

GALVESTON COUNTY



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September 13, 2016

Honorable Mark A. Henry, County Judge, and
Members of the Commissioners Court

Honorable Mark A. Henry and Members of the Court:

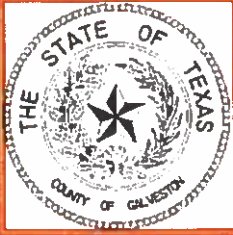
Attached for your consideration is the internal audit report of Child Welfare on behalf of the Department of Professional Services. The audit covered the period June 1, 2015 through May 31, 2016. Also attached is the response letter from James Gentile, dated September 1, 2016.

Sincerely,

A handwritten signature in blue ink that reads "RRice CPA".

Randall Rice CPA
County Auditor

Attachment: Child Welfare Internal Audit Report
Response Letter, James Gentile



Galveston County Child Welfare Internal Audit

July 15, 2016

Galveston
County
Internal Audit
Division

Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA
County Auditor

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Executive Summary

Reliability and Integrity of Information (page 3)

- Numerous vouchers were redeemed for more than the voucher limit. The overage spent was not paid by the purchaser, but instead invoiced to and paid by the county
- The transactions on the JC Penney invoices are unable to be completely verified since they do not contain the voucher number associated with the transaction.
- The county has not been provided with adequate support documentation detailing how county funds approved for CPS were spent by the individual to whom the check was issued.

Compliance with Statutes, Policies and Procedures (pages 4)

- At the time of the audit, the last request for reimbursement sent to the state was for Quarter 2 of Fiscal year 2015 for both legal and child welfare services
 - UTMB is not submitting required monthly reports with the invoices to the county.
 - The Child Advocacy Center and DFPS are not submitting invoices within the timeframe allowed under their respective contracts.
-

Introduction

The Internal Audit Division conducted an internal audit of Galveston County Child Welfare in accordance with Local Government Code §115. The internal audit covered the period June 1, 2015 through May 31, 2016. The audit was performed from June 1, 2016 through July 15, 2016.

The primary objectives of the internal audit are to provide reasonable assurance concerning:

- Reliability and integrity of the information
- Compliance with laws, regulations, contracts, policies, plans and procedures

The scope of the internal audit encompassed the financial records and administrative procedures related to Child Welfare. The internal audit included, but was not limited to, the applicant files, accounts, reports, contracts and records of Child Welfare. The internal audit may also include reports or other records of the County Auditor, other county officials and third party entities.

The internal audit included examining transactions on a test basis, and required exercising judgment in the selection of such tests. As the internal audit was not a detailed examination of all transactions, there is a risk that errors or fraud were not detected during the internal audit. The department head therefore retains the responsibility for the accuracy and completeness of the financial information.

Because of certain statutory duties required of the County Auditor, we are not independent with regard to Child Welfare as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Madeline Walker, Compliance Audit Team Lead, performed the audit.

Reliability and Integrity of Information

Reliable information is accurate, timely, complete and useful. In order to achieve this, controls over record keeping and reporting must be adequate and effective.

Vouchers

Vouchers are issued by Child Welfare upon request from Child Protective Services (CPS) for clothing, food, diapers, and school supplies. The vouchers are issued sequentially and a log is maintained to track the voucher from issuance to use. Each voucher states the purchaser's name, the child's name and age, the amount of the voucher, what it may be used for and where it may be used. Clothing vouchers can be used at either J. C. Penney or Ross, food and diaper vouchers may only be used at Kroger, and school supplies vouchers may only be used at Office Depot. There is a disclaimer on each voucher stating any overage above the voucher limit must be paid by the purchaser and the purchaser is to remit all receipt copies back to the county.

Finding: Numerous vouchers were redeemed for more than the voucher limit. The overage spent was not paid by the purchaser, but instead invoiced to and paid by the county.

Recommendation CW-16-01: Invoices should be reviewed prior to payment to ensure the purchases were not made over the voucher limit and invoiced to the county. Child Welfare shall require all vendors processing vouchers to ensure any overages are paid by the purchaser at the time of the purchase.

Finding: The transactions on the J.C. Penney invoices are unable to be completely verified since they do not contain the voucher number associated with the transaction.

Recommendation CW-16-02: Child Welfare should require that J.C. Penney includes the voucher number on their invoices to the county to ensure vouchers were appropriately used and the J.C. Penney bill is accurate.

CPS Funds

Funding assistance for CPS is approved by the Children's Services Board to be used to cover various needs of children. County checks are issued to a CPS Supervisor in the individual's name, as representative of the organization. It is then the responsibility of the supervisor to cash the checks and use them for the purpose as intended by the Children's Services Board.

Finding: The county has not been provided with adequate support documentation detailing how county funds approved for CPS were spent by the individual to whom the check was issued.

Recommendation CW-16-03: Adequate support documentation should be provided to the Auditor's Office to verify the funds were expended as approved by the Children's Services Board. Future expenditures shall be paid directly to the entity or party and not to an employee of CPS.

Compliance with Statutes, Policies and Procedures

As part of the audit, the auditor evaluated the adequacy and effectiveness of internal controls and governance regarding compliance with laws, regulations and contracts within Child Welfare.

Requests for Reimbursement

Under Title IVE of the Social Security Act, certain expenses relating to child welfare (training, salaries, foster care maintenance, etc.) may be reimbursed to the county. There are two reports submitted to the state on behalf of this grant- one for legal fees and one for child welfare services. Expenses are reimbursed by the state on a quarterly basis.

Finding: At the time of the audit, the last request for reimbursement sent to the state was for Quarter 2 of Fiscal year 2015 for both legal and child welfare services.

Recommendation CW-16-04: Requests to the state for reimbursement should be submitted timely.

Contracts

Through the approval of Commissioners Court, the Children's Services Board has contracted with various entities to provide child welfare services throughout Galveston County. The following four vendors are contracted with the county to provide the stated child welfare services:

- UTMB: physician's assistant services for children
- Child Advocacy Center: funds aid the administrative costs as well as help provide cribs and car seats
- Resolve It: provides children's counseling services in schools
- ~~Department of Family and Protective Services (DFPS): funds a staff position in Galveston County~~

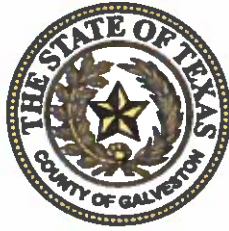
The contracts dictate the amounts that will be provided by the county as well as all reporting requirements to be submitted by the entities.

Finding: UTMB is not submitting required monthly reports with the invoices to the county.

Recommendation CW-16-05: UTMB should submit a monthly report with the invoice to the county that contains all required information as detailed by the contract.

Finding: The Child Advocacy Center and DFPS are not submitting invoices within the timeframe allowed under their respective contracts.

Recommendation CW-16-06: The Child Advocacy Center and DFPS should submit their invoices to the county within the contractually allowable timeframe.



COUNTY OF GALVESTON
Professional Services Department

DAVID M. DELAC, CHIEF FINANCIAL OFFICER

CDBG Housing Department
CDBG Non-Housing
Child Welfare
Fleet
Grants/FEMA

James Gentile
Director of Contract Services

Budget
Financial Assistance
Guardianship Program
Indigent Burials
Indigent Health Care

09/01/2016

Randall Rice
County Auditor
722 Moody 4th Floor
Galveston, TX. 77550

Dear Mr. Rice,

This letter will serve as the response to a draft report performed by Galveston County's Auditing Office, pertaining to Galveston County's Child Welfare, internal audit.

First, the Professional Services Department would like to thank your office and all that were involved, for the professional manner in which this audit was performed.

Per your Executive Summary, I will address the concerns.

1. Vouchers – All Vouchers have been revised to establish a clear message and consequences when utilizing a Voucher provided by Galveston County. Galveston County will also establish standard operating procedures (SOP) for its Voucher Program. Electronic means such as gift cards, store credit cards, etc. will be investigated for possible usage. If a form of credit card can be used, it should help track payments and invoices.
2. JC Penney – ~~JC Penney's has currently been placed on hold and will not be utilized by the Voucher Program until all transactions can be fully verified and/or a new process for Voucher recordings is established by the retailer. Past transactions, per the audit, will be reviewed and additional data will be requested. The County may also request all unverified transactions be refunded.~~
3. CPS - Two transactions cited on the auditor's report indicate inadequate support documentation for County funds granted to Child Protective Services (CPS).
We are currently in communications with CPS officers and we are requesting the balance of support documentation to close out this finding.
In the future, all requests for funding assistance through the Children's Services Board (CSB) by CPS officers will still be requested through CSB, but the funding transaction will be performed by Galveston County's ADA office (Assistant District Attorney). Budgeted funding is in place for the ADA office to perform this activity.
4. Reimbursements to the State – Since this audit, all of FY2015 reimbursements have been processed and requested. First quarter and second quarter of FY2016 to be completed by end of September 2016.

In the future, all reimbursements will be processed 90 days after the end of each quarter. The State agency sends out their IV-E eligibility documentation 60 days after the end of each quarter and it takes 30 days for the County to process.

5. UTMB reporting – We have acquired the monthly reports from UTMB. We have indicated to UTMB staff the correct recipients at the County that should receive the monthly reports. In the future, the County will receive its reports on time.
6. Child Advocacy Center and Department of Family and Protective Services (DFPS) – The Child Advocacy Center will submit their invoices timely, month to month. The DFPS contract will no longer be handled by Child Welfare; it will be placed under the supervision and control of the Galveston County District Attorney's Office. A notice has been sent to DFPS to submit their invoices to the DA's office within their contracted timeframe.

Thank you for the opportunity to reply.

Respectfully,

James Gentile

James Gentile