



THE COUNTY OF GALVESTON
COUNTY AUDITOR'S OFFICE
P.O. Box 1418
GALVESTON, TEXAS 77553

County Auditor
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CITP CISA CIO CBM DABFA CGMA

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First Assistant, Director of Accounting

September 16, 2014

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

Honorable Judge and Members of the Court:

Attached for your consideration is the internal audit report of the FY2014 Bolivar Beach Parking Sticker Program (BBPSP). The audit covered the period October 1, 2013 through July 31, 2014. Also attached is the response letter from Julie Diaz, Interim Director, dated September 8, 2014.

Sincerely,

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

Randall Rice CPA
County Auditor

cc: Julie Diaz, Interim Director

Attachment: BBPAP Audit Report
Response Letter, Julie Diaz



PARK'S DEPARTMENT BOLIVAR BEACH PARKING STICKER PROGRAM

September 3, 2014

Galveston
County
Internal Audit
Division

Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA
County Auditor

| | |
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Executive Summary

Individual Parking Sticker Sales (page 2)

- 50,000 vehicle parking stickers and 5,000 golf cart parking stickers were purchased for the FY2014 BBPSP. Stickers are sold for \$10.00 each.
- Stickers sold before March 1st ("Early Bird" stickers) are sold at a discount for \$5.00. 769 individual parking stickers were sold on or after March 1st for \$5.00 each, a loss of revenue to the County totaling \$3,845.00.
- Receipts are not consistently issued for each sale of parking stickers

Bulk Parking Sticker Sales (page 2)

- Merchants purchase stickers for \$9.50 each. Sale of "Early Bird" stickers to merchants is prohibited. 2,958 parking stickers were sold to merchants for \$5.00 each, a loss of revenue to the County totaling \$13,311.00.
- Merchants may exchange expired stickers for valid stickers. 1,480 expired parking stickers (\$14,060.00 value) were exchanged for current stickers. Expired stickers were not returned to management.

General Information (page 5)

- The spreadsheet used by Parks to monitor the inventory and sales of parking stickers is unreliable. Sticker numbers are duplicated, sticker ranges and sales amounts are calculated incorrectly, and not all sticker numbers are accounted for on the spreadsheet.
- Receipts for the sticker numbers sold (and deposited) are not provided with the deposit warrant.

Summary (Page 5)

| | |
|---|--------------------|
| Loss on stickers sold at a discount on or after March 1st | \$3,845.00 |
| Loss on stickers sold to merchants at the wrong rate | <u>\$13,311.00</u> |
| Total Revenue Loss | \$17,156.00 |

Introduction

The Internal Audit Division conducted an internal audit of the Bolivar Beach Parking Sticker Program (BBPSP), as required by Local Government Code §115.0035. The internal audit covered the period October 1, 2013 through July 31, 2014. The primary objectives of the internal audit are to provide reasonable assurance concerning:

- Account for all of the parking stickers purchased to sell
- All revenue collected was deposited in the bank

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

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 Park's Department's BBPSP, 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.
Lori McWhirter, Internal Audit Manager, assisted.

Individual Parking Sticker Sales

50,000 vehicle parking stickers and 5,000 golf cart parking stickers were purchased for the FY2014 BBPSP. Parking stickers are sold for \$10 each and are valid January 1st through December 31st of the year purchased. Parking stickers sold between January 1 and February 28 (Early Bird) are sold at a discount for \$5.00 each. Park's Department policy states a receipt will be issued for each parking sticker sale.

Finding: 769 individual parking stickers were sold after February 28th for \$5.00 each, a loss of revenue to the County totaling \$3,845.00.

Recommendation BBPSP-14-01: Management should implement a procedure to reconcile deposits with parking stickers sold.

Finding: Receipts are not consistently issued for each sale of parking stickers.

Recommendation BBPSP-14-02: A receipt should be issued for each parking sticker sale. The receipts should be turned in to management as support to the bank deposit.

Bulk Parking Sticker Sales

Many of the local businesses purchase the parking stickers in bulk directly from the Parks Department to sell to their customers. The business owners receive a discount paying only \$9.50 for each parking sticker. By selling each sticker for \$10.00 each, they generate a profit of \$0.50 for each sticker they sell. At the beginning of each fiscal year, the Park's Department exchanges any unsold bulk parking stickers from the previous season for current stickers. Park's Department policy prohibits the sale of "Early Bird" parking stickers to the merchants.

Finding: 2,958 parking stickers were sold to merchants for \$5.00 each, a loss of revenue to the County totaling \$13,311.00.

Recommendation BBPSP-14-01: Management should implement a procedure to reconcile deposits with parking stickers sold.

Finding: 1,480 expired parking stickers (valued at \$14,060.00) were exchanged for current stickers. When exchanging parking stickers, Parks department personnel are not returning the unsold stickers to management.

Recommendation BBPSP-14-03: Management should implement a policy requiring staff to turn in the parking stickers received from a merchant as a result of an exchange.

General Information

The spreadsheet used by Parks to monitor the inventory and sales of parking stickers is unreliable. Sticker numbers are duplicated, sticker ranges and sales amounts are calculated incorrectly, and not all sticker numbers are accounted for on the spreadsheet.

Revenue from the sale of parking stickers is deposited in the bank. The deposit information is recorded on a deposit warrant and submitted to the Treasurer's Office with a copy of the bank deposit receipt. As of July 29, 2014, \$384,239.65 in parking sticker sales has been deposited in the bank.

Support documents to the deposit warrant should provide the sticker numbers, category (Individual, Bulk, Early Bird), count, unit price, and total sales. This information, coupled with the inventory of unsold stickers, should reconcile to the stickers purchased for the FY2014 BBPSP.

Finding: Bank deposits for the audit period exceed the documented sticker sales by \$33,810.65. The difference could be due to unrecorded sales or deposits made in the wrong account.

Recommendation BBPSP-14-01: Management should implement a procedure to reconcile deposits with parking stickers sold.

An inventory of unsold parking stickers was performed on July 29, 2014. A total of 14,341 unsold stickers were identified.

| Inventory Location | Vehicle | Golf Cart |
|--------------------|---------|-----------|
| Carbide Inventory | 12,434 | 425 |
| Bolivar Inventory | 1,359 | 123 |
| | 13,793 | 548 |

Finding: There were 837 parking stickers unaccounted for during the inventory performed.

Recommendation BBPSP-14-05: Management should perform a monthly inventory of the parking stickers and reconcile to the parking stickers sold and deposited.

Summary

50,000 vehicle parking stickers and 5,000 golf cart parking stickers were purchased for the FY2014 BBPSP. The following table represents the status of the parking stickers as of July 29, 2014.

| STICKER SALES AND BANK DEPOSITS | | |
|--|------------------|---------------|
| Total Bank Deposits: | | \$ 384,239.65 |
| Parking Sticker Sales: | | |
| <i>Vehicle Parking Sticker Sales</i> | \$ 303,871.50 | |
| <i>Golf Cart Parking Sticker Sales</i> | 33,177.50 | |
| <i>Unknown Sticker # Sales</i> | <u>13,380.00</u> | |
| Total Sales | | \$ 350,429.00 |
| Deposits for unrecorded sales | | \$ 33,810.65 |
| <i>Category of stickers is unknown</i> | | |
| REVENUE LOSS | | |
| Revenue Loss: | | |
| "Early Bird" stickers sold to merchants | \$13,311.00 | |
| "Early Bird" stickers sold after March 1 st | <u>3,845.00</u> | |
| Total Revenue Loss | | \$17,156.00 |
| INVENTORY | | |
| Unsold Parking Stickers: July 29, 2014 | | |
| | <u>Count</u> | <u>Value</u> |
| Carbide Inventory | 12,859 | \$128,590.00 |
| Bolivar Inventory | 1,482 | 14,820 |
| Total Projected Revenue | | \$143,410.00 |



COUNTY of GALVESTON
Department of Parks & Senior Services

4102 Main Street (FM 519) • LaMarque, Texas 77568
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www.galvestonparks-seniors.org

September 8, 2014

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

RE: Bolivar Beach Parking Sticker Program

Dear: Mr. Rice.

The purpose of this letter is to present the Department of Parks and Senior Services response to your office's internal audit of the Bolivar Beach Parking Sticker Program received on September 2nd, 2014, which was conducted July 29th through August 22nd, 2014.

The following will provide in numerical order the Findings, Recommendations, and our Response:

INDIVIDUAL PARKING STICKER SALES

Finding: 769 individual parking stickers were sold after February 28th, 2014 for \$5.00 each, a loss of revenue to the County totaling \$3,845.00

Recommendation BBPSP-14-01: Management should implement a procedure to reconcile deposits with parking sticker sold.

Response: The Parks Department will have a procedure in place for the reconciliation of deposits with each beach sticker sold by November 1st, 2014 when the 2015 stickers are purchased and inventoried.

Finding: Receipts are not consistently issued for each sales of parking stickers.

Recommendation BBPSP-14-02: A receipt should be issued for each parking sticker sales. The receipts should be turned in to management as support to the bank deposit.

Response: The Parks Department will order receipts for the 2015 season and will have a receipt recorded for each sale. Receipts will be pre-printed and correlate with each sticker ordered.

Our Mission:

To provide comprehensive and diverse recreational and senior services opportunities for Galveston county Citizens and visitors, through the stewardship of our resources

BULK PARKING STICKER SALES

Finding: 2,958 parking stickers were sold to merchants for \$5.00 each, a loss of revenue to the County totaling \$13,311.00

Recommendation BBPSP-14-01: Management should implement a procedure to reconcile deposits with parking stickers sold.

Response: The Parks Department will implement a procedure for the reconciliation of deposits November 1st, 2014 to coincide with the order of the 2015 stickers.

Finding: 1,480 expired parking stickers (valued at \$14,060.00) were exchanged for current stickers. When exchanging parking stickers, Beach Parking Sticker personnel are not returning the unsold stickers to management.

Recommendation BBPSP-14-02: Management should implement a policy requiring staff to turn in the parking stickers received from a merchant as a result of an exchange.

Response: The Parks Department is working on a policy and procedure manual for the Beach Parking Sticker Program. It will be completed November 30th, 2014. The Parks Department will make sure that sticker exchanges will not take effect until management has received and recorded sticker numbers from previous calendar year.

GENERAL INFORMATION

Finding: Bank deposits for the audit period exceed the documented sticker sales by \$33,810.65. The difference could be due to unrecorded sales or deposits made in the wrong account.

Recommendation BBPSP-14-01: Management should implement a procedure to reconcile deposits with parking stickers sold.

Response: The Parks Department will implement a procedure for the reconciliation of deposits November 1st, 2014 to coincide with the order of the 2015 stickers. A self-calculating spreadsheet was created for 2015 that will be utilized by management to account for early bird, beach, bulk, damaged, and exchanged stickers.

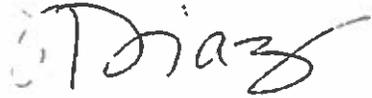
Finding: There were 837 parking stickers unaccounted for during the inventory performed.

Recommendation BBPSP-14-05: Management should perform a monthly inventory of the parking stickers and reconcile total parking stickers sold and deposited.

Response: The Parks Department will implement a self-calculating spreadsheet was created for 2015 that will be utilized by management to account for early bird, beach, bulk, damaged, and exchanged stickers.

I would like to thank the Auditor's Office for this beach parking sticker audit report and the professionalism of your staff (Lori McWhirter and Tony Pompa) as they conducted their day to day visits and interactions with our staff.

Sincerely,

A handwritten signature in black ink that reads "Julie Diaz". The signature is written in a cursive, flowing style.

Julie Diaz
Interim Director
Department of Parks and Senior Services
Julie.diaz@co.galveston.tx.us
409.934.8114