

GALVESTON COUNTY



Office of County Auditor

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April 11, 2017

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, 2016 through December 31, 2016. Also attached is the response letter from the Director of Road & Bridge, Mr. Lee Crowder, dated March 28, 2017.

Sincerely,

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

Randall Rice CPA
County Auditor

cc: Mr. Lee Crowder, Director of Road & Bridge

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



Road and Bridge Internal Audit FY2017

March 8, 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 (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.
- To ensure reliability and integrity of the information, all culvert permits issued should be recorded in Facility Dude.

Safeguarding of Assets (page 4-5)

- All collections were accounted for during the surprise cash counts conducted on February 16, 2017 at the Dickinson office and February 21, 2017 at the Bolivar office.
- Culvert permits are recorded on the 'Culvert Permit Log' to account for all permits issued.
- Controls over the inventory of culvert permit books are adequate.
- Controls over the inventory of materials use for Road and Bridge projects are adequate.
- Safeguarding of assets can be improved by implementing the following recommendation:
 - To ensure the safeguarding of permits, as well as collections, only R&B personnel should process culvert permits at the Bolivar office.

Compliance with Statutes, Policies and Procedures (page 6)

Compliance can be improved by implementing the following recommendation:

- To ensure compliance with LGC §133.022 Time for Making Deposits and office policy, collections should be deposited within 2 business days but no later than 5 business days after received.

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, 2016 through December 31, 2016. The audit was performed from February 16, 2017 through March 8, 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 Road and Bridge. The internal audit included, but was not limited to, the books, accounts, reports 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.

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.

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. In August 2016, R&B began recording the culvert permits in Facility Dude, an electronic record keeping system for operations management. The permit information, including customer details and comments, is recorded in Facility Dude when creating the work order. The Dickinson office records permits in Facility Dude for both offices.

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, additional feet, signature of R&B employee issuing the permit, etc.).

Recommendation RB-17-01: The permits are the customer receipt. All permits should be filled out completely and signed by the issuing employee.

Finding: The culvert permits for the Bolivar office are not being recorded consistently in Facility Dude.

Recommendation RB-17-02: To ensure reliability and integrity of the information, all culvert permits issued should be recorded in Facility Dude.

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 R&B Department was conducted on February 16, 2017 at the Dickinson office and February 21, 2017 at the Bolivar office. All collections were accounted for at the time of the surprise cash counts. Controls are in place to ensure staff uses a lockable drawer to secure the collections in the office until they are ready for deposit.

Culvert Permits

Culvert permits are issued and fees collected at both R&B offices. The Director, Administrative Supervisor and Administrative Assistants are authorized to issue permits at the Dickinson office. The Drainage & Beach Manager is authorized to issue permits at the Bolivar office.

Finding: Culvert permits are being issued and fees collected at the Bolivar office by a county employee assigned to the Fleet Department.

Recommendation RB-17-03: To ensure the safeguarding of permits, as well as collections, only R&B personnel should process culvert permits at the Bolivar office.

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 outside of office hours. The R&B manager at each location has the key (or combination) to the lock.

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. A permit gap test was performed for the audit period, there were no discrepancies noted.

Safeguarding of Assets (Continued)

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 each month, the daily inventory usage records are consolidated at each location and documented on a 'Monthly Inventory Record'. Materials inventory received during the month is also documented on the 'Monthly Inventory Record'. The 'Monthly Inventory Record' from each location is submitted to the R&B Administrative Assistant, who documents the results on the master inventory list. A monthly inventory report is submitted to the Auditor's Office by the 10th of each month.

A sample of inventory records was tested to verify the accuracy of the information and compliance with office policy. No discrepancies were noted.

Compliance with Statutes, Policies 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. Office policy regarding daily transaction close-outs states, "...all money orders and cashiers checks must be deposited no later than the second business day after which it was received."

Finding: Deposits at the Dickinson office are not being deposited in accordance with LGC §133.022 and office policy.

Recommendation RB-17-04: To ensure compliance with LGC §133.022 Time for Making Deposits and office policy, collections should be deposited within 2 business days but no later than 5 business days.

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. If there is an existing culvert that needs to be re-set, the cost is \$19.82 per foot. Upon receipt of payment, a culvert permit is issued in lieu of a receipt. A sample of culvert permit fees was tested. No exceptions were noted.



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: March 28, 2017

To: Randall Rice CPA
County Auditor

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

Re: **Response to FY2017 Internal Audit (Page 1 of 2)**

The following is a corrective action plan addressing each finding included in the FY17 Road & Bridge Internal Audit.

Reliability and Integrity of Information

Recommendation RB-17-01: The permits are the customer receipt. All permits should be filled out completely and signed by the issuing employee.

- The permit books are to be filled out in their entirety and signed by the issuing employee. Disciplinary action has been executed for all employees whom did not comply with current policies and procedures.
- The Finance & Administration Manager has implemented a quarterly spot check for ensuring permit logs are being completed entirely.
- All culvert permits are recorded in Facility Dude. The Department has now set a deadline for Bolivar permits to be recorded into Facility Dude within 30 business days of collection.

Safeguarding of Assets

Recommendation RB-17-03: To ensure the safeguarding of permits, as well as collections, only R&B personnel should process culvert permits at the Bolivar office.

- The Road & Bridge Department does not have a full time administrative assistant to receive residents' payments during the department's hours of operation. In order to provide the best possible customer service, the department allows Galveston County employees from other departments, to issue permits. All Galveston County employees whom receive permit payments are trained and supervised properly.



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

Re: **Response to FY2017 Internal Audit (Page 2 of 2 Continued)**

Compliance with Statutes, Policies and Procedures

Recommendation RB-17-04: To ensure compliance with LGC § 113.022 Time for Making Deposits and office policy, collections should be deposited within 2 business days but no later than 5 business days.

- Disciplinary action has been executed for all employees whom failed to comply with the current policy and procedures.
- To ensure deposit timeliness, the Finance & Administrative Manager has implemented a quarterly spot check for ensuring permit deposits are being completed on time.

Thank you for your guidance throughout the internal audit, the recommendations and Department's corrections will ensure accuracy and full compliance with current laws and regulations.

LC/ejb