

GALVESTON COUNTY



Office of County Auditor

Randall Rice CPA CISA CIO, County Auditor
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August 10, 2020

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 to be received and filed is the internal audit report of the Road & Bridge Department that covered the period May 1, 2019 through April 30, 2020. Also attached is the response letter from Lee Crowder, Director of Road & Bridge, dated July 28, 2020.

Sincerely,

Randall Rice CPA

Digitally signed by Randall Rice

CPA

Date: 2020.07.29 15:23:56 -05'00'

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 FY2020

July 9, 2020

Galveston
County
Internal Audit Division

Randall Rice CPA
CITP CISA CIO CBM OARFA CGMA
County Auditor

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Executive Summary

Reliability and Integrity of Information (page 3)

- The controls over culvert permit fee collections are adequate and effective.
- The controls over material inventory reporting are adequate.

Safeguarding of Assets (pages 4)

- Physical security over assets (collections and inventory) is adequate.
- Controls over the management of assets are adequate.

Compliance with Statutes, Policies and Procedures (page 5)

- Refunds were processed in compliance with office policy.
- Collections were deposited in compliance with LGC §113.022.

Statistical Analysis (page 6)

- Revenue generated through the sale of culvert permits have decreased 33.85% from FY2015 to FY2019.
- Material inventory expenditures have fluctuated irregularly over the last five years.

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 May 1, 2019 through April 30, 2020. The audit was performed from May 29, 2020 through July 9, 2020.

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.

Jessica Robbins, 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 credit card reader. Copies of the permits and collections are scanned in OnBase. Road and Bridge records culvert permit information in ChangeGear, an electronic record keeping system for operations management. All permit information, including customer details and comments, is recorded in ChangeGear. The Dickinson office records permits for both offices. No material discrepancies were noted in the review of the culvert permits.

Materials Inventory

R&B purchases materials for maintenance and construction of roadwork and drainage projects, including projects performed through interlocal agreements. In addition to accepting consumable materials at job sites, the department maintains a materials inventory at four stockyards, in support of ongoing operations. The materials used at each stockyard are documented on field notes by the R&B managers. At the end of each month, the manager's notes are consolidated and documented on a 'Monthly Stockyard Inventory Log'. Materials inventory received during the month are also documented on the log. The 'Monthly Stockyard Inventory Log' from each location is submitted to the R&B Office and Sign Coordinators, who document the results on the master inventory report, which is then verified by a supervisor. A monthly inventory report is submitted to the Auditor's Office by the 10th of each month. Inventory logs from October to December 2019 were tested for each location's inventory. No material discrepancies were noted.

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.

Due to the COVID-19 pandemic, a surprise cash count was not conducted. The Road and Bridge Department does not accept cash payments. 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.

R&B materials inventory is stored in stockyards at Bolivar, Dickinson, San Leon 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 each office.

Permits issued are documented in a work order log. A permit gap test was performed on a sample range of the audit period. There were no discrepancies noted.

Management of Collections

R&B 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 staff will make every effort to not accept overpayments. In the event a refund is due, the resident completes a new vendor form and R&B 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 ONE Solution. All refunds shall be reimbursed within 30 days. Refunds were tested for compliance with office policy. No discrepancies were noted.

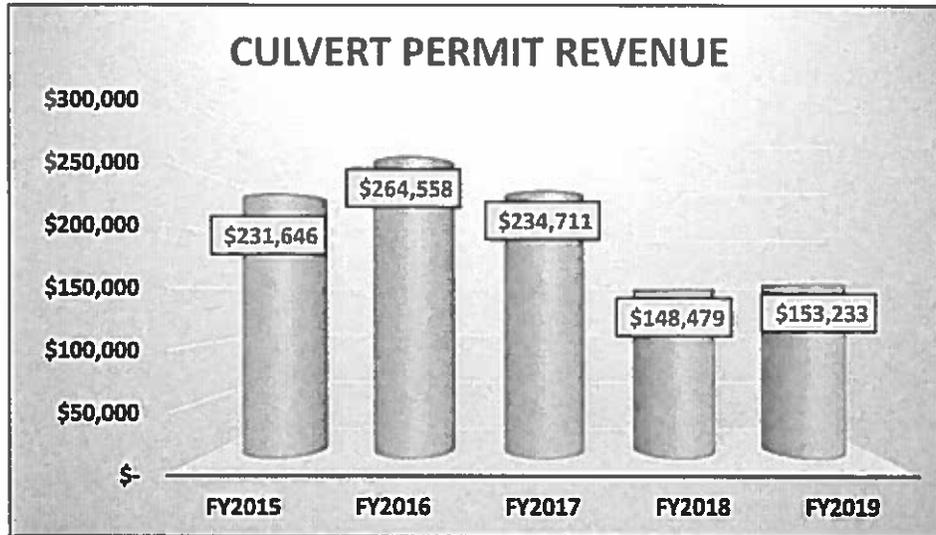
Timeliness of Deposits

Local Government Code (LGC) §113.022 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. No discrepancies were noted.

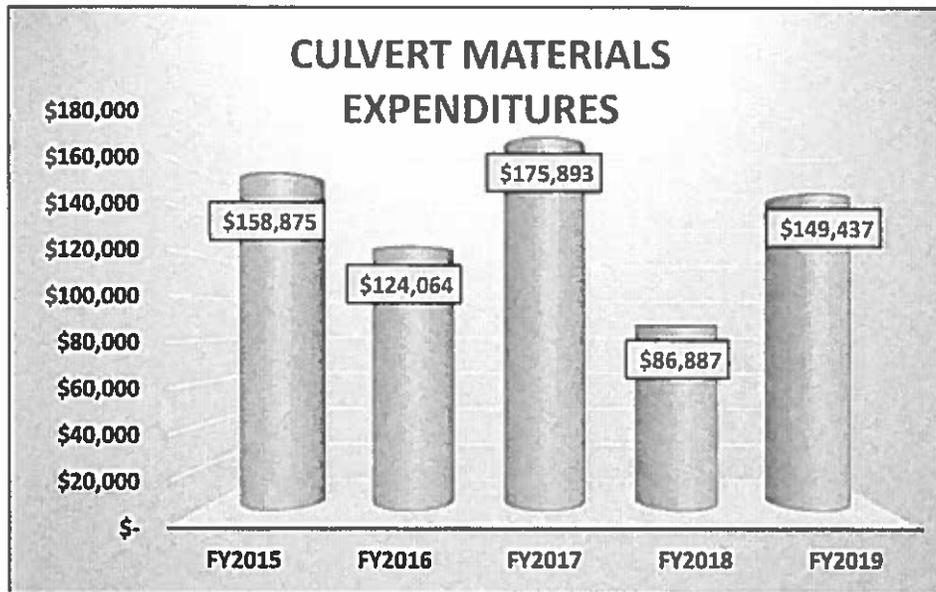
Statistical Analysis

A statistical analysis was performed on the financial activities of the Road and Bridge Department. The analysis covers the period FY2015 through FY2019. The data for the analysis was obtained from OneSolution Budget to Actual reports.

Revenue generated through the sale of culvert permits have decreased 33.85% from \$231,646 in FY2015 to \$153,233 in FY2019, as the following chart illustrates.



Expenditures for culvert materials have fluctuated over the same time period, as the following chart illustrates.





The County of Galveston
Road and Bridge Department
Seawall Maintenance Department
Bollivar Peninsula Beach Maintenance
Fleet Service Department
Lee Crowder, Road Administrator Office 281-534-5152

Date: July 28, 2020

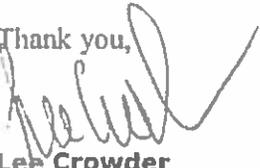
To: Randall Rice CPA
County Auditor

From: Lee Crowder
Road and Bridge Director

Re: Response to FY2020 Internal Audit

The Road and Bridge Department has reviewed the FY2020 Internal Field Audit for the period of May 1, 2019 through April 30, 2020 and accepts the report as submitted.

I would like to thank the staff of the Office of the County Auditor for the diligence and consultation provided during the audit process.

Thank you,

Lee Crowder
Road Administrator



Lee.Crowder@co.galveston.tx.us