

AUDIT DIVISION OPEN FINDING ASSESSMENT



OFFICE OF THE CITY CONTROLLER

**CHRIS HOLLINS
CITY CONTROLLER**

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City Controller

The Honorable John Whitmire, Mayor
City of Houston, Texas

SUBJECT: AUDIT DIVISION (AD) OPEN FINDING ASSESSMENT

The Audit Division conducted a point-in-time assessment of all open audit findings tracked within its database. The assessment supports governance oversight by identifying the remediation status of findings across City departments and determining readiness for follow-up audit validation.

A total of 165 open findings were evaluated across all business areas. Most findings have been reported by management as implemented and ready for follow-up audit. Management-reported completion does not constitute closure; findings remain open until the Audit Division independently validates implementation and determines that corrective actions effectively address underlying risks.

The Audit Division will continue to prioritize follow-up procedures based on risk, resource availability, and the sufficiency of evidence provided by departments. Findings will be closed only after verification confirms that corrective actions have been fully implemented and are operating effectively, consistent with IIA and GAGAS standards.

Respectfully submitted,

Chris Hollins
City Controller
City of Houston, Texas

xc: City Council Members
Business Area Directors
Dr. Cynthia Wilson, Chief of Staff, Mayor's Office
Aubrey Hooper, Chief Administrative Officer, Office of the City Controller
Jennifer Pierce, Deputy Director, Audit Division, Office of the City Controller

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AUDIT REPORT

INTRODUCTION

The Office of the City Controller's Audit Division (AD) establishes, maintains, and updates follow-up procedures for previously issued audit reports. These procedures are designed to monitor the status of findings and issues and assess the effectiveness of management's remediation efforts. Consistent with the Institute of Internal Auditors' requirement that "Internal auditors must confirm that management has implemented ... recommendations or ... action plans," the AD performs follow-up procedures using an established methodology. That methodology is scaled to the significance of the finding.

BACKGROUND

This report presents a point-in-time assessment of open audit findings maintained in the Audit Division's centralized tracking system. The assessment summarizes open items by department and groups them into three reporting categories: follow-up audit in progress, ready for follow-up audit, and remediation in progress. The purpose of the assessment is to support governance oversight, inform risk-based scheduling of follow-up work, and identify areas where additional management response or audit validation is needed.

AUDIT OBJECTIVE AND SCOPE

The objective of this assessment was to evaluate the current status of open findings and their readiness for follow-up. The scope included 165 open findings reflected in the Audit Division's tracking system and the related management status provided by the 11 business areas included in this report.

Except for the Houston Fire Department, Fleet Management Department, and Houston Health Department, where follow-up procedures were already underway or completed, this assessment was limited to status review and prioritization. Accordingly, it did not constitute audit verification that corrective actions had been fully implemented.

CONCLUSION

The reporting categories used in this assessment are defined as follows:

- **Follow-Up Audit Completed:** The Audit Division completed follow-up procedures and issued a formal Follow-Up Audit report before the issuance of this report.
- **Follow-Up Audit in Progress:** The Audit Division has initiated detailed follow-up procedures in accordance with IIA and GAGAS standards, and final implementation conclusions remain pending.
- **Ready for Follow-Up Audit:** Management has reported that corrective actions have been completed or substantially completed, and the item appears ready for validation by the Audit Division.
- **Remediation in Progress:** Management has reported that corrective actions are still underway and the finding is not yet ready for Audit Division validation.

Management-reported implementation is not equivalent to audit closure. Findings should be closed only after the Audit Division evaluates sufficient, appropriate evidence and determines that the agreed corrective action adequately addressed the underlying risk.

BUSINESS AREA	OPEN FINDINGS
FOLLOW-UP AUDIT COMPLETED	
Houston Fire Department	32
FOLLOW-UP AUDIT IN PROGRESS	
Fleet Management Department	12
Houston Health Department	6
READY FOR FOLLOW-UP AUDIT	
Administration and Regulatory Affairs	30
Department of Neighborhoods	4
Finance Department	30
General Services Department	5
Houston Information Technology Services	19
Houston Parks and Recreation	1
Houston Public Works	14
Mayor's Office	9
REMEDATION IN PROGRESS	
Houston Information Technology Services	1
Houston Public Works	2
Total	165

Based on the information summarized in this report, most open findings were reported by management as ready for follow-up validation, while a smaller number were either in active remediation or already subject to follow-up activity by the Audit Division. Accordingly, the Audit Division will conduct follow-up audits as resources become available. Management-reported implementation will not be treated as audit closure. Findings will remain open until the Audit Division obtains sufficient, appropriate evidence and follow-up procedures support a closure determination.

ACKNOWLEDGMENT

We thank the management and staff of the business areas involved for their cooperation and assistance during this update.

AUDIT TEAM

Deputy Director: Jennifer Pierce
 Audit Manager: Theresa Watson, CIA, CGAP
 Lead Auditor: Marleah Randon, CIA, CPA

APPENDIX 1: DETAILED ASSESSMENT

ADMINISTRATION AND REGULATORY AFFAIRS

The Administration and Regulatory Affairs Department (ARA) provides shared administrative and regulatory services, including 311 routing, payroll, records and policy management, risk management, parking and regulatory functions, utility regulation, and other city-wide support services.

ARA has reported that it has implemented the management action plans for all **30** findings related to the audit reports listed in the table below.

REPORT #	REPORT NAME	# OF FINDINGS
2010-14	Parks and Recreation Department Audit of Disbursements Less than \$75,000	1
2015-04	City-Wide Policy & Procedure Audit Phase I Policy Governance Review for FY 2014	6
2017-04	Administration and Regulatory Affairs Department Parking Management Division Performance Audit	6
2017-06	Administration and Regulatory Affairs Department BARC Cash Handling Processes Performance Audit	4
2017-07	Administration and Regulatory Affairs Department Houston Permitting Center Performance Audit	6
2018-06	City-Wide Policy and Procedure Audit Phase III – Policy Design/Effectiveness and Operational Effectiveness – Review of Administrative Procedure 2-5 Authorization and Reimbursement of Local and Out-of-Town Travel and Travel Related Expenses	6
2019-07	Administration and Regulatory Affairs Department (ARA) Bureau of Animal Regulation and Care (BARC) Procurement Compliance Performance Audit	1

DEPARTMENT OF NEIGHBORHOODS

The Department of Neighborhoods (DON) helps residents engage with city government, resolve neighborhood concerns, and connect to city programs and services that improve quality of life.

DON has reported that it has implemented the management action plans for all four (**4**) findings related to the audit report listed in the table below.

REPORT #	REPORT NAME	# OF FINDINGS
2016-08	City-Wide Policy & Procedure Audit Phase III Policy Design/Effectiveness and Operational Effectiveness Review of Administrative Procedure 7-7 – Demolition of Privately Owned Buildings	4

FINANCE DEPARTMENT

The Finance Department (FIN) safeguards the City’s fiscal integrity through functions such as budgeting and financial reporting, accounting and asset management, procurement, grant management, and internal-control support.

FIN has reported that it has implemented the management action plans for all **30** findings related to the audit reports listed in the table below.

REPORT #	REPORT NAME	# OF FINDINGS
2009-23	Finance Department Vehicle Allowance Program Audit	1
2010-03	Administration and Regulatory Affairs Department Strategic Purchasing Division Performance Audit	4
2010-18	General Services Department Fuel Management Performance Audit	3
2011-06	Administration and Regulatory Affairs Department Strategic Purchasing Division Information Technology and Performance Audit of Vendor Master File (Limited Scope)	4
2013-03	Administration and Regulatory Affairs Department (ARA) – Strategic Purchasing Division (SPD) Contract Compliance and Performance Audit C#61899 Office Supplies Vendor–Office Depot, Inc.	1
2015-06	Finance Department Strategic Procurement Division Management Performance Audit of PCARD Procurement	7
2019-07	Administration and Regulatory Affairs Department (ARA) Bureau of Animal Regulation and Care (BARC) Procurement Compliance Performance Audit	1
2020-03	Special Revenue Funds Performance/Compliance Audit for Funds Houston Foundation and Regional Participation	3
2022-04	Finance Department Strategic Procurement Division Procurement Performance Audit	6

GENERAL SERVICES DEPARTMENT

General Services Department (GSD) oversees city facility maintenance, construction, real estate and property functions, and security management for city buildings.

GSD has reported that it has implemented the management action plans for all five (5) findings related to the audit reports listed in the table below.

REPORT #	REPORT NAME	# OF FINDINGS
2020-01	Houston Public Library (HPL) Cash Handling Processes Performance Audit	1
2023-09	General Services Department Building Security Performance/Compliance Audit	4

HOUSTON INFORMATION TECHNOLOGY SERVICES

Houston Information Technology Services (HITS) provides technology solutions and mission-critical infrastructure for City departments and supports Houston’s broader digital-city capabilities.

HITS has reported that it has implemented the management action plans for **19 of 20** findings related to the audit reports listed in the table below. Management has reported that one (1) corrective action is still underway for the remaining finding.

REPORT #	REPORT NAME	# OF FINDINGS
2012-12	Information Technology Department Enterprise Resource Planning (SAP) Security Limited Review Performance Audit	6
2018-09	Houston Information Technology Services Cloud Governance Performance Audit	8
2018-11	Houston Information Technology Services Information Technology Processes Performance Audit	6

HOUSTON PARKS AND RECREATION DEPARTMENT

The Houston Parks and Recreation Department (HPARD) manages parks and greenspace and offers recreation programs and facilities intended to improve quality of urban life.

HPARD has reported that it has implemented the management action plan for the one (1) finding related to the audit report listed in the table below.

REPORT #	REPORT NAME	# OF FINDINGS
2009-02	Parks and Recreation Department Vehicle Allowance Program Audit	1

HOUSTON PUBLIC WORKS

Houston Public Works (HPW) manages streets and drainage, water production and distribution, wastewater collection and treatment, and the permitting and regulation of construction.

HPW has reported that it has implemented management action plans for **14 of 16** findings related to the audit reports listed in the table below. Management has reported that corrective actions are still underway for the remaining two (2) findings.

REPORT #	REPORT NAME	# OF FINDINGS
2014-04	Public Works and Engineering Utility Customer Service Division Performance Audit of Water Meters and Electronic Radio Transmitters (ERT)	1
2018-04	Department of Public Works and Engineering Drainage and Paving Construction Internal Audit	5
2023-04	Houston Public Works Permitting Operations Performance Audit	10

MAYOR'S OFFICE

The Mayor's Office serves as the City's executive office, managing city administration, enforcing laws and ordinances, appointing department heads with Council approval, presiding over Council, and presenting the annual budget.

The Mayor's Office has reported that it has implemented the management action plans for all nine (9) findings related to the audit reports listed in the table below.

REPORT #	REPORT NAME	# OF FINDINGS
2018-08	Mayor's Office of Economic Development – Chapter 380 Program Performance/ Compliance Audit	4
2023-03	Office of Business Opportunity Contract Compliance Performance Audit	5

APPENDIX 2: FOLLOW-UP AUDIT POLICY

The Audit Division (AD) performs follow-up procedures using a documented, risk-based methodology. The purpose of this methodology is to: (1) confirm implementation of agreed recommendations and action plans, and (2) support governance oversight through timely status reporting and escalation when residual risk remains unacceptable.

TRACKING SYSTEM

The AD shall maintain a centralized tracking system for all findings identified in formally issued audit reports. The tracking system shall be updated as follow-up procedures occur. At a minimum, the system shall capture the engagement or report reference, finding or issue ID, risk or significance rating, agreed management action plan(s), responsible owner, target completion date, current status, evidence received, AD verification procedures performed, AD conclusion regarding implementation and effectiveness, and closure date.

AUDIT STEPS

1. Monitor progress and obtain status updates.

The AD shall monitor progress on a risk-based cadence. It shall obtain status updates from responsible management, including revised target dates and documented rationale for delays. All changes shall be recorded in the centralized tracking system.

2. Obtain and evaluate implementation evidence.

The AD shall obtain evidence commensurate with the significance and risk of the finding. Evidence may include approved policies, system configuration records, reports, training records, reconciliations, service tickets, or documented supervisory reviews. The AD shall assess whether the evidence is sufficient and appropriate to support management's assertion that corrective action has been completed.

3. Validate implementation and operating effectiveness.

The AD shall perform follow-up procedures scaled to the significance and risk of the finding. Procedures may include inquiry, inspection, walkthroughs, observation, reperformance, retesting, sampling, and targeted data analytics. These procedures should corroborate that corrective actions have been implemented and are operating effectively over time.

4. Conclude and dispose of each item.

The AD shall determine whether each item should be closed, remain open, be addressed through an alternative action, or be subject to risk acceptance.

- **Close** an item only when the AD has obtained sufficient, appropriate evidence that corrective action has been implemented and is effective.
- **Alternative action:** If management proposes an alternative corrective action, the AD shall evaluate whether it addresses the risk at least as effectively as the original action plan. The AD shall document its conclusion, including the rationale and any revised plan.
- **Risk acceptance or delay:** If management accepts the risk or delays corrective action, the AD shall document the basis for that decision and the related approval path. When the AD concludes that the accepted or unresolved risk may be unacceptable, it shall follow the applicable escalation process, including discussion with senior management and further communication to governance, as appropriate.

5. Report results to support follow-up.

After each follow-up cycle, the AD shall update the tracking system with the current status, evidence obtained, validation procedures performed, and the AD's conclusion. The AD shall then issue formal follow-up reporting, or other formal communication, as appropriate. Such reporting should summarize open items, closed items, past-due items, high-risk matters, and recurring themes to support oversight and corrective action.

6. Escalate unacceptable residual risk.

When follow-up procedures indicate that management action plans are not progressing, are ineffective, or that risk acceptance exceeds the organization's tolerance, the AD shall elevate the matter. Escalation should begin with discussion with senior management and continue through additional communication, as necessary.