

**OFFICE OF THE CITY CONTROLLER**



**HOUSTON AIRPORT SYSTEM  
HOUSTON DEPARTMENT OF HEALTH AND HUMAN SERVICES  
INFORMATION TECHNOLOGY DEPARTMENT**

**PURCHASING CARD ACTIVITY AUDIT  
HURRICANE IKE HOTEL CHARGES**

**Ronald C. Green, City Controller**

**David A. Schroeder, Acting City Auditor**



OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

RONALD C. GREEN

March 12, 2010

The Honorable Annise D. Parker, Mayor  
City of Houston, Texas

SUBJECT: Houston Airport System (HAS);  
Houston Department of Health and Human Services (HDHHS);  
Information Technology Department (ITD);  
Purchasing Card Activity Audit – Hurricane Ike Hotel Charges (Report No. 2010-15)

Dear Mayor Parker:

The Audit Division of the City of Houston (the City) Controller's Office has completed an audit for Purchasing Card (P-Card) activities during Hurricane Ike, specifically for room and board for non-City employees performing disaster recovery work. HAS, HDHHS, and ITD did not have P-Card charges for non-City disaster workers; however they did incur charges for their own employees in support of emergency operations. The Audit of other City departments incurring charges associated with non-City disaster workers will be reported under separate cover.

The general audit objectives were to evaluate the expenses to ensure the amounts were reasonable, accurately computed, supported and properly recorded, and the original scope period was from September 14, 2008 through November 15, 2008.

The audit team noted that some Hotel Occupancy Taxes (HOT) and sales taxes were paid inadvertently as the Governor of Texas suspended HOT for the Hurricane Ike disaster area and the COH is exempt from paying sales tax for the items purchased. Total Hotel Charges incurred due to overtime of City employees for the three departments identified in the subject of this audit was \$10,021 while erroneous HOT and Sales Tax Charges totaled \$528. Efforts to collect these taxes from the hotel have been unsuccessful to date.

We appreciate the cooperation and professionalism extended to our auditors by Department personnel during the course of the audit.

Respectfully submitted,

Ronald C. Green  
City Controller

xc: City Council Members  
Anthony Hall, Chief Administrative Officer, Mayor's Office  
Waynette Chan, Chief of Staff, Mayor's Office  
Eric Potts, Director, Houston Airport System  
Stephen L. Williams, Houston Department of Health and Human Services  
Richard Lewis, Director, Information Technology Department  
Alfred Moran, Director, Administration and Regulatory Affairs Department  
Michelle Mitchell, Director, Finance Department

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## **PURPOSE AND SCOPE**

The Audit Division of the City of Houston (the City) Controller's Office has completed an audit of specific activity related to the following three departments:

1. Houston Airport System (HAS);
2. Houston Department of Health and Human Services (HDHHS); and
3. Information Technology Department (ITD).

The original scope of the audit was for Purchasing Card (P-Card) activities during Hurricane Ike, specifically for room and board for non-City employees performing disaster recovery work. HAS, HDHHS, and ITD did not have P-Card charges for non-City disaster workers; however they did incur charges for their own employees in support of emergency operations. The Audit of other City departments incurring charges associated with non-City disaster workers is reported under separate cover. Our objectives for this audit were to:

- Determine the accuracy, reasonableness and appropriateness of hotel charges
- Identify Hotel Occupancy Taxes (HOT) amounts
- Obtain and verify proper supporting documentation for hotel charges
- Identify and report possible overcharges

Professional standards require that we plan and perform audit procedures that obtain sufficient and appropriate evidence to provide a reasonable basis for our conclusion. The original audit scope period was from September 14, 2008 through November 15, 2008, but after further analysis, the scope period was expanded. The dates are recorded in our workpapers and the information was included in our audit.

## **BACKGROUND AND METHODOLOGY**

Hurricane Ike formed on September 1, 2008 and made landfall on Galveston Island, Texas in the early morning hours of September 13, 2008. Hurricane Ike's highest recorded sustained winds were 145 mph making it the 4<sup>th</sup> most intense hurricane to make United States landfall. Damage caused by Ike totaled over \$32 billion throughout seven countries and across 15 states.

When it came onshore in Texas, it was a Category 2 hurricane with a Category 5 equivalent storm surge. In downtown Houston, numerous skyscrapers had windows that were blown out, many of which were in the 75 story JP Morgan Chase Tower. This added to the devastation as it caused both wind and water damage within the buildings, littering many of the downtown streets with broken glass and window framing.

CenterPoint Energy reported that 2.1 million of their 2.26 million customers were without electrical power as of 11:00 AM, Saturday September 13. As of September 29, 2008 over 2 million customers had electrical service restored. The efforts were highlighted because of the over 9,000 mutual assistance lineman and tree trimmers from other parts of the country who worked tirelessly to assist CenterPoint's 3,000 workers. Even with the high number of workers, some homes and businesses were still without power into October, 2008.

Because there were numerous areas needing attention within the City, management from various departments surveyed the City to determine what it would take to get the City back to providing the necessary services. Once this was determined, the departments coordinated with their counterparts in other cities throughout Texas, by taking steps to ensure that a "Mutual Aid Agreement" (MAA) existed or was put in place to facilitate using non-City disaster workers for resources not immediately available in the City. A jurisdiction in Texas, cannot be helped or provide help without having a MAA in place.

As indicated earlier, the three departments appearing in this report, did not utilize non-City employees for disaster workers. Instead, they handled the recovery effort as follows:

- HAS had specific employees working at both Houston Intercontinental and Houston Hobby airports insuring that facilities were up and running as soon as possible after Hurricane Ike's landfall. This involved coordinating grounds and building clean up, covering broken windows and doors; effecting repair where possible and/or coordinating vendors to perform the repair; providing security personnel to damaged buildings until they were secure again. This was accomplished quickly with minimal disruption to the City's two international airports.
- HDHHS had management and staff readily available to repair storm damage and secure their own building as well as assist their clients whose homes were uninhabitable due to damage and flooding caused by Hurricane Ike and the related weather that followed.
- ITD's essential staff was required to work during Hurricane Ike to provide telephone, network, and desktop support for the Mayor's Office and emergency services. In order to ensure all channels of communication were up and running, several of these employees were required to stay overnight. The George R. Brown Convention Center (GRB) was used as a make shift emergency center for the Mayor's Office; therefore, requiring key employees to stay at the hotel connected to the GRB in order to maintain a close presence at all times to allow for immediate assistance.

## **PROCEDURES PERFORMED**

Our procedures were designed to meet the audit objectives identified above and to provide recommendations for improvement where appropriate. Departmental management is ultimately responsible for establishing and maintaining a system of internal controls over P-Card purchases as an integral part of the overall internal control structure. The objective of the system is to provide management with reasonable, but not absolute, assurance that administration of the purchasing process complies with all applicable procedures, orders, and laws.

Due to the inherent limitations found in any system of internal controls, errors or irregularities may occur and may not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with procedures may deteriorate.

In order to obtain sufficient and appropriate evidence to conclude on the audit objectives identified above, the audit team performed the following procedures:

- Obtained and examined APs, EOs, Charter, proclamations, ordinances, and state laws related to P-Card activities, allowable purchases, declaring "Emergency" status, and suspension of the payment of HOT.
- Data analysis on an extract from the P-Card software used to manage the City's P-Card usage and functions.
- Recalculated the City's amount spent on hotel room and board expenses for the scope period in aggregate, by department, and cardholder, identified discrepancies and referred them to department management for resolution
- A draft report was prepared and management from the three departments reviewed the report for factual accuracy.


### CONCLUSION


Based on the procedures performed in relationship to the audit objectives outlined above, we note the following:

- These charges appeared reasonable, were accurately computed, and properly recorded.
- The HOT and sales taxes were paid inadvertently as the Governor of Texas suspended HOT for the Hurricane Ike disaster area and the COH is exempt from paying sales tax for the items purchased. Efforts to collect these taxes from the hotel have been unsuccessful (see table below).

Department	P-Card Hotel Charges incurred due to Overtime by City employees	HOT and Sales Tax Charges
HAS	\$2,139	\$ 88
HDHHS	\$6,412	\$ 351
ITD	\$1,470	\$ 89
	<b>Total Reimbursable</b>	<b>\$ 528</b>

- There was sufficient documentation (hotel folios and/or an employee credit card statement) to support the hotel charges paid by the City relative to the three department's employees.

  
Arnold R. Adams, CFE, CIA  
Audit Manager

  
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Acting City Auditor