice calculations to confirm may result in financial loss to the Office.</p>	<p>The Office management should review controls to verify the accuracy of all invoice calculations prior to submitting payments to vendors and should provide additional training to staff if appropriate.</p> <p>Accounts Payable management should adopt an official procedure that includes guidelines on determining which invoice calculations should be confirmed prior to submitting payments to vendors and should provide additional training to staff if appropriate.</p> <p>It should be noted that the Office requested the Consultant to issue credits on future invoices until the \$3,000 overbill is recovered.</p>	<p>The Job Description for the County Attorney's Accounts Payable Specialist requires that she verify all invoices received. She is also required to follow all policies and procedures issued by the Auditor. The employee has been counseled about this. The vendor has credited the overpayment against work performed after the invoice was issued.</p> <p>Accounts Payable Management agrees with the recommendation and will adopt a procedure that includes guidelines on determining which invoice calculations should be confirmed prior to processing account payable claims. Training on these procedures will be provided to staff.</p>

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
Employee Parking	<p>Texas Transportation Code §284.2032 prescribes that the special fund be administered by the County Attorney and that expenditures from the fund shall be at the sole discretion of the County Attorney and may be used only to defray the salaries and expenses of the office. Among other things, the Office uses the Fund to pay for parking for employees, interns, and contract staff every month. The Office maintains a list of parkers that have been assigned parking cards. The Office also keeps a reserve of unassigned cards that can be issued as needed.</p>	<p>The Office's controls over monitoring employees that are provided paid parking needs improvement. During testing, it was noted that the list of individuals who are provided paid parking by the Office is updated on a quarterly basis. As a result, the list included former interns and retirees who had returned their parking cards to the Office. According to Office management, the parking cards were in the possession of the Office or in some cases issued to other employees without being recorded on the list.</p> <p>Not having procedures in place to monitor and update paid parking records may result in the Office retaining more parking cards than are needed.</p>	<p>The Office management should update the list of individuals who are provided paid parking by the department as changes occur to ensure that payments are not made for parking spaces that are not in use.</p> <p>This issue has also been addressed directly with Harris County Facilities & Property Management (FPM) in a separate engagement. Beginning in October 2014, FPM Management will send reminders to County departments to verify and update parking and periodically reconcile the list of County employees provided parking with LAZ.</p>	<p>Employee parking is updated as employees are hired and leave the office. This is reconciled when invoices from LAZ are received.</p>

RISK ASSESSMENT AND SUMMARY OF RECOMMENDATIONS

The risk matrix below presents the assessed level of risk or exposure identified during our procedures. Inherent risk relates to factors that because of their nature cannot be controlled or mitigated by management. Inherent risk includes factors such as legislative changes, number and dollar amount of transactions processed and/or complex nature of transactions. Control risks relate to factors that can be influenced or controlled by management. Controls such as policies and procedures, electronic or manual approvals, system security access, and separation of job responsibilities may be instituted by management in order to mitigate control risk. Control risk is assessed during the planning phase in order to establish the nature, timing, and extent of testing and at the conclusion of the engagement in order to incorporate actions taken to implement our recommendations. The overall risk considers a combination of inherent and control risks.

Inherent Risk:	Control Risk:		Overall Risk:
<input type="checkbox"/> High <input checked="" type="checkbox"/> Moderate <input type="checkbox"/> Low	Prior to Procedures	After Procedures	<input type="checkbox"/> High <input checked="" type="checkbox"/> Moderate <input type="checkbox"/> Low
	Adequate	Adequate	
Type of Procedures: Audit			
Purpose: The engagement objective was to review the controls around collection and disbursement of the County Attorney Toll Road Discretionary Fund.			
Outstanding Audit Recommendations:			
Priority Rating:	Audit Recommendations: CA Toll Road Discretionary Fund		
1	The Office management should review controls to verify the accuracy of all invoice calculations prior to submitting payments to vendors and should provide additional training to staff if appropriate.		
1	Accounts Payable management should adopt an official procedure that includes guidelines on determining which invoice calculations should be confirmed prior to submitting payments to vendors and should provide additional training to staff if appropriate.		
1	The Office management should update the list of individuals who are provided paid parking by the department as changes occur to ensure that payments are not made for parking spaces that are not in use.		
Priority Rating	<ol style="list-style-type: none"> 1. Implement immediately (30 – 90 days) – Serious internal control deficiencies; or recommendations to reduce costs, maximize revenues, or improve internal controls that can be easily implemented. 2. Work towards implementing (6 – 18 months) – Less serious internal control deficiencies, or recommendations that can not be implemented immediately because of constraints imposed on the department (i.e., budgetary, technological constraints, etc.). 		

	<p>3. Implement in the future (two – three years) – Recommendations that should be implemented, but that can not be implemented until significant and/or uncontrolled events occur (i.e., legislative changes, buy and install major systems, requires third party cooperation, etc.).</p>
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