

HOUSTON HEALTH DEPARTMENT FOLLOW-UP AUDIT



OFFICE OF THE CITY CONTROLLER

**CHRIS HOLLINS
CITY CONTROLLER**

**FY2026
Report #2026-10
June 03, 2026**



CHRIS HOLLINS
City Controller

The Honorable John Whitmire, Mayor
City of Houston, Texas

SUBJECT: HOUSTON HEALTH DEPARTMENT FOLLOW-UP AUDIT REPORT

We have completed follow-up procedures on remediation efforts carried out by the Houston Health Department management relating to the following audit report:

REPORT NUMBER	REPORT TITLE	TOTAL FINDINGS
2017-05	Houston Health Department Cash Handling Processes Performance Audit	6

Based on the follow-up procedures outlined in this report, and in accordance with professional auditing standards, we obtained sufficient and appropriate evidence to support the conclusions presented in Appendix 1.

FINDINGS	FINDING REMEDIATION STATUS	DESCRIPTION
5	Fully Implemented	Successful implementation of processes to address the audit finding.
1	Partially Implemented	Significant efforts and implementation of processes to address the audit finding.
0	Incomplete/ Ongoing	Ongoing development of a process and/or efforts toward a policy to address the audit finding.
0	Not Implemented	No effort to implement processes to address the audit finding.

This assessment reinforces our commitment to conducting thorough and objective audits, ensuring that identified issues have been properly addressed and corrective actions have been effectively implemented.

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

Respectfully submitted,

Chris Hollins
City Controller
City of Houston, Texas

xc: City Council Members
Dr. Cynthia Wilson, Chief of Staff, Mayor's Office
Steven David, Chief Administrative Officer, Mayor's Office
Theresa Tran Carapucci, Director, Houston Health Department
Darren Asher, Deputy Assistant Director, Houston Health Department
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FOLLOW-UP AUDIT

SUMMARY

The Audit Division is tasked with providing independent and objective assurance services to enhance organizational performance, ensure compliance, and safeguard assets. As part of this mandate, follow-up audits are conducted to verify that corrective actions have been implemented for issues identified in prior audits.

This follow-up audit evaluates the remediation efforts carried out by Houston Health Department's management in response to the findings from the Audit Report:

- Houston Health Department Cash Handling Processes Performance Audit (2017-05)

The audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office (GAO) and the Global Internal Audit Standards as established by the Institute of Internal Auditors (IIA).

AUDIT OBJECTIVES

The follow-up audit was conducted to:

- Determine the status of each of the 6 open findings from Audit Report #2017-05.
- Evaluate the adequacy of the Houston Health Department's remediation processes to address these findings.

SCOPE

The scope of the audit included 6 findings for Audit Report #2017-05.

CONCLUSIONS

OBJECTIVE 1: STATUS OF OPEN FINDINGS

HHD Management provided status updates related to the 6 open audit findings.

OBJECTIVE 2: REMEDIATION ASSESSMENT

HHD Management's remediation efforts were adequate in that 5 audit findings were fully implemented and 1 audit finding remains open. See Appendix 1: Detailed Remediation Assessment for details.

FINDINGS	FINDING REMEDIATION STATUS	DESCRIPTION
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ACKNOWLEDGMENT

We extend our appreciation to the management of the Houston Health Department for its cooperation and commitment to addressing the audit findings. It was noted that the department was proactive in its remediation of several of the audit findings, as they started immediately implementing processes to address the issues reported in 2017 following the 2017-05 Audit Report. Their efforts facilitated a thorough and effective follow-up audit process.

AUDIT TEAM

Deputy Director: Jennifer Pierce

Audit Manager: Olaniyi "Ola" Oyedele, CPA

Lead Auditor: Michelle Paul

Quality Assurance: Mohammad Haroon, CPA, CIA

APPENDIX 1: DETAILED REMEDIATION ASSESSMENT

#	FINDING NAME	RECOMMENDATION AND MANAGEMENT RESPONSE(S)	CONCLUSION	REMEDATION STATUS
1	Cash Receipts Are Not Deposited Timely	<p>Recommendation HHD management should ensure that bank deposits are made daily or within three business days in accordance with AP 4-8 and departmental policy. Additionally, we recommend that HHD perform a review to determine if some of the weekly deposit locations should change to daily deposits to help ensure that City assets are adequately safeguarded and there is timely recording of corresponding revenue. We also recommend that the Administrative Division provide retraining on AP 4-8 and the HHD Cash Operations Policy and Procedure, emphasizing the importance of timely bank deposits.</p> <p>Management Response: August 2023 HHD submitted their Houston Health Department Cash Handling Policy and Procedures (ASD-17-101) that was approved by Finance on 7/5/2017. We sent a status update to HHD from Pentana and HHD responded back on 7/24/25 advising they submitted the referenced policy and procedures above and there haven't been any changes since submitting that policy and procedures in 2023.</p>	<p>Audit noted that HHD implemented processes to begin remediating this finding in 2017, as referenced in their Management Response. Audit obtained and reviewed bank deposit journal entries, armored car deposit logs, Chase bank statements, Vital statistics location information, employee rosters, and 2024-2025 cash handling documentation. Audit selected 12 BVS Central Cash Office deposit transactions from May through July 2025 and traced deposit dates and amounts to supporting records. All sampled deposits were made within three business days and agreed to armored car and bank records. Audit also confirmed cash handling training was conducted in September 2024 and twice in August 2025 using materials aligned with the revised ASD-17-101 Cash Handling Policy and enhanced internal controls. However, attendance was not complete for all required Vital Statistics cash handling personnel, as two employees did not attend in 2024 and one employee did not attend in 2025.</p> <p>As a result, the finding will remain open with the status of "partially implemented" until the Cash Handling training monitoring process is formally implemented and documented.</p>	Partially Implemented

#	FINDING NAME	RECOMMENDATION AND MANAGEMENT RESPONSE(S)	CONCLUSION	REMEDIAION STATUS
2	Change Orders Are Not Adequately Controlled	<p>Recommendation Change Order shipments and re-deposits should occur on the same date to coincide with bank account transaction dates and SAP data entry dates. Because the Change Orders are the same amount each time, there is a need to ensure adequate controls are in place to prevent and detect misappropriations of City funds.</p> <p>We recommend HHD strengthen control over the Change Orders by revising ASD-101 Section 4.11.2 to include the following:</p> <ul style="list-style-type: none"> • Establishing a weekly or monthly verification of the \$2,000 change fund by another supervisor or appropriate administrative staff. • The re-deposits should be made on the same day the change order shipments are received. • Provisions for a Back-up Supervisor to process the Change Orders in the Custodian’s absence. • The re-deposits for change orders should be made in a separate bank bag. <p>We also recommend that HHD’s management ensure revised divisional guidelines are followed to facilitate compliance.</p> <p>Management Response: August 2023 HHD submitted their Houston Health Department Cash Handling Policy and Procedures (ASD-17-101) that was approved by Finance on 7/5/2017. We sent a status update to HHD from Pentana and HHD responded back on 7/24/25 advising they submitted the referenced policy and procedures above and there haven’t been any changes since submitting that policy and procedures in 2023.</p>	<p>Audit reviewed the revised Cash Handling Policy, ASD-17-101, and obtained supporting journal entries, monthly bank statements, armored car receipt logs, and change order documentation to verify whether BVS change orders were processed and redeposited in accordance with the revised policy. Audit selected a judgmental sample of eight change order transactions from April through June 2025, and traced SAP documentation, deposit slips, bank statement activity, and armored car receipt logs. For all sampled transactions, deposit amounts agreed to supporting records, bank statement dates aligned with armored car log dates, and change order shipments/redeposits occurred on the same day as required by policy. Based on the procedure performed, change order controls were operating as intended.</p> <p>The management action plan is adequate to address the audit finding and considered “fully implemented”. This finding is Closed.</p>	<p>Fully Implemented</p>

#	FINDING NAME	RECOMMENDATION AND MANAGEMENT RESPONSE(S)	CONCLUSION	REMEDATION STATUS
3	Duties are not Properly Segregated	<p>Recommendation We recommend that HHD ensure that the appropriate supervisory personnel review and approve reconciliations, complete the Bank Deposit Information forms, and make correcting entries in the cash handling system. The AmCad audit reports should also be reviewed to ensure transactions are performed, reviewed, and approved by the appropriate personnel. HHD's management should monitor all changes and/or adjustments to entries in the cash handling system to ensure that they are appropriate and to identify trends that may detect misappropriation or theft of cash receipts, and identify potential areas needed for staff training.</p> <p>Management Response: August 2023 HHD submitted their Houston Health Department Cash Handling Policy and Procedures (ASD-17-101) that was approved by Finance on 7/5/2017. We sent a status update to HHD from Pentana and HHD responded back on 7/24/25 advising they submitted the referenced policy and procedures above and there haven't been any changes since submitting that policy and procedures in 2023.</p>	<p>To address the previous audit finding related to segregation of duties in cash-handling and reconciliation process, we performed procedures to confirm that appropriate roles and responsibilities were properly segregated and consistently documented. Our audit procedures included obtaining bank statements, reconciliation forms, deposit packets, and Granicus audit reports to assess compliance with cash handling and reconciliation requirements. A sample of reconciliations, deposit packets, and correcting entries were selected for detailed testing. To verify segregation of duties, we confirmed that cashiers were not responsible for preparing reconciliation or deposit forms and noted that supervisory approvals were consistently documented on reconciliation forms, deposit forms, and SAP entry documentation. Deposit amounts and dates were traced to bank statements and SAP entries, confirming agreement across all records.</p> <p>We also reviewed correcting entries and audit log transactions to ensure they were processed and approved by authorized personnel. Test results indicated no exceptions, confirming that the prior finding has been fully implemented.</p> <p>The management action plan is adequate to address the audit finding and considered "fully implemented". This finding is Closed.</p>	Fully Implemented

#	FINDING NAME	RECOMMENDATION AND MANAGEMENT RESPONSE(S)	CONCLUSION	REMEDATION STATUS
4	Inadequate Internal Control of Petty Cash Funds	<p>Recommendation We recommend that HHD strengthens the controls regarding petty cash by performing the following:</p> <ul style="list-style-type: none"> • Develop and implement a departmental Petty Cash policy that follows AP 5-3, ensuring to include verbiage requiring reconciliation of the funds and maintaining adequate documentation to facilitate reconciliation and audit of the funds. This documentation could include an adding machine tape, cash register tape, or some form of tally of the replenishment requests to be vouchered and attached to the replenishment request form. • Ensure all employees are authorized to dispense employees' petty cash expense reimbursements by using the designated storage area for reimbursements waiting to be retrieved by the Custodian. • HHD should perform periodic random surprise counts during the quarter so that it is more difficult for custodians to determine when funds will be counted and verified to satisfy the independent quarterly verifications requirements stated in AP 5-3. <p>Management Response: August 2023 HHD submitted their Houston Health Department Cash Handling Policy and Procedures (ASD-17-101) that was approved by Finance on 7/5/2017. We sent a status update to HHD from Pentana and HHD responded back on 7/24/25 advising they submitted the referenced policy and procedures above and there haven't been any changes since submitting that policy and procedures in 2023.</p>	<p>Audit inquired with HHD staff and confirmed that HHD follows the City of Houston Petty Cash Policy, AP 5-3, rather than maintaining a separate departmental petty cash policy. Audit selected and reviewed recent petty cash replenishment requests to determine whether supporting documentation was complete, properly approved, and included reconciliation support (e.g. machine tape agreed to the voucher amount). Audit also performed an unannounced petty cash count and verified that cash on hand and vouchers equaled the authorized fund amount. During an on-site visit on January 20, 2026, Audit observed that petty cash reimbursements were processed in a designated area supervised by authorized supervisors/managers. Audit also reviewed evidence of periodic random petty cash counts conducted by HHD Business Management and interviewed cash handling staff and supervisory personnel to assess whether petty cash procedures were understood and operated as intended. Based on the procedures performed, petty cash controls were operating as intended.</p> <p>The management action plan is adequate to address the audit finding and considered "fully implemented". This finding is Closed.</p>	Fully Implemented

#	FINDING NAME	RECOMMENDATION AND MANAGEMENT RESPONSE(S)	CONCLUSION	REMEDIAION STATUS
5	Incomplete Divisional Cash Operations Policy and Procedures	<p>Recommendation</p> <p>We noted that HHD is in the process of revising ASD-101 and recommend that they consider the following additions to the document to improve internal controls related to cash handling. The additions should include the following:</p> <ol style="list-style-type: none"> 1. Provision for a reconciliation to include a control total number of payments received by mail and a comparison to the payments processed. 2. A statement requiring the PCI compliance documents. 3. Procedures for performing the monthly Events Management System's revenues summary. 4. A section for processing monthly deposits. 5. Language requiring complete armored car log entries and the proper way to correct entries to include crossing through errors and initialing the deletion, and prohibiting the use of correction fluid; Specifying who has the authority to release deposits to armored car service and the signature of the releaser; and 6. Emphasis on the importance of keeping the change order controlled; a requirement to re-deposit the change order on the day the shipment is received. A designated position responsible for processing the change order in the absence of the Custodian; and additional verbiage to distinguish the incoming (shipment) versus the outgoing (re-deposit) change order to eliminate confusion. <p>Once HHD has addressed the issues noted above, they should submit the revised P&P to the Finance Department for approval expediently. Furthermore, we also recommend that HHD Administrative Services Division conduct additional training for their cash handling personnel on ASD – 101, emphasizing internal control activities that address deficiencies referenced in the findings of this audit and the revised policy.</p> <p>Management Response: August 2023</p> <p>HHD submitted their Houston Health Department Cash Handling Policy and Procedures (ASD-17-101) that was approved by Finance on 7/5/2017. We sent a status update to HHD from Pentana and HHD responded back on 7/24/25 advising they submitted the referenced policy and procedures above and there haven't been any changes since submitting that policy and procedures in 2023.</p>	<p>Audit confirmed that HHD's revised Cash Handling Policy and Procedures, ASD-17-101, was submitted to and approved by the Finance Department and incorporated the internal control provisions identified in the prior audit finding. The revised policy includes requirements for reconciliation and control totals, PCI compliance documentation, Events Management System revenue reconciliation, daily/weekly/monthly deposit processing, armored car log completion and correction requirements, authorized release of deposits, and same day redeposit of change orders. Audit also reviewed 2025 cash handling training documentation and confirmed the training covered key internal control activities, including revenue collection, segregation of duties, securing cash, reconciliation, deposits, PCI compliance, change fund handling, armored car services, and management responsibilities. Based on the procedures performed, HHD addressed and implemented the processes and procedures previously identified in the audit finding.</p> <p>The management action plan is adequate to address the audit finding and considered "fully implemented". This finding is Closed.</p>	Fully Implemented

#	FINDING NAME	RECOMMENDATION AND MANAGEMENT RESPONSE(S)	CONCLUSION	REMEDIAION STATUS
6	Non-Compliance With Divisional Cash Operations Policy and Procedures	<p>Recommendation We recommend that HHD further revise ASD-101, Revision No. 2 to revise or eliminate the areas noted above and submit the revised P&P to the Finance Department for expedient approval. The management of HHD should ensure that the revised policy is followed to facilitate safeguarding cash and cash equivalents. Additionally, we recommend that HHD Administrative Services Division conduct annual training for their cash handling personnel on ASD – 101, emphasizing the new revisions to the divisional policy to improve controls related to cash handling.</p> <p>Management Response: August 2023 HHD submitted their Houston Health Department Cash Handling Policy and Procedures (ASD-17-101) that was approved by Finance on 7/5/2017. We sent a status update to HHD from Pentana and HHD responded back on 7/24/25 advising they submitted the referenced policy and procedures above and there haven't been any changes since submitting that policy and procedures in 2023.</p>	<p>Audit compared the prior ASD-101 policy to HHD's revised Cash Handling Policy and Procedures, ASD-17-101, to determine whether the policy areas identified in the prior audit were revised or eliminated. Audit confirmed that the revised policy addressed the applicable sections related to purpose, accepting checks and money orders, processing debit/credit cards, deposit preparation, change funds, and change orders. Audit also verified that the revised policy was submitted to and approved by the Finance Department on July 5, 2017. In addition, Audit reviewed training documentation for cash handling personnel and supporting documentation related to semi-annual internal control checks at collection sites. Based on the procedures performed, the revised policy and related monitoring activities adequately address the conditions noted in the original audit finding.</p> <p>The management action plan is adequate to address the audit finding and considered "fully implemented". This finding is Closed.</p>	<p>Fully Implemented</p>

APPENDIX 2: FOLLOW-UP AUDIT PLAN

AUDIT OBJECTIVES

The objectives of the follow-up audit were to:

1. Determine the status of each open item.
2. Evaluate the adequacy of the department's remediation process to resolve 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 status of each finding reported by management.
- Reviewed supporting documentation and other evidence provided for sufficiency and appropriateness.

AUDIT APPROACH

Our follow-up audit process utilizes a risk-based approach, which contains the two primary components:

- Management Status Updates
- Audit Testing/Verification

MANAGEMENT STATUS UPDATES

Our follow-up audit 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. This information is then assessed by the follow-up auditor, who considers responsiveness to the original issue and remediation of the issue.

AUDIT TESTING / VERIFICATION

A management status update indicating that a finding has been remediated is then tested/verified by the follow-up auditor prior to being closed.

The information received through management status updates form the basis for follow-up testing. If needed, additional supporting information is gathered by the follow-up auditor to provide sufficient and appropriate evidence to achieve our objectives. Once the testing and verification of a department's remediation processes have been completed, the auditor then assesses each finding based on one of the following four categories:

- **Fully Implemented:** Successful implementation of processes to address the audit finding.

- **Partially Implemented:** Significant efforts and implementation of processes to address the audit findings.
- **Incomplete/Ongoing:** Ongoing development of a process or efforts towards a policy to address the audit finding.
- **Not Implemented:** No effort to implement processes to address the audit finding.

AUDITING STANDARDS

The Audit Division conducted follow-up audit procedures in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office (GAO) and the Global Internal Audit Standards as established by the Institute of Internal Auditors (IIA).

These standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for the findings and conclusions drawn in alignment with audit objectives.

GOVERNMENT AUDITING STANDARDS (YELLOW BOOK)

GAGAS 8.30

“Auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that are significant within the context of the audit objectives. When planning the audit, auditors should ask management of the audited entity to identify previous engagements or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented. Auditors should use this information in assessing risk and determining the nature, timing, and extent of current audit work, including determining the extent to which testing the implementation of the corrective actions is applicable to the current audit objectives.”

GLOBAL INTERNAL AUDIT STANDARDS (RED BOOK)

IIA Standard 11.5

“Internal auditors must confirm that management has implemented internal auditors’ recommendations or management’s action plans following an established methodology, which includes:

- Inquiring about progress on the implementation.
- Performing follow-up assessments using a risk-based approach.
- Updating the status of management’s actions in a tracking system.

The extent of these procedures must consider the significance of the finding.