

GALVESTON COUNTY



Office of County Auditor

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June 4, 2018

Honorable Mark A. Henry, County Judge, and
Members of the Commissioners Court
722 Moody Avenue
Galveston, Texas 77550

Honorable Mark A. Henry and Members of the Court:

Attached for your consideration is the internal audit report of the Road & Bridge Department that covered the period April 1, 2017 through March 31, 2018. Also attached is the response letter from Lee Crowder, Director of Road & Bridge, dated May 16, 2018.

Sincerely,

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

Randall Rice CPA
County Auditor

cc: Lee Crowder, Director of Road & Bridge

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



Road and Bridge Internal Audit FY2018

April 27, 2018

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 filled out accurately and signed by the issuing employee.
 - Adequate support documentation should be retained and submitted for daily usage of materials inventory.

Safeguarding of Assets (page 4)

- All collections were accounted for during the surprise cash counts.
- Physical security over assets (inventory) is adequate.
- Controls over the inventory of culvert permit books are adequate.
- Culvert permits are recorded on the 'Culvert Permit Log' to account for all permits issued.
- Controls over management of assets (collections) are adequate.

Compliance with Statutes, Policies and Procedures (page 5)

- Refunds were processed in compliance with office policy.
- Collections should be deposited within 2 business days of receipt, but no later than 5 business days.

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 April 1, 2017 through March 31, 2018. The audit was performed from April 2, 2018 through April 27, 2018.

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 Road and Bridge Department. 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.

Lillian Arredondo, 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 25 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. Credit card collections are deposited via the Chase credit card reader. Copies of the permits and collections are scanned in OnBase. Road and Bridge records 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: Culvert permits are not being filled out accurately. Key elements of the permit are often left blank (length of culvert, additional feet, signature of R&B employee issuing the permit, and customer name). *(This is a prior audit finding.)*

Recommendation RB-18-01: To ensure reliability and integrity of information, all permits should be filled out accurately and signed by the issuing employee.

Materials Inventory

The materials used for each R&B project are documented on field notes by the R&B managers. At the end of each month, the manager's notes are consolidated at each location and documented on a 'Monthly Stockyard Inventory Log'. Materials inventory received during the month are also documented on the 'Monthly Stockyard Inventory Log'. The 'Monthly Stockyard Inventory Log' from each location is submitted to the Office and Sign Coordinators, who document the results on the master inventory report. A monthly inventory report is submitted to the Auditor's Office by the 10th of each month.

Finding: The auditor was unable to verify the accuracy of the materials inventory due to inadequate support documentation regarding daily material usage.

Recommendation RB-18-02: To ensure the reliability and integrity of the materials inventory, adequate support documentation should be retained and submitted for daily usage of materials inventory.

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 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.

As part of the audit, the auditor conducted surprise cash count on April 2, 2018 at the Dickinson office and April 12, 2018 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 at both locations.

The Road and Bridge Department 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 in a locked closet 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 on a sample range of the audit period. There were no discrepancies noted.

Management of Assets

Road and Bridge department have authorized personnel to receipt collections at each location. At the Dickinson office, the two Office and Sign Coordinators and the Administrative Supervisor are authorized to collect permit fees. At the Bolivar location, the Drainage and Beach Manager is authorized to collect fees. In the event the Drainage and Beach Manager is unavailable, the Regional Operations Manager and Bolivar Beach Parking Sticker Supervisor from the Parks and Cultural Services Department are authorized to collect permit fees. Controls over management of assets (collections) are adequate.

Compliance with Statutes, Policies and Procedures

Refunds

Office policy dictates money orders and cashier's checks received with an overpayment less than \$5.00 are not reimbursable. In the event a refund is due, the resident completes a new vendor form and Road and Bridge submits it to Purchasing for a one-time payment refund. Once purchasing creates a vendor ID, a purchase order request in the amount of the refund due is submitted in ONESolution. All refunds shall be reimbursed within 30 days. Refunds were tested for compliance with office policy. No exceptions were noted.

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. The Road and Bridge Department deposit procedure states, "Road and Bridge will exercise a more strict depositing schedule. All checks received will be deposited on the second business day of receiving."

Finding: Road and Bridge deposits are not in accordance with office deposit procedure.

Recommendation RB-18-03: To ensure compliance with office deposit procedure, collections should be deposited within 2 business days of receipt, but no later than 5 business days.



The County of Galveston
Road and Bridge Department
Seawall Maintenance Department
Bolivar Peninsula Beach Maintenance
Lee Crowder, Director of Road and Bridge Office 281-534-5152

Date: May 16, 2018

To: Randall Rice CPA
County Auditor

From: Lee Crowder *h.c.*
Road and Bridge Director

Re: **Response to FY2018 Internal Audit (Page 1 of 2)**

The following is a corrective action plan addressing each recommendation included in the FY18 Road & Bridge Internal Audit.

Reliability and Integrity of Information

Culvert Permits

Recommendation RB-18-01: To ensure reliability and integrity of information, all permits should be filled out accurately and signed by the issuing employee.

- The department has designed a new permit format that better suits our needs and eliminates unnecessary information requests. The updated permits will be implemented at the next order of books.
- The department was provided a detailed list of the following findings:
 - **Missing signatures** - Additional training has been given to all Galveston County employees authorized to issue culvert permits.
 - **Undocumented note/comment of "add-on"** – There is no such status for "add-on", permits are issued at a per foot price. The department has a clear price chart for culvert permits. The culvert permit price is \$19.82 per foot of installation. There is a discount for the initial access to the property that covers up to 20 feet of installation. This, too, is included in the permit price chart and the culvert policy. Mathematically, employees are able to confirm if an initial access discount was provided or not.

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

Materials Inventory

Recommendation RB-18-02: To ensure the reliability and integrity of the materials inventory, adequate support documentation should be retained and submitted for daily usage of materials inventory.

- The Drainage Managers keep track of their daily usage of materials. The department is prepared to forward any supporting documentation upon your request. The department is required to submit monthly inventory reports requested by the Galveston County Auditor's office.

Compliance with Statutes, Policies and Procedures.

Recommendation RB-18-03: To ensure compliance with office procedure, collections should be deposited within 2 business days of receipt, but no later than 5 business days.

- The department will continue to follow the Texas Local Government Code §113.022. Time for Making Deposits. The department's internal policy has been updated to better suit the needs of both office locations.

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