

GALVESTON COUNTY



Office of County Auditor

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November 6, 2017

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 the Department of Parks and Cultural Services. The audit covered the period August 1, 2016 through July 31, 2017. Also attached is the response letter from Julie Diaz, dated October 11, 2017.

Sincerely,

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

Randall Rice CPA
County Auditor

cc: Julie Diaz

Attachment: Department of Parks and Cultural Services Audit Report
Response Letter, Julie Diaz



COUNTY of GALVESTON

Department of Parks & Cultural Services

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October 11th, 2017

Randall Rice CPA County Auditor
The County of Galveston
County Auditor's Office
P. O. Box 1418
Galveston, Texas 77553

RE: Internal Audit

Dear Mr. Rice,

The purpose of this letter is to present the Department of Parks and Cultural Services response to your office's internal FY2017 audit received on October 5th, 2017, which was conducted for August 1st, 2016 – July 31st, 2017.

Per the report received, the Parks and Cultural Service Department was found to have a discrepancy with the following items:

Reliability and Integrity of Information

Security Deposits

- **Finding:** Numerous OneSolution cash receipts prepared by the Department recorded security deposits in the "user fee" account.
- **Recommendation PARKS-17-01:** The Department should implement a policy to review the OneSolution "Set Proof Listing" (AKA Batch Report) for accuracy prior to submitting the cash receipt.
- **Response:** The discrepancies listed were in the early stages of the Department cashing security deposits for rentals. We have made significant improvements since then and we are creating a policy that limits the number of people handling deposits in hopes of decreasing errors.
- **Finding:** The department is not adequately maintaining the "Security Deposit Tracker." The Auditors office assisted in the bringing the tracker up to date.
- **Recommendation PARKS-17-02:** The Department should update the "Security Deposit Tracker" on a monthly basis to effectively manage the security of deposits received and disbursed.
- **Response:** We update the security deposit tracker daily, but sometimes are hands are tied on certain steps because we have to wait on information from the Purchasing Department and the Treasurer's Department.

We appreciate the work done on this audit and would like to thank Christina Fogg from the Auditor's office for her professionalism and guidance through the process.

Thank you,

A handwritten signature in black ink, appearing to read "Julie Diaz".

Julie Diaz
Director
Galveston County Parks & Cultural Services
409-934-8114
Julie.diaz@co.galveston.tx.us



Department of Parks and Cultural Services Audit

September 27, 2017

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 (pages 3)

- Adequate controls are in place to properly monitor and control the distribution and sales of Bolivar beach parking stickers.
- Facility use permit fees were assessed and collected in compliance with the facility use agreements.
- Bolivar Beach vendor permit fees were assessed and collected in compliance with the beach vending permit policy.
- The Department of Parks and Cultural Services should implement a policy to review the OneSolution 'Set Proof Listing' (aka Batch Proof) for accuracy prior to submitting the cash receipt.
- The department should update the 'Security Deposit Tracker' on a monthly basis to effectively manage the security deposits received and disbursed.
- The department has effective separation of duties.

Safeguarding of Assets (page 4)

- Physical security over assets (collections) is adequate.
- Money collected from the sale of parking stickers is secured in a safe until ready for deposit.

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

- Collections were deposited within the statutory time limit set by LGC §113.022.
- Bolivar Beach vendors were in compliance with the Bolivar Beach Vendor Permit Policy. There were 4 beach vendors who have not paid the required monthly permit fees. The Auditor's Office is in the process of collecting these payments.
- Concessionaires are in compliance with the concession agreements with the county. One of the concessionaires has not paid the required monthly operating fees. The Auditor's Office is in the process of collecting these payments.
- Dickinson Girls Softball is not current on utility reimbursements to the County, per their concession agreement. The Auditor's Office is in the process of collecting these payments.

Introduction

The Internal Audit Division conducted an internal audit of the Department of Parks and Cultural Services, in accordance with Local Government Code §115. The internal audit covered the period August 1, 2016 through July 31, 2017. The audit was performed from August 7, 2017 through September 27, 2017.

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

- Reliability and integrity of the information.
- 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 Department of Parks and Cultural Services. The internal audit included, but was not limited to, the books, accounts, reports and records of the Department of Parks and Cultural Services.

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 Department of Parks and Cultural Services as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Christina Fogg, 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.

Separation of Duties

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.

Bolivar Beach Parking Sticker Program

The Bolivar Beach Parking Sticker Program (BBPSP) generates revenue through the sale of parking stickers for vehicles and golf carts. The stickers are numbered and color coded for each fiscal year. Parking sticker sales are recorded and reconciled on daily reports filled out by each individual seller. The daily reports serve as support to the deposit warrants and as a means for assuring parking sticker numbers and receipt numbers are not skipped. No material discrepancies were detected in the review of the BBPSP collections.

Facility Use Permits

The Department of Parks and Cultural Services has several parks and facilities available for rent. Each customer is required to complete an indoor or outdoor facility use agreement provided by the department. The agreement provides the security deposit amount and the hourly rate charged for the facility, as well as the reservation guidelines that apply. The auditor tested a sample of facility use permits to verify the accuracy of the rates charged. No discrepancies were noted.

Reliability and Integrity of Information (cont.)

Security Deposits

Some of the facility rentals require a security deposit to be paid in advance. The security deposits are deposited in the County demand account and recorded in an escrow account in the general ledger. After the event is over, a department employee performs a 'walk through' evaluating the condition of the facility. The security deposit is either refunded back to the customer or retained by the County to pay for damages. The department uses a 'Security Deposit Tracker' to monitor the security deposits from receipt to disbursement. During the audit period, \$78,975.00 in security deposits were received.

Finding: Numerous OneSolution cash receipts prepared by the department recorded security deposits in a 'user fee' account.

Recommendation PARKS-17-01: The Department of Parks and Cultural Services should implement a policy to review the OneSolution 'Set Proof Listing' (aka Batch Proof) for accuracy prior to submitting the cash receipt.

Finding: The department is not adequately maintaining the 'Security Deposit Tracker'. The Auditor's Office assisted in bringing the tracker up to date.

Recommendation PARKS-17-02: The Department of Parks and Cultural Services should update the 'Security Deposit Tracker' on a monthly basis to effectively manage the security deposits received and disbursed.

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, a surprise cash count was conducted on August 7, 2017 at the La Marque office. On August 14, 2017, an additional surprise cash count was conducted at the Crystal Beach office. All cash was accounted for at the time of the surprise cash counts. Controls are in place to ensure staff uses a lockable drawer (or locker) to safeguard collections during the day and secures the funds in a safe until they are ready for deposit.

Bolivar Beach Parking Sticker Revenue

Approximately thirty percent of the parking stickers are sold on the beach by part-time employees. The employees count each other's collections during close-out each work day and secure the money in the combination drop-safe located in the Road & Bridge Office in Crystal Beach. The employees do not know the combination to the safe. The money remains in the safe until ready for deposit. At least twice a week, the Beach Sticker Supervisor collects the revenue from sticker sales, prepares the bank deposit slips and delivers the money to the bank in a locked bank bag.

Compliance with Statutes, Policies, and Procedures

Timeliness of Deposits

Local Government Code (LGC) §113.022 Time For Making Deposits states a county officer or other person who receives money shall deposit the money with the County Treasurer on or before the next regular business day after the date on which the money is received. If this deadline cannot be met, the officer or person must deposit the money, without exception, on or before the fifth business day after the day on which the money is received. The main office deposits funds daily. Collections from Crystal Beach are deposited on average 2 to 3 times per week.

Bolivar Beach Vending Permit Policy

The Bolivar Beach Vending Permit Policy requires each vendor to complete an application and provide the following information:

- Proof of insurance
- Galveston County Health Certificate (when applicable)
- Color photographs of the vehicle or structure used for vending purposes
- Sales tax number
- Building permit (when applicable)
- Certificate of Assumed Name
- \$100 application fee – for each vending location

All vendors must pay a monthly fee to the county for the duration of the vending season: March through September. The fee is determined by the location of the zone and the number of zones in which the vendor is operating. The Auditor's Office is responsible for invoicing the beach vendors and collecting their monthly permit fees. As of the date of this report, there were 4 beach vendors who have not paid the required monthly permit fees. The Auditor's Office is in the process of collecting these payments.

Concession Agreements

Concession Agreements between the County of Galveston and an individual or group of individuals stipulates the guidelines for operating certain County owned entities. The concession agreement states the effective dates of the contract, the amount and type of insurance required and the monthly operating fees. The concession agreements were reviewed to ensure the concessionaires are in compliance with their contracts. As of the date of this report, one of the concessionaires has not paid the required monthly operating fees. The Auditor's Office is in the process of collecting these payments.

Compliance with Statutes, Policies, and Procedures (cont.)

Athletic User Group Agreements

Athletic User Group Agreements are similar to the Concession Agreements. The agreement states the effective dates of the contract and the amount and type of insurance required. Athletic user groups are given the option to choose between paying a daily rate for a field or the monthly utility bills for a field. The requirements for both types of arrangements are provided in the agreements. The athletic user group agreements were reviewed to ensure the user groups are in compliance with their contracts. As of the date of this report, Dickinson Girls Softball is not current on utility reimbursements to the County. The Auditor's Office is in the process of collecting these payments.

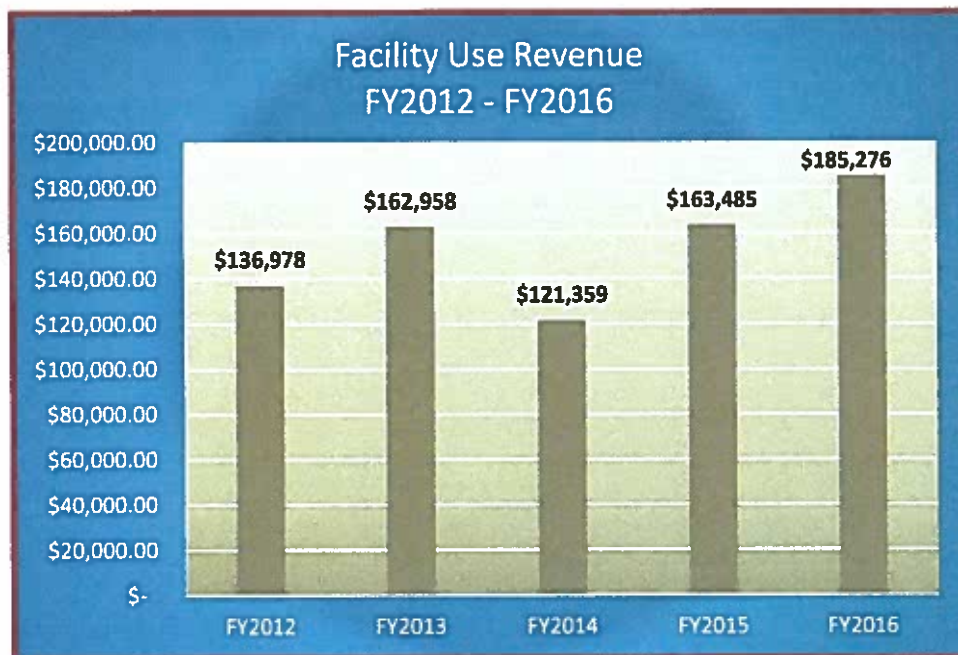
General Information

Facility Use Fees

The Department of Parks and Cultural Services has 11 parks and facilities available for rent. The following reflects the FY2016 revenue generated for each location:

Walter Hall Park	\$	74,976.50	40.5%
Carbide Park	\$	52,805.00	28.5%
Runge Park	\$	16,759.00	9.0%
Dickinson Senior Center	\$	12,510.00	6.8%
Jack Brooks Park	\$	8,154.00	4.4%
Gregory Park	\$	6,957.00	3.8%
Bayshore Park	\$	5,553.75	3.0%
Lobit Park	\$	3,755.00	2.0%
Paul Hopkins Park	\$	1,964.00	1.1%
Bacliff Community Center	\$	1,700.00	0.9%
Fort Travis Park	\$	142.00	0.1%

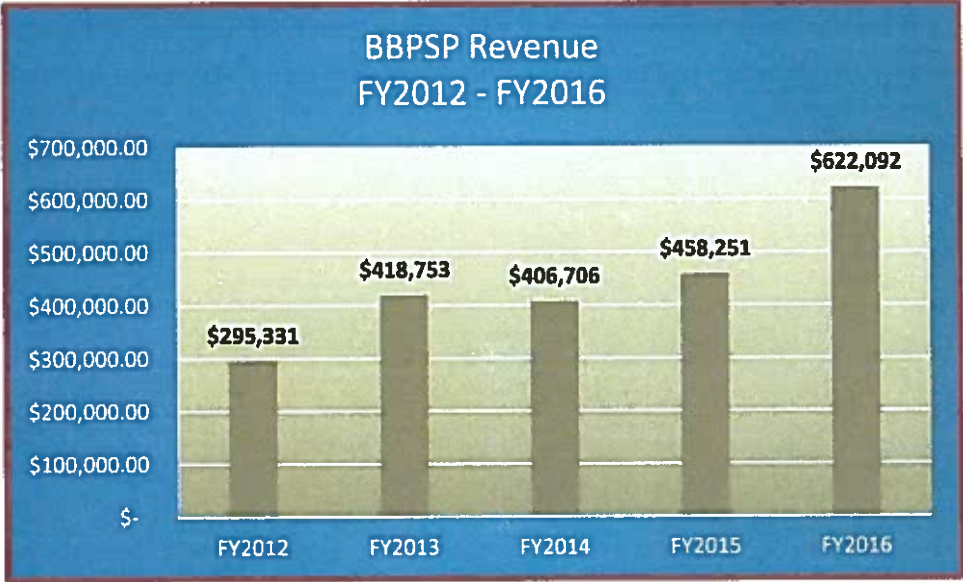
As a whole, revenue from facility use fees have increased over the last several years. The following chart represents the revenue generated through facility use fees from FY2012 through FY2016:



General Information (cont.)

Bolivar Beach Parking Sticker Program (BBPSP)

The Bolivar Beach Parking Sticker Program was implemented on January 1, 2007. Revenue generated from the sale of beach parking stickers has steadily increased since the inception of the program. The following chart represents the revenue generated from the BBPSP from FY2012 through FY2016:



General Information (cont.)

Galveston County Museum

In 1972, Mary Moody Northern donated the former City National Bank building at 2219 Market St. to Galveston County for use as a historical museum, dedicated to the memory of her father, W. L. Moody, Jr. The Galveston County Museum opened to the public in 1976. The museum is currently working to rebuild itself in the aftermath of Hurricane Ike. Commissioners' Court made the former Courthouse Jury Assembly Room available for the Museum's new exhibit hall. Plans are in the works to utilize the many artifacts showing the citizenry of the county as it progressed from a small port/farming area to a boomtown and the many changes brought about by hurricanes. The new exhibits are being designed using the latest technology and ideas in the museum world and from local talent. The following chart depicts the statistical analysis on the museum expenditures from FY2012 through FY2016:

