

# GALVESTON COUNTY



## Office of County Auditor

Randall Rice CPA CISA CIO, County Auditor  
Jeff Modzelewski CPA, First Assistant Accounting  
Kristin Bulanek CIA, First Assistant Auditing

P.O. Box 1418, Galveston, Texas 77553

(409) 770-5304

722 Moody Ave 4<sup>th</sup> Floor, Galveston, TX 77550

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May 10, 2016

Honorable Mark A. Henry 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 Road & Bridge Department. The audit covered the period January 1, 2015 through December 31, 2015. Also attached is the response letter from Mr. Lee Crowder, dated April 12, 2016.

Sincerely,

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

Randall Rice CPA  
County Auditor

cc: Mr. Lee Crowder

Attachment: Road & Bridge Department Audit Report  
Response Letter, Mr. Lee Crowder



# Road and Bridge Internal Audit FY2016

**February 26, 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)

Reliability and integrity of information can be improved by implementing the following recommendations:

- All permits should be signed by the issuer and filled out completely.
- Document the reason for the void on the culvert permit. In addition, the Road & Bridge Department should expand their policy to require the office manager to provide their signature of approval on all voided permits and to retain the voided permits in the office.

## Safeguarding of Assets (page 4)

Safeguarding of assets can be improved by implementing the following recommendations:

- Utilize the 'Culvert Permit Log' to account for all culvert permits issued.
- Create a log to monitor the inventory and location of culvert permit books.
- Implement a policy to perform a physical inventory of materials at each location at least annually.

## Compliance with Statutes, Policies and Procedures (page 6)

Compliance can be improved by implementing the following recommendations:

- Deposit collections in accordance to LGC §133.022 Time for Making Deposits.
- Calculate the culvert permit fee according to the Road & Bridge Department culvert permit fee schedule.

# Introduction

The Internal Audit Division conducted an internal audit of the Road and Bridge Department in accordance with Local Government Code §115. The internal audit covered the period January 1, 2015 through December 31, 2015. The audit was performed from January 2, 2016 through February 26, 2016.

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 Road and Bridge. The internal audit included, but was not limited to, the books, accounts, reports, dockets and records of the Road and Bridge 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 Road and Bridge Department, as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Eric Wolchko, Internal Auditor, 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.

## Culvert Permits

The Road and Bridge Department (R&B) collects permit fees for installing driveway access culverts. The fees are collected at the main office in Dickinson and at the satellite office in Bolivar. Permits are printed at the county print shop and are issued to the payee in lieu of a manual receipt. The permits are pre-numbered, in duplicate (white and yellow) and in books of 24 permits. The yellow copy of the permit is issued to the payee and the white copy is retained by R&B. The checks and money orders received are electronically deposited in the bank using a check scanner. Copies of the permits and checks are scanned in OnBase.

**Finding:** The culvert permits are not being filled out in their entirety. Key elements of the permit are often left blank (fee amount, length of culvert, signature of R&B employee issuing the permit, etc.).

**Recommendation RB-16-01:** All permits should be signed by the issuer and filled out completely.

## Voided Culvert Permits

The policy of R&B for voiding culvert permits requires the clerk to mark the permit as 'void' and document the reason for the void on the permit. In addition, the office manager is made aware of all voided permits. There were 13 voided culvert permits during the audit period.

**Finding:** Permit #2658 was marked 'void' but did not include an explanation for the void. The other 12 voided permits could not be located by the office.

**Recommendation RB-16-02:** Document the reason for the void on the culvert permit. In addition, R&B should expand their policy to require the office manager to provide their signature of approval on all voided permits and to retain the voided permits in the office.

# Safeguarding of Assets

Safeguarding of assets has three basic components: 1) physical security of the collections and inventory, 2) minimal exposure to loss and 3) proper management of the collections and inventory.

## Physical Security

Physical security encompasses any method to physically secure the collections and inventory from loss. Collections not being used should be secured in a locked drawer or safe until they are ready for deposit. Likewise, inventory should be kept in a secure location until it is ready to be used to complete a work order.

## Cash Count

A surprise cash count of the Road & Bridge Department was conducted on December 30, 2015. All collections were accounted for at the time of the surprise cash count. Controls are in place to ensure staff uses a lockable drawer to secure the collections in the office until they are ready for deposit.

## Materials Inventory

R&B materials inventory is stored in stockyards at Bolivar, Dickinson and Santa Fe. The stockyards are secured by a fence and controls are in place to ensure the materials are locked within the stockyards by a padlock outside of office hours.

## Minimizing Exposure to Loss

The culvert permits received from the county print shop are stored at the Dickinson office. Permits are delivered to the Bolivar office upon request. Permits issued should be documented on the 'Culvert Permit Log' which reflects the permit number, date issued, the receiver of the permit and the R&B employee issuing the permit.

**Finding:** R&B is not consistently utilizing the 'Culvert Permit Log'.

**Recommendation RB-16-03:** R&B should utilize the 'Culvert Permit Log' to account for all culvert permits issued to minimize the exposure to loss or misuse.

**Finding:** R&B does not have a policy in place to monitor the culvert permit books received from the county print shop.

**Recommendation RB-16-04:** R&B should create a log to monitor the inventory of culvert permit books received to minimize the exposure to loss or misuse.

## Safeguarding of Assets (cont.)

### Management of Assets

The materials used for each R&B project are documented on the work order and subsequently on the 'Daily Inventory Usage Record' by the R&B managers. At the end of the month, the daily inventory usage records are consolidated at each location and documented on a 'Monthly Inventory Record' and submitted to the R&B Administrative Assistant. The Administrative Assistant consolidates the monthly inventory records from each location and documents the results on the master inventory list. A monthly inventory report is submitted to the Auditor's Office by the 10<sup>th</sup> of each month.

**Finding:** R&B does not perform a physical inventory of the materials.

**Recommendation RB-16-05:** R&B should implement a policy to perform a physical inventory of materials at each location at least annually to better manage the R&B materials.

# Compliance with Statutes, Policies and Procedures

Except for the following, no instance were found in which the office was not in compliance with applicable laws, polices, contracts and procedures.

## Timeliness of Deposits

Local Government Code (LGC) §133.022 Time for Making Deposits states that money collected shall be deposited 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 office must deposit the money, without exception, on or before the fifth business day after the day on which the money is received. Collections from the Bolivar office are delivered to the Dickinson office twice a week. The Dickinson office electronically deposits the collections through the use of a scanner.

**Finding:** Deposits were made on the average of 9 business days after the date the money was collected.

**Recommendation RB-16-06:** Deposit collections in accordance to LGC §133.022 Time for Making Deposits.

## Culvert Permit Fees

R&B installs culverts at the public's request. The resident pays the culvert permit fee for the installation of the pipe, which the resident is required to provide. The culvert permit fee is \$258.00 for the initial 20 feet of culvert and \$19.82 for each additional foot. If a culvert permit is for an 'additional per foot fee', the cost is \$19.82 per foot. Upon receipt of payment, a culvert permit is issued in lieu of a receipt.

**Finding:** R&B is not consistently calculating the culvert permit fee in accordance with the department's fee schedule.

**Recommendation RB-16-07:** Calculate the culvert permit fee according to R&B's culvert permit fee schedule.



# The County of Galveston

Road and Bridge Department  
Seawall Maintenance Department  
Bolivar Peninsula Beach Maintenance

Lee Crowder, Road and Bridge Director

Office 281-534-5152

Date: April 12, 2016

To: Randall Rice CPA  
County Auditor

From: Lee Crowder *LC*  
Director of Road & Bridge

Re: **Response to FY2016 Internal Audit**

The following is a corrective action plan addressing each finding included in the FY16 Road & Bridge Internal Audit.

## Reliability and Integrity of Information (Page 3)

- The permit books are to be filled out in their entirety and signed by the issuing employee.
- The Department has implemented a voided permit log form in excel. This form is attached for your records. The Voided Permit Log tracks the permit number and reason for the void. All voided permits are signed by the office manager and retained in the manager's office.

## Safeguarding of Assets (Page 4)

- The Department recently received a work order software (Facility Dude) that stores issued permits. This software allows the administrative team to run reports on all permits within a date range.
- The Department has received new permit books for the Bolivar location, these permit numbers end with a B. All future permits, issued out of Bolivar, will end in a B. The Dickinson office has received the unused permit books from Bolivar.
- The Department will continue to perform physical monthly inventory. Department policy for monthly inventory is due to the Auditor's office by the 9<sup>th</sup> of every month. All material inventory is to be physically counted by the appropriate manager and submitted for data input.

## Compliance with Statutes, Policies and Procedures (Page 6)

- The Department has obtained a copy of the Texas Local Government Code § 113.022. Time for Making Deposits. Administration is in the requesting process to have an additional check deposit machine installed at the Bolivar Facility. This ensures daily deposits from both the Dickinson office and the Bolivar office.
- The Department is in the process of obtaining a credit card machine for 100% accurate payments. The residents who overpay are offered new vendor forms for reimbursement, however they reject them. These residents permanently reside outside of the county and do not have the availability to make a roundtrip for a new money order.

LC/ejb



# The County of Galveston

Road and Bridge Department  
Seawall Maintenance Department  
Bolivar Peninsula Beach Maintenance

Lee Crowder, Road and Bridge Director

Office 281-534-5152

## Access Driveway (Culvert) Permit Procedures

1. Property owner requesting culvert installation for driveway access or extension must call the Road and Bridge Department located at 5115 Highway 3 in Dickinson at (281) 534-4152 for assistance.
2. A work order will be forwarded to the appropriate Drainage Manager for an on-site inspection. The Drainage Manager will determine the diameter of culvert needed to be purchased and if the culvert qualifies as initial access. The Drainage Manager will inform the property owner of the culverts size.
3. The property owner will purchase and place on site where they are to be set, then come to the Road Department office (Dickinson or Bolivar) to complete the permit information and pay the installation fee for work to be performed.
4. Installation of the initial culvert (up to 20 linear feet) is a flat fee of \$258.00.  
  
Installation of additional culverts including add ons will be installed at \$19.82 per linear foot.  
  
A Money Order or Cashier's Check (no cash, checks, or cards) must be made payable to the County of Galveston.
5. A surface drain, with grate is required every 50 feet.
6. The permit is to be filled out entirely, accurately and signed by the issuing employee. The Department will keep the white copy and provide the resident the yellow carbon copy as a receipt.
7. Manager will add new permit to the schedule of weekly culverts to be installed.
8. As per the Texas Local Government Code § 113.022. Time for Making Deposits, all money orders and cashier's checks must be deposited no later than the second business day after which it was received. Until a credit card machine is received, Bolivar permits are to be brought to the Dickinson off for deposit no later than every Tuesday. In the event a check was received and has been held for four business days, an extra trip is required in order to complete the deposit within the five business day requirement.
9. Once payment is deposited, complete the deposit in one solution. Then file the deposited checks and corresponding permits in the Permit binder and notate the permit number and date of deposit on the cover page.
10. All voided permits are to be submitted to the Administrative Manager for recording. The Administrative Manager will complete the "Voided Culvert Permit Log" and file the corresponding permit and all other information pertaining to it.

