

Harris County Auditor's Office



MEMORANDUM

To: Roberto Trevino, Executive Director – Harris County Toll Road Authority

From: Mike Post, Harris County Auditor *MP*
Errika Perkins, Chief Assistant County Auditor- Audit Division

CC: Diana Ramirez, Interim County Administrator *EP*
Thania Gonzalez, Chief Financial Officer
Jason McLemore, Deputy Director

RE: Harris County Toll Road Authority's Professional Services Exemptions

Date: July 18, 2023

EXECUTIVE SUMMARY

The Audit Division conducted an audit of the newly established procurement function at the Harris County Toll Road Authority (HCTRA). During planning, however, the team identified a scope limitation that rendered the assurance audit impractical. The auditors instead performed a consulting engagement of HCTRA's Professional Services Exemptions. The purpose of this engagement was to evaluate the design and effectiveness of controls over the procurement process for professional services greater than \$50,000 to support the following objectives:

1. Determine whether the Request for Qualification procurements comply with Texas Local Government Code §2254 (Sub-Chapter A) and Harris County Local Procurement Policy Manual.
2. Confirm whether HCTRA has a reasonable process established to broaden and diversify its professional services' vendor base.
3. Determine whether contract renewals are properly authorized.

The scope of this engagement covered the period of January 1, 2022, through December 31, 2022.

Scope Limitation

Since the request for qualification process was recently redesigned at HCTRA, the number of procurements completed by HCTRA's new Procurement Team during calendar year 2022 was limited to one.

Recommendation for HCTRA Professional Services Exemptions:

- Maintain evidence of a debarment review* for suppliers who have been awarded a contract.

*A debarment review is a process to verify if an entity or its principals are subject to an active federal exclusion, i.e., declared ineligible for the award of a contract.

BACKGROUND

HCTRA was established in 1983 by the Harris County Commissioners Court pursuant to Chapter 284 of the Texas Transportation Code. In 1983, Harris County voters authorized the issuance of up to \$900 million in bonds to construct, operate, and maintain toll roads in Harris County. HCTRA is an enterprise fund of the County and is included in the County's financial statements. HCTRA's Enterprise Fund operating revenues consist of fees assessed each time a vehicle passes through a toll station on the County's toll roads. Total revenues for the short fiscal year 2022 were \$532,151,298.

Although HCTRA has historically conducted the majority of their professional service procurements, in 2022 HCTRA enhanced their professional service procurement process by establishing a team for professional services greater than \$50,000. HCTRA has an online Professional Service Registry that accepts and maintains a registry of submitted Statements of Qualifications (SOQs). SOQs assist HCTRA in quickly assessing a firm's capabilities, its key personnel, and its relative experience during later procurement processes. On July 3, 2007, Harris County Commissioners Court authorized the procedure using a request for SOQs from interested consultants to support HCTRA's maintenance and development programs. Each SOQ is required to include the firm's organizational chart and staff resumes. The SOQ should also provide the services each firm is qualified to perform.

RESULTS

OBJECTIVE 1: Determine whether the Request for Qualification procurements comply with Texas Local Government Code Section 2254 (Sub-Chapter A) and Harris County Local Procurement Policy Manual.

OBSERVATION 1: HCTRA did not maintain supporting documentation that a debarment review was completed for a supplier awarded a contract. In accordance with the Harris County Local Procurement Policy Manual, Section N, "Prior to the award of a contract with a contractor, the Purchasing Office shall verify eligibility and debarment status."

RECOMMENDATION 1: HCTRA Management should require staff to maintain evidence of debarment reviews as verification of their performance.

OBJECTIVE 2: Confirm whether HCTRA has a reasonable process established to broaden and diversify its professional services' vendor base.

OBSERVATION 2: The HCTRA Procurement Team has a Supplier Diversity Group to help facilitate diversity within their vendor base. This includes establishing internal goals for the inclusion of vendor selections from Minority and Women-Owned Business Enterprises.

RECOMMENDATION 2: No action required.

OBJECTIVE 3: Determine whether the contract renewals are properly authorized.

OBSERVATION 3: Based on the testing performed for the one contract renewal, it was determined that the renewal was appropriately authorized by HCTRA Management.

RECOMMENDATION 3: No action required.

Internal Audit Standards

We conducted our engagement in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards). The Standards require that we comply with the Code of Ethics and obtain reasonable assurance that significant risks to the activity are minimized to an acceptable level.

Leslie Wilks Garcia, M.Jur., CPA, CFE
First Assistant County Auditor
Accounting Division

Errika Perkins, CPA, CIA, CFE
Chief Assistant County Auditor
Audit Division



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MICHAEL POST, CPA, CIA
HARRIS COUNTY AUDITOR

November 10, 2023

Dear Dr. Tina Petersen:

The Harris County Auditor's Office – Internal Audit Division has completed an audit of the Harris County Flood Control District's (Flood Control District) Professional Services Exemption process. The results of our audit are included in the attached report.

We appreciate the time and attention provided by your team. They will receive an email request to complete our Post Engagement Survey. We look forward to the feedback. If you have any questions, please contact me or Errika Perkins, Chief Assistant County Auditor, 713-274-5673.

Sincerely,

A handwritten signature in blue ink that reads "Michael Post".

Michael Post
County Auditor

Report Copies:

District Judges
County Judge Lina Hidalgo
Commissioners:
Lesley Briones
Rodney Ellis
Adrian Garcia
Tom Ramsey

Christian Menefee
Diana Ramirez
Bruce Haupt
Anthony Bacarisse



INTERNAL AUDIT REPORT
**FLOOD CONTROL DISTRICT PROFESSIONAL
SERVICES EXEMPTION AUDIT**

NOVEMBER 10, 2023

Executive Summary

OVERALL CONCLUSION

Internal controls over the professional services exemption process within the Flood Control District are generally effective. However, an opportunity was identified to improve documentation for the Flood Control District's vendor selection process, related to Texas Government Code 2254.004 (Subchapter A). An additional opportunity was identified to strengthen internal controls for conflict of interest (COI) certifications to comply with Texas Local Government Code Chapter 176. The issues were discussed with the Flood Control District, and management action plans were developed to address the issues by March 1, 2024.

SCOPE AND OBJECTIVE

The scope of the audit covered the period of January 1, 2022, to December 31, 2022. The objective was to evaluate the design and effectiveness of controls over procurement exemptions for professional services greater than \$50,000 to:

- Determine compliance with Texas Government Code Chapter 2254.004 and Texas Local Government Code Chapter 176,
- Compare Flood Control District's professional service procurement procedures to the Harris County (County) Procurement Policy and procurement best practices, and
- Validate that the Flood Control District's is using certified MWBE vendors.

SUMMARY OF AUDIT ISSUES

- While the Flood Control District maintains a qualifications-based selection process, it does not require Procurement Selection Committee members to document and retain scoring of the most qualified bidder.
- Testing of 13 Procurement Selection Committee members' conflict of interest (COI) certifications identified 10 that were over a year old and 2 that did not have the certification on file.

The audit issues, management's action plans to address the issues, and background information regarding this audit are discussed in more detail on the following pages.

AUDIT ISSUES

ISSUE 1: Procurement Selection Committee Members Are Not Documenting Scoring Of Most Qualified Bidder [HIGH]

What is the Issue: The Flood Control District does not require Procurement Selection Committee members to document and retain scoring of the most qualified bidder.

Why it Happened: While the Procurement Policy of the County approved by Commissioners Court in 2022 provides detailed guidance on the evaluation and scoring of proposals, the Policy states that the Flood Control District, along with the Office of County Engineering and Harris County Toll Road Authority/Harris County Toll Road Corporation can “administer their own procedures or may request the County Purchasing Agent’s Office (Purchasing Office) administer the Request for Qualifications (RFQ) process” because of a 1977 Commissioners Court order separating the professional service procurement process. Specific guidance on procedures were not embedded in the 1977 Commissioners Court order.

Why it Matters: Maintaining documentation of the scoring of vendors for professional services contracts provides transparency on the merit of a technical proposal or statement of qualification with respect to the evaluation and justification for selecting a vendor.

What is Expected: Per the Texas Government Code §2254.004 (a), “In procuring architectural, engineering, or land surveying services, a governmental entity shall: (1) first select the most highly qualified provider of those services on the basis of demonstrated competence and qualifications; and (2) then attempt to negotiate with that provider a contract at a fair and reasonable price. (b) If a satisfactory contract cannot be negotiated with the most highly qualified provider of architectural, engineering, or land surveying services, the entity shall: (1) formally end negotiations with that provider; (2) select the next most highly qualified provider; and (3) attempt to negotiate a contract with that provider at a fair and reasonable price. (c) The entity shall continue the process described in Subsection (b) to select and negotiate with providers until a contract is entered into.”

Departments conducting procurements independent of the County’s Purchasing Office should develop procedures to strengthen documentation and internal controls related to Texas Government Code §2254.004 (Subchapter A). Evidence of compliance with this statute should be retained by the department.

What Action(s) are Suggested: The Flood Control District should develop procedures to document the selection of the most highly qualified professional service vendor. Training and monitoring of vendor selection expectations should be included in the procedure.

Management should consider adopting procedures that are aligned with the County’s Procurement Policy to facilitate consistency and minimize the administrative effort of new procedures.



MANAGEMENT'S ACTION PLAN

Responsible Party: Bruce Haupt, Ph.D., Chief Finance & Administration Officer

The Harris County Flood Control District (HCFCD) maintains a qualifications-based selection process for Professional Services. Of note, while the audit identified an opportunity to strengthen documentation for evaluation, scoring, and selection processes, there was no evidence of non-compliance with Texas Government Code §2254.004 (Subchapter A).

The HCFCD's qualifications-based selection process involves the maintenance of a supplier registry for firms providing relevant professional services. When services are required, District staff review the qualifications of active, eligible firms in the registry to identify the most highly qualified firms.

The criteria for selecting the most qualified firms includes:

- Demonstrated competence and qualifications to perform the services
- Capacity of proposed resources to execute the project
- Past performance

With new leadership at the Harris County Flood Control District in 2022, the District identified opportunities to improve its professional services procurement processes and has a range of initiatives underway. This includes:

- Forming a centralized Procurement Department in early 2023 to oversee and manage procurement processes, and develop and maintain standards and documentation.
- Contracting a specialized consultant in August 2023 to process map and document the invitation to bid (ITB), request for proposal (RFP), request for qualifications (RFQ), and Professional Services procurement processes, including the development of a manual for each process, Standard Operating Procedures (SOPs), and checklists that will provide an opportunity to strengthen internal documentation as well as streamline processes (targeting quality, reduced variability, etc.)
- Continuing the implementation of the District's "Unifier" application, which provides workflow and review processes for the management of the District's substantial portfolio of projects, including engineering agreements and construction contracts.

Relevant to this audit issue, the District is currently redesigning the HCFCD qualifications-based selection process as part of its broader effort to improvement procurement processes (in alignment with the Procurement Policy of Harris County and peer agency policies and processes). This will include:

1. Review and improvement of HCFCD supplier registry processes and database
2. Review and improvement of Standard Operating Procedures (SOPs) and documentation for screening, identifying, and recommending a most qualified vendor (to include certification that involved staff have no Conflict of Information)

The District will have plans and documentation prepared by March 1, 2024, and implementation of new processes by August 1, 2024.



Due Dates:

March 1, 2024 – Follow-up to align on completion of all plans and documentation for redesigned qualifications-based selection process for professional services and deployment of new RFQ process.

August 1, 2024 – Follow-up on implementation of new policies and processes.



ISSUE 2: Untimely Conflict of Interest Certifications [MODERATE]

What is the Issue: Testing of 13 Procurement Selection Committee members' conflict of interest certifications identified 10 that were over a year old and 2 that did not have the certification on file. In addition, the current COI process does not account for new conflicts that may be introduced with new vendors.

Why it Happened: The Commissioners Court-approved Procurement Policy of the County states that the Flood Control District can “administer their own procedures or may request the County Purchasing Agent’s Office (Purchasing Office) administer the Request for Qualifications (RFQ) process” because of a 1977 Commissioners Court order separating the professional service procurement process.

The County’s Procurement Policy requires all Evaluation Committee members to complete a COI certification to evaluate proposals or vendor statements of qualifications in accordance with the written criteria supplied in a solicitation document.

Why it Matters: Failure to have timely COI certifications increases the risk that the Procurement Selection Committee may fail to account for new conflicts of interest when making vendor selections. Credibility and public confidence are vital throughout the procurement process and require processes that reduce real or apparent COI.

What is Expected: Texas Local Government Code 176.001 - 176.003 defines a local government officer as an agent of a local government entity who exercises discretion in the planning, recommending, selecting, or contracting of a vendor and requires these officers to file a conflicts disclosure if a contract has been executed with the vendor or the local government is considering entering into a contract.

What Action(s) are Suggested: A COI procedure should be developed to ensure Procurement Selection Committee members are required to complete a COI certification as new professional services vendors are contracted or considered for a contract. Training and monitoring of COI certification expectations should be included in the procedure.

Management should consider adopting procedures that are aligned with the County’s Procurement Policy to facilitate consistency and minimize the administrative effort of new procedures.



MANAGEMENT'S ACTION PLAN

Responsible Party: Bruce Haupt, Ph.D., Chief Finance & Administration Officer

The Harris County Flood Control District (HCFCD) has an existing personnel policy that requires employees to notify their supervisor of any potential for conflict of interest. In addition, licensed engineers are required to disclose any potential conflicts of interest per the Texas Board of Professional Engineers and Land Surveyors Professional Conduct and Ethics requirements. However, to improve documentation related to conflict of interest, HCFCD will begin using a form to certify that there is no Conflict of Interest on all HCFCD managed professional services procurement processes.

These enhancements to District conflict of interest processes will be embedded into refreshed Personnel Guidelines, be included in refreshed HCFCD onboarding process, and be part of HCFCD professional services procurements.

Due Dates:

January 15, 2024 – Follow-up to align on all planned changes to Conflict of Interest processes.

August 1, 2024 – Follow-up on implementation of new policies and processes.



BACKGROUND

FLOOD CONTROL DISTRICT

The Flood Control District is a special purpose district created in 1937 by the Texas Legislature and governed by the County Commissioners Court. It was created in response to devastating floods that struck the region in 1929 and 1935. Funding for the Flood Control District is mainly provided by property taxes, federal and state grants, cost sharing agreements, and funding set aside by Commissioners Court.

The Flood Control District performs the procurements for professional services greater than \$50,000 independent of the Purchasing Office. The Purchasing Office procures the Flood Control District's professional services funded with federal dollars. The Flood Control District has an online professional services registry that accepts and maintains a registry of Architect-Engineer Qualifications (Standard Form 330). The Standard Form 330 assists the Flood Control District in assessing a firm's capabilities, its key personnel, and its relative experience. Each Standard Form 330 is required to include resumes of key personnel and the services each firm is qualified to perform.

The Flood Control District utilizes Unifier as their project management system for housing data, managing consultant agreements and engineering contracts and managing the workflow of projects. The system is used in addition to PeopleSoft/STARS for project initiation, requisitions, budgeting, etc.

HARRIS COUNTY'S PROCUREMENT PROCESS

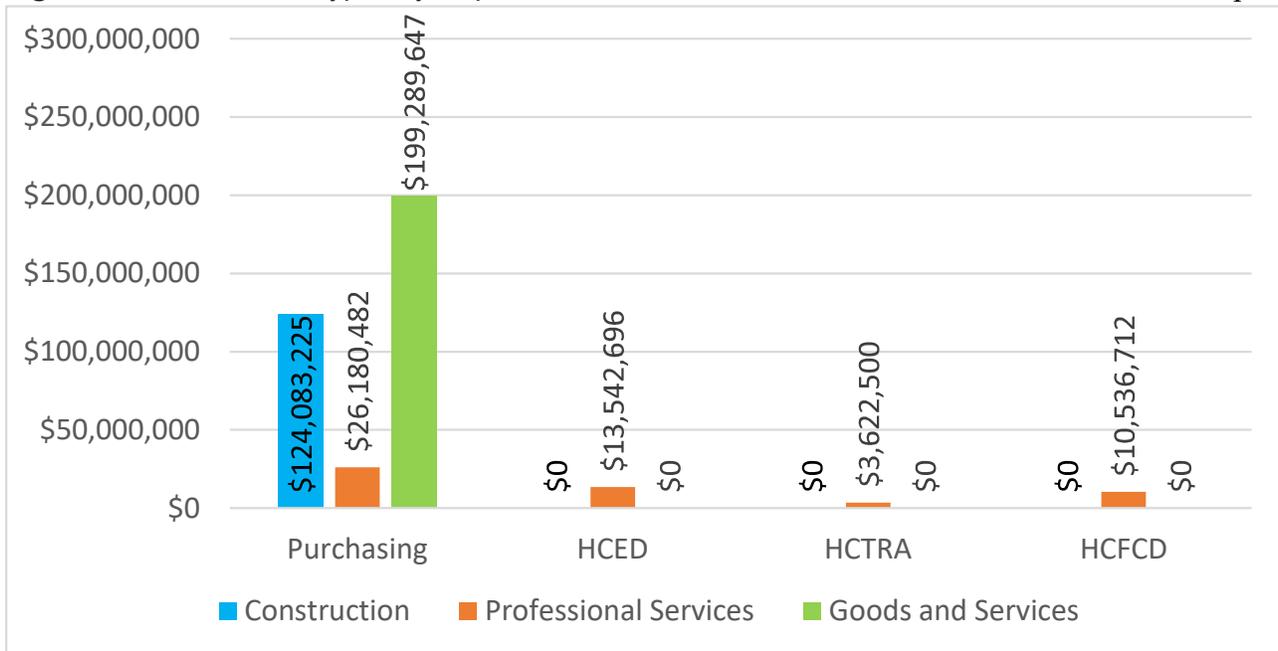
The Purchasing Agent is appointed by a board of 3 district judges and 2 commissioners as required by Texas Local Government Code Section 262.011. In 1977, Commissioners Court approved an order adopting a "Policy on Specifications to go Out for Sealed Bids (Policy)." The Policy stated the Purchasing Agent has the responsibility of writing specifications for all County items except construction, road construction and maintenance, and motorized equipment for Parks and Road and Bridge.

On January 4, 2022, Commissioners Court approved the Purchasing Agent's Procurement Policy of the County. The policy states, "The Office of County Engineering, Harris County Flood Control District, and Harris County Toll Road Authority/Harris County Toll Road Corporation also conduct RFQs and make recommendations to Commissioner Court for selection of Professional Services. Each division administers their own procedures or may request the Purchasing Office administer the RFQ process." The Procurement Policy requires all Evaluation Committee members to independently evaluate and score the proposals or statements of qualifications using only the evaluation factors that were published in the solicitation when selecting a vendor.

As a result of these departments procuring their professional services greater than \$50,000 independent of the Purchasing Office, there is currently no central tracking of the County's professional services. Tracking of these awards is determined by each department. **Figure 1** was manually compiled by the Department of Economic Equity and Opportunity (DEEO) and depicts the contracts awarded by each department from October 2022 – March 2023. Note: HCED stands for the County's Engineering Department. The Purchasing Office accounts for slightly less than 50% of total professional service procurements.



Figure 1: Procurement Types by Dept. Source: DEEO M/WBE Utilization FY23 Mid-Year Report



Professional Service Procurement Survey of other Counties

Internal Audit interviewed the five counties below and learned that Harris County is the only county that procure professional services independent of their Purchasing office. **Figure 2** below summarizes the responses from the five counties regarding the handling of professional services.

Figure 2: Procurement Benchmark Poll for Various Counties in Texas

	Harris County	Denton County	Tarrant County	Travis County	Bexar County	Collin County
Are professional services exemptions (RFQs/Engineer/Architect) required to go through the Purchasing Agent for procurement/supplier selection?	No	Yes	Yes	Yes	Yes	Yes
Are there any instances where procurement for professional services (RFQs/Engineer/Architect) is delegated to a County Department?	Yes	No	No	No	No	No
Can Commissioners choose which vendor they prefer?	Yes	No	No	No	Yes	No



ACCOUNTABILITY

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards). The Standards require that we comply with the Code of Ethics and obtain reasonable assurance that significant risks to the activity are minimized to an acceptable level.

The engagement's scope did not include a detailed inspection of all transactions. There is a risk that fraud or errors were not detected during this engagement. Therefore, the official retains the responsibility for the accuracy and completeness of their financial records and for ensuring sufficient controls are in place to detect and prevent fraud, errors, or omissions.



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MICHAEL POST, CPA, CIA
HARRIS COUNTY AUDITOR

April 5, 2024

Dear Members of Commissioners Court and Milton Rahman, County Engineer:

The Harris County Auditor's Office – Internal Audit Division has completed an audit of the Harris County Engineering Department's procurement of professional services process. The results of our audit are included in the attached report.

We appreciate the time and attention provided by your team. Please expect an email request to complete our Post Engagement Survey. We look forward to your feedback. If you have any questions, please contact me or Errika Perkins, Chief Assistant County Auditor, 713-274-5673.

Sincerely,

A handwritten signature in blue ink that reads "Michael Post". The signature is written in a cursive style with a long horizontal stroke at the end.

Michael Post
County Auditor

Report Copies:

District Judges
County Judge Lina Hidalgo
Commissioners:
Lesley Briones
Rodney Ellis
Adrian Garcia
Tom Ramsey
Christian Menefee
Diana Ramirez
John Dyess
Bashar Ahmed



INTERNAL AUDIT REPORT

ENGINEERING DEPARTMENT'S PROFESSIONAL SERVICES PROCUREMENT AUDIT

APRIL 5, 2024

Executive Summary

OVERALL CONCLUSION

The Harris County Engineering (Engineering Department) issues Request for Qualifications (RFQs) and makes recommendations to Commissioners Court for selection of professional services. The Engineering Department administers their own procedures for professional services, except for projects with an estimated construction cost of \$5 million dollars or more and professional services funded with federal dollars. The Procurement Policy of Harris County allows the Engineering Department to request the Purchasing Office to administer the RFQ process. Please see the background section for additional details.

Opportunities were identified to align the Engineering Department's vendor selection documentation with Texas Government Code § 2254.004 (Subchapter A). Additionally, we identified opportunities to develop policies and procedures that would require conflict of interest (COI) certifications to comply with Texas Local Government Code Chapter 176 and conduct federal debarment checks on vendors. The issues were discussed with the Engineering Department, and management action plans were developed to address the issues by August 1, 2024.

SCOPE AND OBJECTIVE

The scope of the audit period was amended to July 1, 2023, through November 30, 2023, to align with the Engineering Department's documentation retention. The audit objective was to evaluate the design and effectiveness of controls over procurement for professional services greater than \$50,000 to:

- Determine compliance with Texas Government Code §2254.004 and Texas Local Government Code Chapter 176.
- Compare the Engineering Department's professional service procurement procedures to the Harris County Procurement Policy and procurement best practices.

SCOPE LIMITATION: The Engineering Department implemented a new process starting on July 1, 2023. The previous Administration did not consistently retain evidence of vendor selections made prior to this new process. In certain instances, vendor selection documentation was not available because the vendor was awarded the project in a previous phase of construction.

SUMMARY OF AUDIT ISSUES

- While the Engineering Department and Precincts maintain a qualifications-based selection process, they do not require employees involved to document the selection of the most qualified bidder.
- Personnel responsible for vendor selection do not have COI certifications on file.

- A federal debarment review¹ is not completed on vendors prior to the contract award.

The audit issues, management's action plan to address the issues, and background information regarding this audit are discussed in more detail on the following pages.

¹ A debarment review is a process to verify if an entity or its principals are subject to an active federal exclusion, i.e., declared ineligible for the award of a contract.



AUDIT ISSUES

ISSUE #1: Lack of Documentation for Most Qualified Bidder [HIGH]

What is the Issue: The Engineering Department does not require personnel involved in the vendor evaluation process to document the selection of the most qualified bidder for architectural, engineering, or land surveying professional services.

Personnel Participating in the Professional Service Vendor Selection

Vendor Decision	Precinct 1	Precinct 2	Precinct 3	Precinct 4
The professional services vendor recommendation or selection is made by:	Engineering Department	Precinct 2 Engineers	Precinct 3 Commissioner	Precinct 4 Engineers

Why it Happened: The Engineering Department did not have written policies or procedures to document the selection of the most qualified vendor for architectural, engineering, or land surveying professional services.

The January 2022 Commissioners Court-approved Procurement Policy of Harris County provides detailed guidance on the evaluation and scoring of proposals. In addition, the Policy states that the Flood Control District, along with the Engineering Department and Harris County Toll Road Authority/Harris County Toll Road Corporation can “administer their own procedures or may request the County Purchasing Agent’s Office (Purchasing Office) administer the Request for Qualifications (RFQ) process” because of a 1977 Commissioners Court order separating the professional service procurement process. Specific guidance on procedures were not embedded in the 1977 Commissioners Court order.

Why it Matters: Maintaining documentation of the selection of the architectural, engineering, or land surveying professional service provider creates transparency and public trust of the merit of the most qualified vendor’s technical proposal or statement of qualification.

What is Expected: Per the Texas Government Code §2254.004 (a), “In procuring architectural, engineering, or land surveying services, a governmental entity shall: (1) first select the most highly qualified provider of those services on the basis of demonstrated competence and qualifications; and (2) then attempt to negotiate with that provider a contract at a fair and reasonable price. (b) If a satisfactory contract cannot be negotiated with the most highly qualified provider of architectural, engineering, or land surveying services, the entity shall: (1) formally end negotiations with that provider; (2) select the next most highly qualified provider; and (3) attempt to negotiate a contract with that provider at a fair and reasonable price. (c) The entity shall continue the process described in Subsection (b) to select and negotiate with providers until a contract is entered into.”

What Action(s) are Suggested: The Engineering Department should develop a policy and procedure to define the process for the selection of the most highly qualified architectural, engineering, or land surveying professional service. The procedures should include documentation retention requirements that are in line with the County’s Records Control Schedule. In addition, all participating departments should be trained on the process.

Management should consider adopting procedures that are aligned with the County’s Procurement Policy to facilitate County-wide consistency and minimize the administrative effort of new procedures.



MANAGEMENT'S ACTION PLAN

Responsible Party: Bashar Ahmed, Chief Financial Officer

The Harris County Engineering Department (HCED) maintains a qualification-based selection process for professional services. The current process involves the maintenance of a supplier registry for vendors providing relevant professional services. When services are required, the respective personnel review qualifications of active eligible vendors in the registry to identify the most highly qualified ones.

Of note, while the audit identified an opportunity to strengthen documentation for evaluation, scoring, and selection processes, there was no evidence of non-compliance with Texas Government Code §2254.004 (Subchapter A).

The HCED's qualifications-based selection process involves the maintenance of a supplier registry for firms providing relevant professional services. When services are required, HCED staff review the qualifications of active, eligible firms in the registry to identify the most highly qualified firms.

The criteria for selecting the most qualified firms includes:

- Demonstrated competence and qualification to perform the services
- Capacity of the proposed resources to execute the project
- Past performance

With new leadership at the Harris County Engineering Department in 2022, the County Engineer identified areas for improvement to design, develop, and centralize the contract process. Through this initiative, in 2023, the Engineering Department created the Regulatory & Governmental Affairs Division. This division is responsible for communicating and standardizing selection processes between the portfolio management office (PMO), purchasing department, clients, vendors, internal project managers, and other stakeholders. These functions recently moved to a newly created contract and business service division.

To evidence the selection of the most highly qualified vendor, the Engineering Department will develop written, comprehensive policies and procedures for professional service procurements governed by the Texas Government Code §2254.004. The policies and procedures will clearly define roles, responsibilities, and expectations for their department, as well as other participating departments involved in the vendor recommendation and selection process. The Engineering Department will communicate, train, and monitor for compliance once the new policy and procedure have been created.

The policy will define the following requirements to evidence the selection of the most qualified vendor or architectural, engineering, or land surveying professional services:

- 1) Evaluation criteria and methodology
- 2) Document retention requirements that align with Harris County Records and Information Management Plan.

Due Dates:

June 1, 2024 - Completion of written, comprehensive policies and procedures for professional service procurements governed by the Texas Government Code §2254.004.

August 1, 2024 - Implementation of new policies and processes.



ISSUE #2: No Conflict-of-Interest Certifications [HIGH]

What is the Issue: There were no conflict-of-interest (COI) certifications on file for Engineering Department employees and Commissioner Precincts employees involved in the vendor selection or recommendation process.

Why it Happened: The Engineering Department did not have written policies or procedures to require employees to document COI, such as related parties, that would impact their objectivity in the vendor selection or recommendation process.

The Commissioners Court-approved Procurement Policy of Harris County states that the Engineering Department can “administer their own procedures or may request the County Purchasing Agent’s Office administer the RFQ process” because of a 1977 Commissioners Court order separating the professional service procurement process.

Why it Matters: Failure to have timely COI certifications increases the risk that the County may fail to account for existing or new conflicts of interest when making vendor selections. Credibility and public confidence are vital throughout the procurement process and require processes that reduce real or apparent COI.

What is Expected: Texas Local Government Code 176.001 – 176.003 defines a local government officer as an agent of a local government entity who exercises discretion in the planning, recommending, selecting, or contracting of a vendor. These officers are required to file a conflicts disclosure if they are involved in the selection or recommendation of a vendor.

What Action(s) are Suggested: A COI procedure should be developed to ensure employees involved in the vendor selection process are required to complete a COI certification. Training and monitoring of COI certification expectations should be included in the procedure.

Management should consider adopting procedures that are aligned with the County’s Procurement Policy to facilitate County-wide consistency and minimize the administrative effort of new procedures. Human Resources and Risk Management has existing COI forms available to departments on the County’s intranet page.



MANAGEMENT'S ACTION PLAN

Responsible Party: Dr. Emma Santa Maria, Chief Administrative Officer

The Engineering Department will develop comprehensive policies and procedures for professional service procurements in compliance with the Texas Local Government Code 176.001 – 176.003. These policies and procedures will clearly define roles, responsibilities, and expectations for their department, as well as for other participating departments involved in the vendor recommendation or selection process. The Engineering Department will communicate, train, and monitor for compliance once the new policy and procedures have been created.

The policy will include the following requirements to monitor for potential conflict-of-interest (COI):

- 1) The Engineering Department will adopt Human Resources and Risk Management COI Forms, located at <https://webhc.hctx.net/SitePages/Policies%20Procedures%20and%20Forms.aspx>.
- 2) Define expectations and frequency of COI form completion by employees involved in the vendor recommendation or selection process, with subsequent review to manage any known COI.
- 3) Documentation retention requirements that align with Harris County Records and Information Management Plan, located at [Information Governance and Records Management \(harriscountytexas.gov\)](http://www.harriscountytexas.gov/information-governance-and-records-management).

Due Dates:

June 1, 2024 - Completion of the development of comprehensive policies and procedures for professional service procurements in compliance with the Texas Local Government Code 176.001 – 176.003.

August 1, 2024 - Implementation of new policies and processes.



ISSUE #3: No Debarment Review for Vendors [MODERATE]

What is the Issue: Contracts for Professional Services are awarded without conducting a review of the selected vendor's debarment status with the appropriate federal agency. A debarment review is a process to verify if an entity or its principals are subject to an active federal exclusion, i.e., declared ineligible for the award of a contract.

Why it Happened: The Engineering Department did not have written policies or procedures to require a debarment review prior to the award of a vendor contract.

The Commissioners Court-approved Procurement Policy of the County states that the Engineering Department can "administer their own procedures or may request the County Purchasing Agent's Office administer the RFQ process" because of a 1977 Commissioners Court order separating the professional service procurement process.

Why it Matters: Failure to conduct a debarment review increases the risk of the County entering a contract with a vendor that is debarred or suspended, which could result in a lack of due diligence, financial loss, or damage to the County's reputation. Debarment reviews are a crucial step in ensuring that organizations engage with vendors who are most qualified and contribute to the overall success and integrity of County operations.

What is Expected: The County's Procurement Policy requires verification of eligibility and debarment status to be reviewed prior to the award of a contract.

What Action(s) are Suggested: A procedure should be developed to ensure employees involved in the vendor selection process are required to complete a federal debarment check of the vendor prior to awarding a contract.

Management should consider adopting procedures that are aligned with the County's Procurement Policy to facilitate County-wide consistency and minimize the administrative effort of new procedures.



MANAGEMENT'S ACTION PLAN

Responsible Party: Bashar Ahmed, Chief Financial Officer

The Engineering Department will develop comprehensive policies and procedures for professional service procurements that will clearly define roles, responsibilities, and expectations for their department, as well as for other participating departments involved in the vendor recommendation or selection process. The Engineering Department will communicate, train, and monitor for compliance once the new policy and procedures have been created.

The policy will include the following requirements for a debarment review:

- 1) Conduct debarment reviews prior to the award of a vendor contract and contract renewals.
- 2) Align the debarment review process with the County's Procurement Policy.
- 3) Documentation retention requirements that align with Harris County Records and Information Management Plan, located on Harris County Information Governance and Records Management website at link [Information Governance and Records Management \(harriscountytexas.gov\)](http://www.harriscountytexas.gov/information-governance-and-records-management).

Due Dates:

May 1, 2024 - Conduct debarment review prior vendor contract award and renewal.

June 1, 2024 - Completion of the development of comprehensive policies and procedures for professional service procurements in compliance with the Texas Local Government Code.

August 1, 2024 - Full Implementation of new policies and processes.



BACKGROUND

ENGINEERING DEPARTMENT

The Engineering Department provides services to various County departments encompassing engineering, architecture, land surveying, real estate assessment and acquisition, project management, construction management, landscape architecture, and environmental services.

The Engineering Department procures professional services independent of the Purchasing Agent, except for those funded with federal dollars. The Engineering Department has an online professional services registry that accepts and maintains a registry of Architect-Engineer Qualifications (Standard Form 330). The Standard Form 330 assists the Engineering Department in assessing a firm's capabilities, its key personnel, and its relative experience. Each Standard Form 330 is required to include resumes of key personnel and the services each firm is qualified to perform.

The Engineering Department utilizes e-Builder as their project management system for housing data, managing consultant agreements, and engineering contracts, and managing the workflow of projects. The system is used in addition to PeopleSoft/STARS for project initiation, requisitions, budgeting, etc.

HARRIS COUNTY COMMISSIONERS COURT POLICY

In 1977, Commissioners Court approved an order adopting a "Policy on Specifications to go Out for Sealed Bids (Policy)." The Policy stated the Purchasing Agent has the responsibility of writing specifications for all County items except construction, road construction and maintenance, and motorized equipment for Parks and Road and Bridge. Subsequent to this Commissioners Court order, the Purchasing Agent handles all procurement activities for the County, with the exception of professional services for projects with an estimated construction cost under \$5 million dollars and professional services not funded by federal grants. The Purchasing Agent serves as an objective internal control in local governments as they are appointed by a board of 3 district judges and 2 commissioners as required by Texas Local Government Code Section 262.011.

On January 4, 2022, Commissioners Court approved the Purchasing Agent's Procurement Policy of the County. The policy states, "The Office of County Engineering, Harris County Flood Control District, and Harris County Toll Road Authority/Harris County Toll Road Corporation also conduct RFQs and make recommendations to Commissioner Court for selection of Professional Services. Each division administers their own procedures or may request the Purchasing Office administer the RFQ process."

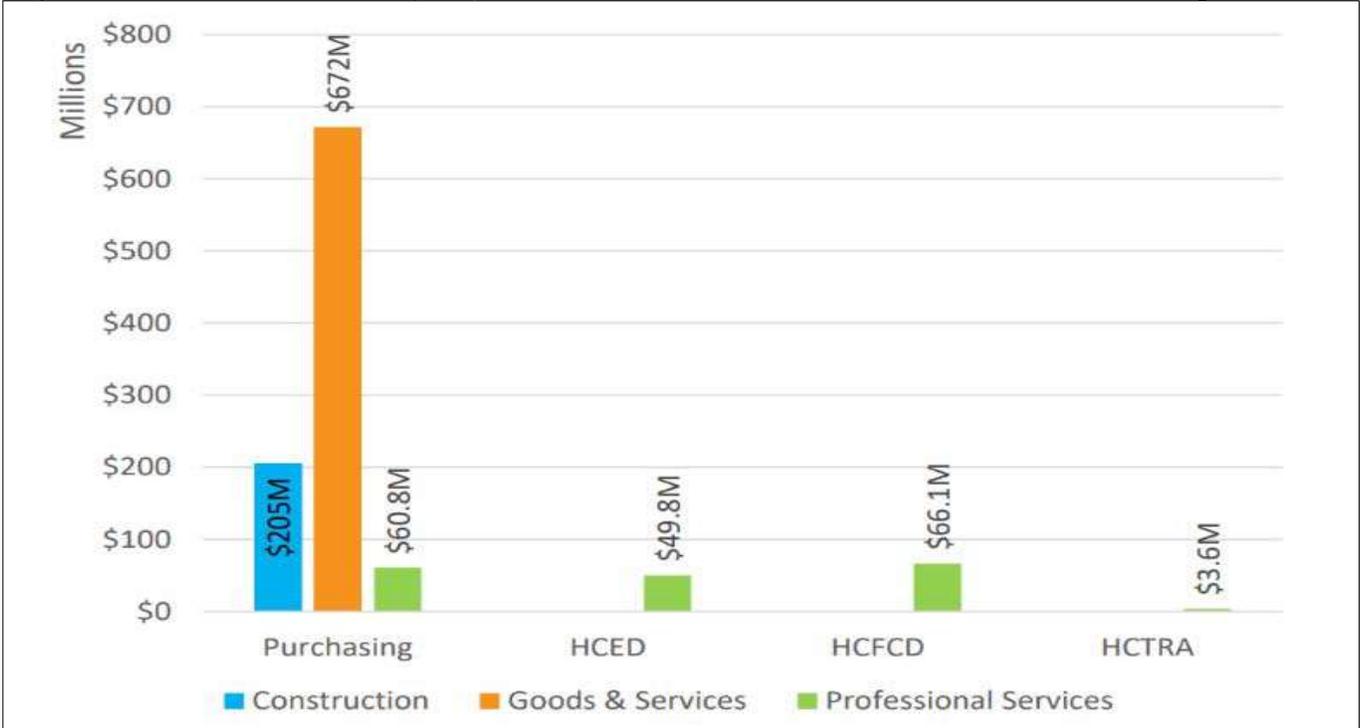
The Procurement Policy requires all Evaluation Committee members to independently evaluate and score the proposals or statements of qualifications using only the evaluation factors that were published in the solicitation when selecting a vendor.

HARRIS COUNTY'S PROFESSIONAL SERVICE PROCUREMENT PROCESS

Texas Local Government Code 262.024 allows the Purchasing Agent to exempt professional services from the competitive bid process per the 1977 Commissioner Court order. This provides flexibility to ensure the County can efficiently obtain the specialized services they require while maintaining high standards of quality and expertise. Professional Services includes architectural, engineering, and land surveying. As a result of Harris County's Engineering, Toll Road Authority, and Flood Control departments procuring their professional services independent of the Purchasing Agent, there is currently no central tracking of the County's professional services. Tracking of these awards is determined by each department. **Figure 1** was manually compiled by the Department of Economic Equity and Opportunity (DEEO) and depicts the contracts awarded by each department from October 2022 – September 2023. Note: HCED stands for the County's Engineering Department. The Purchasing Office accounts for 34% of total professional service procurements.



Figure 1: Contracts Awarded by Dept. Source: DEEO M/WBE Utilization FY23 Annual Report



PROFESSIONAL SERVICE PROCUREMENT SURVEY OF OTHER COUNTIES

Internal Audit interviewed the five counties below and learned that Harris County is the only county that procures professional services independent of their Purchasing office. **Figure 2** below summarizes the responses from the five counties regarding the handling of professional services.

Figure 2: Professional Service Procurement Benchmark Survey for Counties in Texas

Professional Services = RFQ for Engineers, Architects, or Construction Services	Harris County	Denton County	Tarrant County	Travis County	Bexar County	Collin County
Are professional services procurements required to go through the Purchasing Agent for vendor selection?	No	Yes	Yes	Yes	Yes	Yes
Can Commissioners choose which vendor they prefer?	Yes	No	No	No	Yes	No



ACCOUNTABILITY

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards). The Standards require that we comply with the Code of Ethics and obtain reasonable assurance that significant risks to the activity are minimized to an acceptable level.

The engagement's scope did not include a detailed inspection of all transactions. There is a risk that fraud or errors were not detected during this engagement. Therefore, the official retains the responsibility for the accuracy and completeness of their financial records and for ensuring sufficient controls are in place to detect and prevent fraud, errors, or omissions.

