



THE COUNTY OF GALVESTON
COUNTY AUDITOR'S OFFICE
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April 28, 2015

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

Honorable Judge and Members of the Court:

Attached for your consideration is the internal audit report of the Housing Department – Severe Repetitive Loss Program. The audit covered the period September 1, 2013 through January 31, 2015. Also attached is the response letter from the Director of Housing and Economics, Mr. James Gentile, received April 20, 2015.

Sincerely,

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

Randall Rice CPA
County Auditor

cc: Mr. James Gentile, Director of Housing and Economics

Attachment: Housing Department – Severe Repetitive Loss Program Audit Report
Response Letter, Mr. James Gentile



Galveston County Housing Department - Severe Repetitive Loss Program Audit

April 9, 2015

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 (pages 3)

- Reviewed applicants denoted as “moving forward” in the Grant Administrator’s (Tetra Tech) workbook met the eligibility requirements set forth in the Federal Emergency Management Agency (FEMA) program guidelines.
- The county is currently under budget for both regions (coastal and riverine) in the program.
- The Housing Department’s procedures for assessing the completeness and accuracy of the Grant Administrator’s invoice documentation appear to be adequate and effective.
- Requests for Reimbursement (RFRs) reviewed by Internal Audit were found to be complete and accurate.

Safeguarding of Assets (page 4)

- Funds paid by the homeowners are deposited in a timely manner.

Compliance with Statutes, Policies, and Procedures (page 5)

- Construction contractors are verified for debarment and suspension prior to entering into contracts with the county.
- Invoices from construction contractors agree with the work and prices established in the work write-ups/bids.
- Invoices from construction contractors are reviewed by the Director of Housing and Economics.
- Elevation costs incurred for properties that have been elevated during the time of this audit were in compliance with the allowable costs listed in the Hazard Mitigation Assistance (HMA) Unified Guidance.
- Quarterly Financial and Progress Reports were submitted to the Texas Water Development Board (TWDB) by the 15th day following the quarter’s end, as required by the contract between the county and TWDB.

Introduction

The Internal Audit Division conducted an internal audit of the Galveston County Housing Department - Severe Repetitive Loss Program, as required by Local Government Code §115.001(2). The internal audit covered the period September 1, 2013 through January 31, 2015. The audit was performed from February 23, 2015 through April 9, 2015.

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 Galveston County Housing Department - Severe Repetitive Loss Program. The internal audit included, but was not limited to, the applicant files, accounts, reports, contracts, and records of the Severe Repetitive Loss Program. The internal audit may also include reports or other records of the County Auditor, other county officials, and third party entities.

The internal audit included examining applicant files and 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 applicant files or transactions, there is a risk that errors or fraud were not detected during the internal audit. The department head 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 Housing Department as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Yun Yap and Jordan Guss, Internal Auditors, 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.

Program Eligibility

The county contracted Tetra Tech to be the Grant Administrator for the Severe Repetitive Loss (SRL) Program. The National Flood Insurance Program (NFIP) is responsible for determining the eligibility of applicants in accordance with the Hazard Mitigation Assistance (HMA) Unified Guidance.

Internal Audit reviewed applicants eligible for the program according to Tetra Tech's master workbook and determined the applicants tested met the eligibility requirements set forth in the HMA Unified Guidance.

Program Budget

The county budget packet for the program was compared to the contracted amounts to verify agreement. The county is currently under budget for both the coastal and riverine regions.

Grant Administrator Invoices

The Grant Administrator, Tetra Tech, sends invoices to the county to be paid for managing the grant. The Housing Department reviews invoices prior to submitting them to Accounts Payable.

Internal Audit tested Tetra Tech's invoices on a sample basis to ensure agreement between the rates charged and the contractual rates, as well as proper support documentation existed for the expenses incurred. The Housing Department's procedures for assessing the completeness and accuracy of the Grant Administrator's invoice documentation appear to be adequate and effective. No exceptions were noted.

Requests for Reimbursements

Construction contractors perform the work agreed upon in the work write-ups and submit invoices to the county for payment. The county pays the contractors and then a Request for Reimbursement (RFR) is sent to the state by Tetra Tech. Various documents are to be included with these RFRs, depending on the stage of construction.

Requests for Reimbursement reviewed by Internal Audit were found to be complete and accurate.

Safeguarding of Assets

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

Minimizing Exposure to Loss

Daily depositing is one of the best methods of minimizing exposure of collections to loss. The Grant Administrator has a policy to deliver collections received from homeowners to the Housing Department for deposit on a daily basis.

Cash Management

Internal Audit assessed the flow of homeowner funds from the Grant Administrator to the county. When the Grant Administrator receives funds from homeowners, they are hand delivered to the Housing Department to deposit. A copy of the check signed by the Housing Department is then returned to the Grant Administrator to document the transfer.

Deposits reviewed by Internal Audit were timely.

Compliance with Statutes, Policies, and Procedures

As part of the audit, the auditor evaluated the adequacy and effectiveness of internal controls and governance regarding compliance with laws, regulations, and contracts within the Severe Repetitive Loss Program operations.

Debarment, Suspension, and Exclusion

The county is required to review each construction contractor's status to verify the entities are not debarred, suspended, or otherwise excluded to eliminate the risk of the county executing business with entities not in good standing.

Internal Audit searched each construction contractor involved in the program in the Excluded Parties List System (EPLS) to verify the entities are in good standing. No exceptions were noted.

Allowable/Unallowable Costs

The Hazard Mitigation Assistance (HMA) Unified Guidance provides a listing of allowable and unallowable costs under the Severe Repetitive Loss Program. The Housing Department reviews and approves invoices from construction contractors prior to submitting them to Accounts Payable.

Internal Audit confirmed the allowable costs associated with the properties tested were in compliance with the HMA Unified Guidance. Approval by the Housing Department was also verified on invoices tested. Internal Audit found no exceptions during the review.

Quarterly Reports

According to the contract between the Texas Water Development Board (TWDB) and Galveston County, the county is required to submit a Quarterly Financial and Progress Report to TWDB no later than October 15th, January 15th, April 15th, and July 15th of each year until the project is completed.

Both the Quarterly Financial Reports and the Quarterly Progress Reports submitted during the audit period were submitted by the stated deadlines. No exceptions were found.



COUNTY OF GALVESTON

James Gentile
DIRECTOR OF HOUSING

04/20/15

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

Re: Severe Repetitive Loss Program Audit for September 1, 2013 to January 31, 2015

Dear Mr. Rice,

Please know I have reviewed and approved the 2015 Severe Repetitive Loss Program Audit, prepared by your office covering September 1, 2013 to January 31, 2015.

As always, I appreciate the fine work and assistance from your office.

Sincerely,

James Gentile

James Gentile
Director of Housing