



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

County Auditor
Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA

Kristin Bulanek CIA
First Assistant, Director of Auditing

Jeff Modzelewski CPA
First Assistant, Director of Accounting

October 27, 2015

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

Honorable Mark Henry and Members of the Court:

Attached for your consideration is the internal audit report on the Governmental Accounting Standards Board (GASB) Statement 68 Follow Up Review. The follow up review was performed from June 16, 2015 through August 31, 2015. Also attached are the response letters from Ms. Peri Bluemer, Honorable Kevin Walsh and Mr. Matt Votaw dated September 25, 2015, September 28, 2015 and October 8, 2015.

Sincerely,

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

Randall Rice CPA
County Auditor

cc: Ms. Peri Bluemer, Chief Human Resources Officer
Honorable Kevin Walsh, Galveston County Treasurer
Mr. Matt Votaw, Chief Information Officer

Attachment: GASB 68 Follow Up Review Report
Response Letter, Ms. Peri Bluemer
Response Letter, Honorable Kevin Walsh
Response Letter, Mr. Matt Votaw



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August 31, 2015

To: Ms. Peri Bluemer, Mr. Matt Votaw, Honorable Kevin Walsh
Chief Human Resources Officer, Chief Information Officer, Galveston County Treasurer

From: Jordan Guss
Information Systems Audit Team Lead

Re: GASB 68 Follow Up Review

The Governmental Accounting Standards Board (GASB) released Statement 68, Accounting and Reporting for Pensions, for reporting pension liabilities and expenses which will affect the financial reporting for fiscal years ending June 30, 2015 or later. This statement will now require the county to report their unfunded pension liability in the annual county financials.

Due to the requirements of GASB 68, the Galveston County Auditor's Office will need to provide reasonable assurance the unfunded pension liability balance and any related numbers making up this balance are reliable. In order to provide this assurance, business processes and internal controls within these processes will need to be reviewed.

In response to GASB 68, an initial internal audit was performed covering the period October 1, 2013 through September 30, 2014. A follow up review was performed from June 16, 2015 through August 31, 2015 to ensure appropriate recommendations have been implemented and additional internal controls are in place.

Census Reports and Accounting Valuation Process

The recommendations from the initial audit were to remove the Payroll Administrator website security role from all employees outside of the Treasurer's Office and to re-assign the Security Administrator role from the Department of Human Resources to the Department of Information Technology.

During the follow up review, Internal Audit verified the Payroll Administrator website access role was removed from all employees outside of the Treasurer's Office and the Department of Information Technology had been assigned the Security Administrator role.

The Department of Information Technology is creating a workflow that would increase the controls that surround granting employer access to the Texas County and District Retirement System (TCDRS) website. The new process will now require any request for employer access to the TCDRS website to be approved by the Department of Human Resources, the Treasurer's Office and the Auditor's Office prior to the request being granted.

Furthermore, to monitor the TCDRS website access, the Auditor's Office will review the TCDRS Website Access Report annually.

Contributions

Every month, a "Monthly Account Statement" is posted to the TCDRS website that details the account activity from the prior month. To ensure accuracy of TCDRS payroll postings, the Treasurer's Office should implement the following:

Recommendation GASB-15-01: To verify transactions posted to the employer account accurately, the Treasurer's Office should review, approve and sign off on the "Monthly Account Statement" posted to the TCDRS website every month. The documentation should be retained with the associated bi-weekly payroll documentation within the Treasurer's Office.

Distributions

Internal Audit reviewed the withdrawal applications submitted to TCDRS for retirees to verify each retiree was certified for retirement by the Department of Human Resources. All retiree withdrawal applications reviewed had an "Employer Certification" completed by appropriate personnel of the Department of Human Resources.

Logical Access

The Department of Information Technology informed Internal Audit they comply with the Criminal Justice Information Services (CJIS) Security Policy regarding passwords and session lock requirements. The password requirements were found to be in compliance during the initial audit, but the session lock was not tested until the follow up review. The policy states the "information system shall prevent further access to the system by initiating a session lock after a maximum 30 minutes of inactivity, and the session lock remains in effect until the user reestablishes access using appropriate identification and authentication procedures."

The auditor performed a test of the session lock to determine if the policy is being followed. Computer settings reviewed did not have the session lock activated. Users logged off and then back on to the network. Computer settings did not default to the CJIS requirement of a session lock after 30 minutes of inactivity, nor did the computer screens lock.

Finding: The Department of Information Technology is not in compliance with the CJIS Security Policy regarding automatic session locking after 30 minutes of inactivity.

Recommendation: GASB-15-02: The Department of Information Technology should ensure the default setting for automatic session lock is being applied at time of login to be in compliance with the CJIS policy. To further mitigate risks associated with the sensitive information that passes through the Human Resources Department, the Treasurer's Office and the Auditor's Office, the Department of Information Technology should reduce the automatic session lock from 30 minutes to 15 minutes for the aforementioned departments.

Verifications

TCDRS posted the "Census Data" report and the "GASB 68 Report" to the 'Plan Documents' section of the TCDRS website for entities to review and verify the completeness and accuracy of data in the reports.

The "Census Data" report included the following data for current employees: last four digits of Social Security Number, first name, last name, middle name, gender, age, years of service and annual salary. Internal Audit compared the information to the county's records to verify the completeness and accuracy of the data. No material exceptions for data entry by the Department of Human Resources were found by Internal Audit; however, material exceptions were found for data entry performed by TCDRS. The list of exceptions was given to TCDRS and all have been corrected.

Internal Audit reviewed two schedules in the "GASB 68 Report": *Schedule of Changes in Net Pension Liability and Related Ratios* and *Schedule of Employer Contributions*. In the *Schedule of Changes in Net Pension Liability and Related Ratios*, the Employer Contributions, Member Contributions and Pensionable Covered Payroll were verified by Internal Audit. In the *Schedule of Employer Contributions*, Internal Audit reviewed the Pensionable Covered Payroll and the Actual Employer Contribution amounts for the last three years. No material exceptions were found.

We wish to thank Ms. Peri Bluemer, Mr. Matt Votaw and Honorable Kevin Walsh and their staff for their cooperation and assistance.

cc: Randall Rice CPA, County Auditor
Kristin Bulanek CIA, First Assistant, Director of Auditing



County *of* Galveston

Human Resources

Peri A. Bluemer
Chief Human Resources Officer

September 25, 2015

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

Re: Human Resources Internal Audit

Dear Mr. Rice:

I have received and accept all findings in the recent internal audit report. I am happy to know that there were not any recommendations to our department. Thank you for the time and attention given by you and your staff in this matter.

Sincerely,

Peri Bluemer

We Want To Be The Best We Can Be In Making Peoples' Lives Easier

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4TH FLOOR
GALVESTON, TEXAS 77550

KEVIN C. WALSH, C.P.A.

COUNTY TREASURER
COUNTY OF GALVESTON

September 28, 2015

Re: County Treasurer's Office Internal Audit-GASB 68

I have received and agree with all findings and recommendations regarding the safeguarding of information from the information technology side of the internal audit report. As the Treasurer I take pride in my staff's ability to securely and efficiently process employee compensations as well as retirement contributions.

Thank you for the opportunity to respond; as an elected official of Galveston County, I strive to make certain all duties under my control are done in a manner which the citizens of Galveston County would approve.

Feel free at any time to speak with myself or Crystal Cooper regarding payroll internal controls and any other financial responsibilities of the Galveston County Treasurer's Office.

Again, thank you for the in-depth review and positive report of reliability, safeguarding, and compliance.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin C. Walsh".

Kevin C. Walsh, CPA

Galveston County Treasurer



Matt Votaw

Lauren Michaels
Administrative Assistant

Chief Information Officer
County of Galveston

Galveston County Courthouse
722 Moody Avenue, Galveston, Texas 77550

October 8, 2015

Mr. Randall Rice
County Auditor
722 Moody
Galveston, Texas 77550

Re: GASB 68 Follow Up Review

Mr. Rice,

The following is my response to the GASB 68 Follow Up Review performed on the Information Technology Department by the Galveston County Auditor's Office.

Logical Access

Finding: The Department of Information Technology is not in compliance with CJIS Security Policy regarding automatic session locking after 30 minutes of inactivity.

Recommendation GASB-15-02: The Department of Information Technology should ensure the default setting for automatic session lock is being applied at time of login to be in compliance with the CJIS policy. To further mitigate risks associated with the sensitive information that passes through the Human Resources Department, the Treasurer's Office and the Auditor's Office, The Department of Information Technology should reduce the automatic session lock from 30 minutes to 15 minutes for the aforementioned departments.

Response: Although the CJIS Security Policy is only enforceable on devices and users who have access Criminal Justice Information Systems (OSSI, TLETS, AFIS, Live Scan), effective October 7, 2015, Active Directory policy changes were implemented to ensure all terminals and users in Human Resources, the Treasurer's Office and the Auditor's Office have automatic session locks set to 15 minutes.

Sincerely,

A handwritten signature in black ink that reads "Matt Votaw".

Matt Votaw
Chief Information Officer
Galveston County Texas

cc: Peri Bluemer, Chief Human Resources Officer
Kevin Walsh, County Treasurer