

OFFICE OF THE CITY CONTROLLER



**HOUSTON HEALTH DEPARTMENT (HHD)
AUDIT FOLLOW-UP PROCESS REPORT**

Chris B. Brown, City Controller

Courtney E. Smith, City Auditor

Report No. 2018-07



**OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS**

CHRIS B. BROWN

March 15, 2018

The Honorable Sylvester Turner, Mayor

**SUBJECT: REPORT #2018-07
DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHD) – AUDIT FOLLOW-UP
PROCESS**

Mayor Turner:

The Office of the City Controller's Audit Division has completed its follow-up procedures related to remediation efforts performed by HHD management as they relate to audit report #2015-02 titled *Department of Health and Human Services Performance Review*. As part of providing independent and objective assurance services related to efficient and effective performance, compliance, and safeguarding of assets, we also perform follow-up procedures to ensure that corrective actions are taken related to issues reported from previous audits.¹

The Audit Division (Division) Audit Follow-Up Process uses a risk-based approach, which contains two primary components:

- Management Status Updates and
- Audit Testing/Verification.

Based on the procedures performed, we believe that we have obtained sufficient and appropriate evidence to adequately support the conclusions provided below as required by professional auditing standards.²

- There were a total of three (3) findings issued under audit report 2015-02. We determined that one (1) of the three (3) had been Closed/Remediated on 03/13/2015 due to a Low Risk Rating. Compliance has also been achieved with the remediation and closing of the remaining two (2) findings.

¹ IIA Standard 2500 - requires a process that “..., auditors evaluate the adequacy, effectiveness, and timeliness of actions taken by management on reported observations and recommendations...”

GAGAS 2.10, 4.05, 5.06, 6.36, 7.05, and A3.10c (4)

GAGAS Appendix I Supplemental Guidance A1.08 states “Managers have fundamental responsibilities for carrying out government functions. Management of the audited entity is responsible for...f. addressing the findings and recommendations of auditors, and for establishing and maintaining a process to track the status of such findings and recommendations...”

² See Exhibit 1 for the Detailed Remediation Assessment, 2017 Audit Follow-Up Procedures



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CHRIS B. BROWN

- In reviewing the department's remediation process associated with the two (2) findings, we concluded the overall assessment to be Adequate.

We would like to thank the Houston Health Department for their cooperation during the audit follow-up process.

Respectfully submitted,

Chris B. Brown
City Controller

xc: Stephen L. Williams, Director, HHD
City Council Members
Marvalette Hunter, Chief of Staff, Mayor's Office
Benjamin Hernandez, Assistant Director, HHD
Tantri Emo, Interim Director, Finance Department, Mayor's Office
Harry Hayes, Chief Operating Officer, Mayor's Office
Shannan Nobles, Chief Deputy City Controller
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Office of the City Controller
Audit Division

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EXECUTIVE SUMMARY

BACKGROUND

The Office of the City Controller's Audit Division (The Division) has completed its FY2018 follow-up procedures related to remediation efforts performed by HHD management as they relate to audit report #2015-02 titled Department of Health and Human Services Performance Review. As part of providing independent and objective assurance services related to efficient and effective performance, compliance, and safeguarding of assets, we also perform follow-up procedures to ensure that corrective actions are taken related to issues reported from previous audits.¹

The Division's Audit Follow-Up Process utilizes a risk-based approach, which contains two primary components:

- Management Status Updates
- Audit Testing/Verification

MANAGEMENT STATUS UPDATES:

Prior to the issuance of audit reports, findings are ranked according to three levels of risk to the City as a whole (High, Medium, and Low). Our continuous follow-up process includes sending requests for status updates related to management's progress toward the remediation of open findings. Management provides status updates through an online portal that alerts the Division when received. This information is then assessed by the follow-up auditor who considers (1) responsiveness to the original issue and (2) remediation of the issue. A status update which indicates that a finding has been remediated is tested/verified by the follow-up auditor prior to being closed.

FIELDWORK/TESTING VERIFICATION:

The information received through management status updates is used as a basis for follow-up testing. Additional supporting information is gathered by the follow-up auditor if it is needed to provide sufficient and appropriate evidence to achieve our objectives. Once the testing/verification of a department's findings has been completed, the department's remediation process is then assessed (Adequate or Inadequate). A rating of **Adequate** indicates the department has processes in place to sufficiently monitor and address issues identified. The department demonstrates this by having either remediated (if the finding is Closed) or is exhibiting progress in the remediation efforts (if the status is Ongoing). An **Inadequate** rating is assessed when the status of the findings is not as reported by management and/or the issues have not been addressed as stated in a status update.

¹ IIA Standard 2500 - requires a process that "...., auditors evaluate the adequacy, effectiveness, and timeliness of actions taken by management on reported observations and recommendations...."

GAGAS 2.10, 4.05, 5.06, 6.36, 7.05, and A3.10c(4)

GAGAS Appendix I Supplemental Guidance A1.08 states "Managers have fundamental responsibilities for carrying out government functions. Management of the audited entity is responsible for...f. addressing the findings and recommendations of auditors, and for establishing and maintaining a process to track the status of such findings and recommendations..."



AUDIT SCOPE AND OBJECTIVES

The objectives of our Follow-Up Procedures were to determine:

1. The status for each open item and
2. The adequacy of the department's remediation process in place to resolve its universe of open findings.

PROCEDURES PERFORMED

Audit procedures performed to meet the audit objectives and provide a basis for our conclusions were as follows:

- Obtained, reviewed and assessed management's status updates to open findings;
- Determined the findings for which management's status updates indicated remediation;
- Determined and requested the documentation necessary to support the findings status reported by management; and
- Reviewed supporting documentation and other evidence provided for sufficiency and appropriateness.

AUDIT METHODOLOGY

We conducted Follow-Up procedures in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office (GAO) and The International Standards for the Professional Practice of Internal Auditing as promulgated by The Institute of Internal Auditors. Those standards require that we plan and perform our work to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

CONCLUSIONS

Based on the procedures performed above, we believe that we have obtained sufficient and appropriate evidence to adequately support the conclusions provided below as required by professional auditing standards.

Conclusion 1 – (Audit Objective 1)

There were a total of three (3) findings issued under audit report 2015-02. We determined that one (1) of the three (3) had been Closed/Remediated on 03/13/2015 due to a Low Risk Rating. The remaining two (2) findings were also remediated and closed based on actions taken by management to address each. See Exhibit 1 for the detailed remediation assessment.

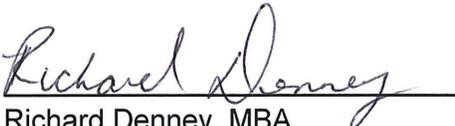
Conclusion 2 – (Audit Objective 2)

In reviewing the department's remediation efforts, we concluded that the processes implemented by the them to remediate the two (2) open findings were **Adequate**.



ACKNOWLEDGEMENT AND SIGNATURES

We would like to thank the Houston Health Department for their proactive approach to risk management and their cooperation during our follow-up process.


Richard Denney, MBA
Lead Auditor


Theresa Watson, CIA
Manager


Courtney E. Smith, CPA, CIA, CFE
City Auditor

City of Houston
Office of the City Controller - Audit Division
Project: FY 2018 Follow-Up
Department of Health and Human Services - FY 2018 Follow-Up Procedures

Exhibit 1 - Detailed Remediation Assessment, 2018 Audit Follow-Up Procedures

Audit Report Number	Finding Title	Finding	Management's Status Update	Conclusion	
				Ongoing/ Closed	Remediation Process
2015-02	HEALTH CENTERS CLOSURE POLICIES	HDHHS has a policy regarding the temporary reassignment of personnel when a HC closes due to facility problems. However, no formal policies or formal procedures/steps exist to close HC operations and ensure all assets and records are properly safeguarded and transferred from the facility upon closure.	<p>During Health Center closures, HDHHS followed the department's Capital Assets Control Policy regarding the redistribution, reassignment and/or disposal of the furniture, equipment, and inventory of medical and office supplies. The current policy is being updated and revised to include office and medical supplies (See Attached).** Due to the retirement of the warehouse facility manager at that time, a comprehensive listing of the redistribution of equipment/supplies was not available. Patient records were relocated based on a detailed transition plan developed specifically for that health center. The relocation of the patient's record was based on 1) the relocation of the services that were provided and 2) the request of the patient. For instance, if all Tuberculosis Services were being located to certain health center, then all Tuberculosis records were moved to that health center. If the patient was receiving a service that was available at other health centers, then the patient could request that their records be forwarded to a specific health center.</p> <p>**Attachment included in Audit workpapers.</p>	Closed - Audit obtained and reviewed HHD's updated Capital Assets Control Policy and determined that the update included office and medical supplies inventories. Management's remediation procedures were adequate to close the finding.	Adequate

City of Houston
Office of the City Controller - Audit Division
Project: FY 2018 Follow-Up
Department of Health and Human Services - FY 2018 Follow-Up Procedures

Audit Report Number	Finding Title	Finding	Management's Status Update	Conclusion	
				Ongoing/ Closed	Remediation Process
2015-02	NOTIFICATION TO GSD IF A LESSEE OPERATES OUTSIDE THE LEASE TERMS	In two instances, the tenant moved in to the facility before the lease term started without prior notice to GSD. This resulted in the recalculation of the first lease payments and additional discussion with the tenant. One tenant moved out of the leased space prior to the lease expiration without notice to GSD.	<p>Human Services' response regarding MSCs only: Designated Human Services staff meets with individual leasing partners on a quarterly basis and meet with agencies collaboratively monthly. These opportunities should be used to communicate with agencies to determine upcoming plans that may include termination of lease. Training of staff will occur to ensure these measures are taken. All Potential and new facility tenants will receive partnership packet that will include requirements when leasing space; including notification of lease termination 30 days prior to move out. All lease termination will be forwarded to HDHHS Contracts within 1 business day of notification. HDHHS Contracts will inform GSD of termination. There is an existing termination letter; however, policy did not address it specifically. Policy will be edited to include: Inform HDHHS 30 days prior of vacating space utilizing the space termination letter. Taken from Policy (with #5 edit added)</p> <p>Agency Requirement - All agencies should:</p> <ol style="list-style-type: none"> 1. Follow requirements as described in the Occupancy or Charter Agreement 2. Attend quarterly meeting with City of Houston Management. 3. Report to the City of Houston on a monthly basis the agency's utilization numbers and outcomes. 4. Send in Lease Payment timely 5. Inform HDHHS 30 days prior of vacating space utilizing the space termination letter. <p>There is a current Short term lease (90 day) in place to address those individuals who need to move in prior to Occupancy Agreement process is finalized. There should be no one utilizing space unless they have:</p> <ul style="list-style-type: none"> -Signed Occupancy Agreement -Short Term Lease -Charter Agreement -Scope Only – City Sponsored Organization -City of Houston Program/Services 	Closed - Audit obtained and reviewed new and revised documentation related to leasing partners to include partnership packets, training materials and documentation of when training was provided to HHD staff as referenced in HHD's status update. It was determined that management's remediation procedures were adequate to close the finding.	Adequate



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