



County Engineering Department Audit

August 30, 2013

Galveston County
Internal Audit
Division

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Executive Summary

Reliability and Integrity of Information (pages 3)

- All of the receipts that were tested were included on deposit warrants and were delivered to the Treasurer's Office in a timely manner.

Safeguarding of Assets (page 4)

- Physical security over assets (collections) is adequate.
- Cashier's checks and money orders are restrictively endorsed upon receipt.
- All cash was accounted for at the time of the surprise cash count. Collections are deposited in a timely manner, minimizing exposure to loss.

Compliance with Statutes, Policies, and Procedures (pages 5)

- Deposits were in compliance with LGC §113.022 as all checks and money orders received were deposited within 5 business days of receipt.
- The auditor did not detect any material discrepancies with the assessment of court-ordered fees.

Introduction

The Internal Audit Division conducted an internal audit of the County Engineering Department, as required by Local Government Code §115.0035. The internal audit covered the period August 1, 2012 through July 31, 2013. The audit was performed from August 26, 2013 through August 30, 2013.

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

- The reliability and integrity of the information.
- The safeguarding of assets.
- Compliance with laws, regulations, contracts, policies, plans, and procedures.

The scope of the internal audit encompassed the financial records and administrative procedures related to the County Engineering Department. The internal audit included, but was not limited to the books, accounts, reports, and records of the County Engineering Department.

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 official 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 the Galveston County Engineering Department as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Tony Pompa, Internal Auditor I, 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.

One of the most important controls is to have proper separation of duties. No one person should authorize a transaction, record the transaction, and have custody of the assets. The office has instituted procedures to separate the custody of the assets from the recording and authorization functions. The office has an effective separation of duties.

Transaction Accuracy

The Galveston County Engineering Department collects fees for building permits and various engineering services provided by the department. Building permit fees are determined by the estimated cost of construction and each type of engineering service has a set fee.

The auditor tested the accuracy of assessed fees and no material discrepancies were detected.

Financial Data Accuracy

As part of their responsibilities, the Engineering Department collects building permit fees and engineering fees for services rendered. A pre-numbered, County-issued receipt is used for each payment transaction. The receipts are totaled and all payments (checks and money orders) are entered on a deposit warrant and turned in to the County Treasurer. Each receipt tested had a corresponding deposit warrant number and was recorded in IFAS.

The financial data is accurate and no discrepancies were detected during testing.

Safeguarding of Assets

Physical Security - Collections

Depositing daily is one of the best safeguards of assets (collections) as well as providing the County with maximum benefit of the collections.

As part of the audit, the auditor conducted a surprise cash count at the beginning of the audit. All cash was accounted for at the time of the cash count.

The County Engineering Department uses a lockable bank bag locked in a desk drawer to hold the day's collections till the day of deposit.

Cash Management

The County Engineering Department does not accept cash payments for building and engineering fees. Any payments made to the County Engineering Department must be made in the form of a check, money order or credit card. Checks and money orders are restrictively endorsed immediately upon receipt.

Physical Security – Receipts

A pre-numbered, County-issued receipt is used for each payment transaction. The receipt book is kept at the front counter. The receipts are filled out in triplicate with the original going to the customer and the copies remaining in the receipt book. When the deposit warrant is filled out, the checks to be deposited are compared to the receipt book to make sure that a receipt wasn't skipped or overlooked.

Receipts reviewed were issued in sequential order and no receipt numbers were skipped.

Compliance with Statutes, Policies, and Procedures

Deposit Statutes

LGC § 113.022 allows a maximum of five business days to deposit cash, checks or money orders received by County departments.

The County Engineering Department was in compliance with LGC §113.022. Funds are deposited on average every three days.

Court-Ordered Fees

Building permit fees collected by the County Engineering Department are contingent upon the Floodplain Regulations as required by the National Flood Insurance Act (Title 42). The County Engineering Department can collect these fees as ordered by the Commissioner's Court and may not collect any amount that exceeds what is required.

The auditor tested receipts to validate compliance with the Flood Plain Regulations and did not find any material discrepancies.

Pompa, Tony

From: Fitzgerald, Mike
Sent: Wednesday, October 02, 2013 10:56 AM
To: Rice, Randall
Subject: Engineering Dept FY 2013 Audit

Randall, I am in receipt of the draft Engineering Dept FY 2013 Audit. Thank you for providing me the opportunity to provide comments however I have none.

*Regards,
Mike*

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